



FRANKLIN, NORTH CAROLINA

DECLARATION
of
Covenants, Conditions and Restrictions
For
THE SANCTUARY VILLAGE

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Glossary

Capitalized words are defined terms, which means they have a specific meaning as defined in this Declaration. Defined terms are usually defined the first time they are used in the text or in a portion of the text where the definition is important. Below is a table listing defined terms and where they can be found.

Accessory Building:	<i>Paragraph 2.1.2</i>
Act	<i>See Planned Community Act, below</i>
Allocated Interests:	<i>Section 5.2</i>
Architectural Review Committee (ARC):	<i>Section 5.2</i>
Articles of Incorporation:	<i>Paragraph 1.4.1 and 1.4.4</i>
Association:	<i>Paragraph 1.4.1</i>
Assessments:	<i>Sections 5.1 and 5.5</i>
Attached House (Type I or II):	<i>Paragraph 2.1.1</i>
Bylaws:	<i>Paragraph 1.4.1 and 1.4.4</i>
Capital Improvement:	<i>Paragraph 5.1.5</i>
Common Roads:	<i>Paragraph 1.1.5</i>
Commons:	<i>Paragraph 2.2.1</i>
Condominium Unit:	<i>Paragraph 2.1.1</i>
Conciliator	<i>Section 4.2</i>
Detached House:	<i>Paragraph 2.1.1</i>
Design Code:	<i>Paragraph 5.1.1</i>
Development Period:	<i>Introduction to Section 1.5</i>
Executive Board:	<i>Paragraph 1.4.2</i>
Founder:	<i>Submission to Declaration</i>
General Assessment:	<i>Paragraph 5.1.4</i>
Individual Parcel Assessment:	<i>Paragraphs 5.1.6 and 5.3.1</i>
Master Plan Area:	<i>Submission to Declaration and Paragraph 1.1.1</i>
Maintenance Zone:	<i>Paragraph 1.2.4 and Attachment D-2</i>
Mixed-Use Parcel:	<i>Paragraph 1.2.1</i>
Planned Community Act:	<i>Submission to Declaration</i>
Owner:	<i>Submission to Declaration</i>
Parcel:	<i>Submission to Declaration and Introduction to Section 2.1</i>
Property:	<i>Submission to Declaration</i>
Residential Parcel:	<i>Paragraph 1.2.1</i>
Sanctuary Village:	<i>Introduction to Section 1.1</i>
Special Assessment:	<i>Sections 5.1 and 5.5</i>
Special Use Parcel	<i>Paragraph 1.2.1</i>
Supplemental Declaration:	<i>Paragraph 1.5.1</i>
Village Center:	<i>Paragraph 1.2.4</i>



FRANKLIN, NORTH CAROLINA

**NOTICE REQUIRED BY § 47F-3-122:
ANY REQUIREMENT TO IRRIGATE LANDSCAPING IS
SUSPENDED TO THE EXTENT THE REQUIREMENT WOULD
OTHERWISE BE PROHIBITED DURING ANY PERIOD IN
WHICH THE GOVERNOR, A STATE AGENCY, OR UNIT OF
LOCAL GOVERNMENT HAS IMPOSED WATER
CONSERVATION MEASURES. THE ASSOCIATION MAY NOT
FINE OR OTHERWISE PENALIZE AN OWNER OF LAND FOR
VIOLATION OF AN IRRIGATION REQUIREMENT DURING A
DROUGHT DESIGNATED UNDER THIS SUBDIVISION.**

DECLARATION
of
Covenants, Conditions and Restrictions
For
THE SANCTUARY VILLAGE

THE SANCTUARY COMMUNITIES OF NC, INC., a Florida corporation registered in North Carolina to be known in this document as the "Founder," makes this Declaration on the 28th day of September, year of 2009.

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INTRODUCTION AND HISTORY

The Sanctuary Village is a true in-town neighborhood within the City of Franklin, in walking and biking distance of Franklin's historic Main Street, Angel Medical Center, and the popular Greenway along the Little Tennessee River.

The first new in-town community in the North Carolina Mountains to exemplify the highest standards of Traditional Neighborhood Design, the Sanctuary Village will be a neighborhood that honors the traditions of best-loved places the world over, where citizens of all ages and with a wide range of incomes can engage in the pleasures of real community. The Sanctuary Village will feel familiar to those who have experienced life in the best of our nation's oldest neighborhoods, where shops, cafes, bookstores, cultural events, and community gathering spots are within a short walk.

In that spirit, The Sanctuary Village will reward the pedestrian experience. That means wide sidewalks and narrower, safer streets. It means interior parks, plazas, and walking paths that make strolls inviting. Wherever possible, dedicated parking will be in the rear of homes to give prominence to porches and welcoming facades instead of garages.

Sanctuary Village features beautifully designed smaller homes, with lower energy costs and minimal maintenance over the long haul. Beyond the purely practical advantages, design that harmonizes a right-sized private domain with inviting civic space contributes to quality of life. All homes will take advantage of the latest green-building technologies and materials. Sanctuary Village will include a broad range of home choices, from cottages to larger single-family homes and mansion flats in elevator-served buildings. Live-works are suitable for those who want a modest business on the ground floor and living quarters above.

PURPOSE

This Declaration is the operating manual to be used by the residents of Sanctuary Village to maintain the neighborhood. Rules and regulations, when they exist at all, are designed to solve problems in the least intrusive way. Provisions that apply only under unusual circumstances, or that apply only to a small portion of the community, are attached as exhibits rather than included as part of the main text.

This Declaration looks to the future and provides a decision-making framework to support Sanctuary Village residents throughout its life stages. Once the community is mature, it will continue to face decisions as it maintains its commons for each succeeding generation.

SUBMISSION TO DECLARATION

Reserved Areas 1, 3 and 4 are hereby specifically not subject to this Declaration of Covenants, Conditions and Restrictions.

The Founder, who is the owner of all of the property in Macon County, North Carolina, described on Exhibit A (the "Initial Property"), hereby submits the Initial Property to this Declaration of Charter, Easements, Covenants and Restrictions. The Founder hereby declares that the Initial Property and any other property made subject to this Declaration by

Supplemental Declaration (together, the “Property”) shall be held, sold and conveyed subject to the covenants, restrictions and easements of this Declaration.

A Parcel, which is the smallest piece of land that can be owned within the Property, is usually a platted lot but can also be a condominium unit. A person, group of people or entity that owns a Parcel is known in this Declaration as an “Owner.”

It is intended that this submission be in accordance with Chapter 47F, North Carolina General Statutes.

Chapter 47 F, as amended from time to time, shall be known in this Declaration as the Planned Community Act, or the Act.

Wherever used in this Declaration, the Founder is The Sanctuary Communities of NC, Inc., a Florida corporation registered in North Carolina, its successors and assigns, or any successor or assign of all or substantially all of its interests in the development of the Property unless the instrument conveying such interests provides otherwise. The Founder is to be considered the Declarant under the Act. The Founder may also be an Owner for so long as the Founder is record owner of any Parcel.

This Declaration shall run with the land and be binding upon each Owner of a Parcel within the Property, their heirs, successors and assigns, and upon all other parties, heirs, successors and assigns having any right, title or interest in all or any part of the Property.

Founder also hereby provides notice of certain restrictions, as further described in Paragraph 1.1.1, for the remainder of the property described on Exhibit A (the “Master Plan Area”), but does not submit the entire Master Plan Area to all the terms of this Declaration at this time.

The following attachments to this Declaration are hereby fully incorporated by reference:

- Exhibit A, Legal Description, The Master Plan Area - The Initial Property Reserved Areas 1, 3 and 4 are hereby specifically not subject to this Declaration of Covenants, Conditions and Restrictions.
- Exhibit B, The Articles of Incorporation for the Sanctuary Village POA, Inc.
- Exhibit C, The Bylaws for the Sanctuary Village POA, Inc.
- Exhibit D, Additional Terms:
 - Attachment D1: Founder’s Reserved Rights
 - Attachment D2: Maintenance Zones
 - Attachment D3: Easements Between Parcels
 - Attachment D4: Review Process for Original Construction
 - Attachment D5: Modification of Commons
 - Attachment D6: Insurance, Repair, Reconstruction and Redevelopment

Part I: Development Plan



- 1.1 The Master Plan and Connection to the Community
- 1.2 Uses
- 1.3 Stages of the Community's Life
- 1.4 The Association
- 1.5 The Foundation

1.1 The Master Plan and Connection to the Community

The Founder intends to establish a mixed-use community with a Village Center, where residents as well as the general public can enjoy shops, restaurants and activities. The Master Plan seamlessly ties together the Village Center, the residences within the Sanctuary Village and the surrounding neighborhoods of the Town of Franklin. Sanctuary Village is the name by which the Property shall be known to the public and may include all of the property within the Master Plan Area, whether or not submitted to this Declaration.

1.1.1 Master Plan Area.

(a) Generally. The initial Master Plan Area is all that property described on Exhibit A comprising approximately 24 acres. The plan for the Master Plan Area is general in nature and subject to change. Reserved Areas 1, 3 and 4 are hereby specifically not subject to this Declaration of Covenants, Conditions and Restrictions.

(b) Notice of Intent. The Founder intends that any residential property within the Master Plan Area that is conveyed to a party other than the Founder (other than dedications to a governmental entity) be made subject to this Declaration unless the instrument of conveyance clearly indicates otherwise. If an instrument submitting the property to the Declaration is not recorded prior to, or at the time of, such conveyance to a party other than the Founder, the Founder shall have the right to record a corrective instrument submitting such property to this Declaration.

(c) Modification of Master Plan Area. The Founder may, at any time during the Development Period, modify the Master Plan Area by adding or removing property. The Founder may record an amendment to this Declaration providing notice of such change, which shall not require the consent of any party other than the Founder and the owner of the property being added or removed, if different from the Founder.

(d) Limitation. Portions of the Master Plan Area may be developed in any order.

Some of the Master Plan Area may not be developed as part of Sanctuary Village but may be developed separately.

1.1.2 Relationship to the Town of Franklin. Sanctuary Village is intended to be a mixed-use community that is an integral part of the Town of Franklin. It welcomes the public to shops, restaurants, and other areas within Sanctuary Village. Streets are intended to be dedicated to the public. The Founder and POA may sponsor classes, programs, concerts, festivals and other events that take place within the Sanctuary Village, contributing to an active civic life to the community.

1.1.3 Commons.

(a) Common Roads. Most streets are intended to be dedicated to the public. Any streets that are not dedicated to the public shall be part of the Commons and shall be known as the Common Roads. The Common Roads (other than rear lanes that serve as garage access) are hereby made subject to an easement for pedestrian and vehicular access to and from other parts of Sanctuary Village and areas outside Sanctuary Village. Except for reasonable regulation of driving and parking, and occasional closure for street fairs or other events or as reasonably necessary to maintain their private nature, the Common Roads are not to be gated or access otherwise restricted. However, the Association may reserve rear lanes for the private use of Owners.

(b) Recreational Facilities. Passive recreational facilities such as parks, squares or plazas that are part of the Commons shall be open for appropriate use by the public, subject to reasonable regulation by the Association to prevent nuisances. As currently envisioned, the Master Plan does not call for any active recreational facilities such as swimming pools or tennis courts to be created as part of the Commons. If any such active recreational facilities are created as part of the Commons, the Association may limit or prohibit use by the general public. However, all tenants and guests of Parcel Owners shall be permitted to use such recreational facilities.

1.1.4 Progress. This Declaration is intended to guide the development of Sanctuary Village and to ensure maintenance of its common areas to a greater extent than would normally be provided by the Town of Franklin. As the Town of Franklin and Sanctuary Village grow and mature, it is possible that the Town may be able to provide all necessary services, and all or part of this Declaration may no longer be needed. In such an instance, the Commons may be dedicated and this Declaration may be amended or terminated in accordance with Part IX of this Declaration.

1.2 Types of Property

A variety of types and sizes of houses welcome residents at different stages of life, and businesses within the community allow residents to walk to places of interest.

1.2.1 Parcel Types. As used in this Declaration, there are three types of Parcels:

Residential Parcels are Parcels intended primarily for residential use. Residential Parcels have one dwelling unit (which may be attached or detached as further

described in Paragraph 2.1.1), or a primary dwelling unit plus an Accessory Building. A residential condominium unit is a type of Residential Parcel.

A **Mixed-Use Parcel** is owned by a single owner and designed to include both residential and commercial uses. Mixed-Use Parcels generally are small-scale, such as a live/work unit, and designed for flexible and adaptable uses, often accommodating commercial uses on the ground floor and one or more residential units on upper floors or in an accessory building. Like Residential Parcels, Mixed-Use Parcels may be attached or detached. *If ownership within a Mixed-Use Parcel is divided into residential and commercial portions, it is no longer considered a Mixed-Use Parcel; instead, any residential unit so created would become a Residential Parcel and the commercial portion would be a Special Use Parcel*

Special Use Parcels are Parcels other than Residential Parcels or Mixed-Use Parcels, such as a multi-family building or a commercial Parcel.

1.2.2 Designation of Uses. The Design Code, in addition to regulating the appearance of Parcels, may regulate the permitted uses for Parcels and may determine that a Parcel is one of the Parcel types designated in Paragraph 1.2.1. A Parcel's use may be further limited by a deed restriction or other restriction that is specific to a Parcel or designated Parcels and that is recorded in the public records prior to or at the time of conveyance (or at any time with the consent of the Parcel Owner). Uses may be revised by modification of the Design Code in accordance with Paragraph 5.1.2; however, no such modification shall prohibit a legally existing use without the Owner's consent.

1.2.3 Encouragement of Small Businesses. Any of the Parcel types may include space for a small business.

(a) Residential Parcels. To the extent permitted by law and subject to reasonable regulation by the Association, home industry that does not generate significant traffic, noise or other nuisances or change the exterior appearance of a building shall be permitted on any Parcel. Signage for home-based business, if any, shall be regulated under the Design Code. To promote neighborhood harmony, the Association may regulate or prohibit businesses that generate significant traffic or that are open to the public at hours other than conventional business hours. Garage sales, estate or yard sales, sample sales and similar kinds of sales activity from Residential Parcels is permitted on an occasional basis. However, the holding of frequent sales from a particular Residential Parcel shall be considered a business and may be regulated, limited or prohibited by the Association.

(b) Mixed-Use Parcels. Live/Works and other Mixed-Use Parcels are intended for commercial use in a portion of the Parcel, and the Association may not restrict or prohibit such use. The Design Code may limit commercial uses of Mixed-Use Parcels located in or near residential areas to those that do not overload the available parking or create unreasonable noise.

(c) Special Use Parcels. The commercial use of Special Use Parcels will be regulated separately from this Declaration and is not subject to regulation by the Association.

1.2.4 Maintenance Zones. Maintenance Zones are smaller areas within the Property of distinct building type or character. Owners of property within a Maintenance Zone may be

assessed for maintenance of Commons primarily serving that Maintenance Zone or for providing special services to that Maintenance Zone, as further described in Attachment D-2.

1.2.5 Village Center. The Village Center is the primarily commercial portion of the Master Plan Area. Some or all of the Village Center may be submitted to this Declaration. While the Village Center is an integral part of Sanctuary Village, its operation is not under the control of the Association and the Association does not regulate business uses. It is possible that a separate declaration (the "Village Center Declaration") will be recorded, and a separate association or management entity (the "Village Center Manager") formed, for regulation of commercial properties and maintenance of common areas within the Village Center. Notwithstanding any other provision of this Declaration, upon recording of the Village Center Declaration, the following shall apply:

(a) If so requested by the Village Center Manager, all Commons within the Village Center shall be regulated and maintained solely by the Village Center Manager, and the Village Center Manager shall assume and be solely responsible for all other Maintenance Zone functions for the Village Center under this Declaration, unless the Village Center Manager and the Executive Board of the Association agree otherwise.

(b) The Village Center Manager shall assume and be solely responsible for all architectural review functions under this Declaration as they relate to property within the Village Center, unless the Village Center Manager and the Executive Board of the Association agree otherwise.

(c) Commercial uses may be regulated under the Village Center Declaration.

1.3 Stages of the Community's Life

Sanctuary Village is to be developed in stages. As each stage is complete, it is to be added to the Property and made subject to this Declaration. The provisions of this Declaration run with the land, which means that once land has been made subject to this Declaration, each Parcel and other parts of the Property are still bound by the Declaration even if the land is sold to a new Owner (unless the land is withdrawn as provided in Paragraph 1.5.2).

During the early stages while the community is being developed, the Founder will need to take an active role in the management of the community. Owners will gradually become more involved in running the community, with the Founder turning over management in stages. Wherever used in this Declaration, the "Development Period" is a period of time that begins with the recording of this Declaration and continues for six months after the Founder neither owns a total of at least one acre of land in the Master Plan Area nor holds any Parcels for sale in the normal course of business. Certain provisions concerning the rights of the Founder are attached to this Declaration as Attachment D-1.

1.3.1 Additional Property. Additional Property may be added to this Declaration in the following ways:

(a) By the Founder. The Founder shall have the right, but not the obligation, for a period of thirty (30) years from this date, from time to time in its sole discretion, to add to the Property any or all of the following:

- (i) any part of the Master Plan Area,
- (ii) any contiguous property,
- (iii) property any portion of which is within one-half mile of any portion of the Property (including any property separated from the Property by a public street, body of water or other property), or
- (iv) any other property with a reasonable relationship to the Property.

Such action shall not require the consent of the Association.

(b) By the Association. Property of any type may be added to the Property at any time by a majority vote of the Executive Board. During the Development Period, such action shall require the consent of the Founder.

(c) Method of Adding Property. If the requirements in (a) or (b) are met, property may be added by the recording of a Supplemental Declaration describing the property to be added and executed with the formality of a deed. The Supplemental Declaration shall require the consent and joinder of the owner of the additional property. Alternatively, for property added by the Founder, the Founder may submit the property to this Declaration by specifically declaring the land to be subject to this Declaration in the deed conveying the property from the Founder to the first Owner other than the Founder. A Supplemental Declaration or deed adding the additional property shall become effective upon being recorded in the county's public records.

(d) Special Provisions. The Supplemental Declaration or deed may establish a new Maintenance Zone and may modify or add to the provisions of this Declaration as to the additional property if needed to reflect the different character of the additional property.

1.3.2 Withdrawal of Property. The Founder reserves the right to withdraw property from the Property so long as all Owners within the area to be withdrawn consent, and appropriate access to the remaining portions of the Property is preserved. Withdrawal shall be accomplished by recording of an instrument in the public records executed by the Founder and the Owner of the property to be withdrawn.

1.3.3 Additional Commons. The Founder may convey to the Association additional Commons, which shall be conveyed free and clear of any liens or encumbrances, excepting taxes on real property prorated to the date of transfer. The Association shall accept title to, and maintenance responsibility for, any Commons conveyed to it by the Founder.

1.3.4 Subdivision of Parcels. Parcels may not be subdivided or separated into smaller Parcels without the consent of the Founder. The Founder may redefine Parcels prior to sale by dividing or combining Parcels or portions of Parcels and adjusting the boundary of a Parcel. The Founder shall also have the right to modify subdivision plats of the Property to make adjustments to Parcel boundary lines with consent only of those Owners whose Parcel boundaries are to be changed. The division or combination of Parcels may be subject to zoning or other governmental regulation.

1.4 The Association

All Owners are members of the Association.

1.4.1 Establishment; Membership. The Sanctuary Village Property Owners Association, Inc., known in this Declaration as the Association, is established under North Carolina law as a nonprofit corporation responsible for the operation of a residential community. This Declaration, the Articles of Incorporation, which are attached as Exhibit B to this Declaration, and the Bylaws, which are attached as Exhibit C, describe its powers and duties. Membership is automatically attached to ownership of the Parcel and cannot be separated from title to the Parcel.

1.4.2 Executive Board. The Owners elect the Executive Board to represent them and make decisions about the operation of the Property. Except for a few matters described in this Declaration requiring a vote of the Owners or consent of Owners, the Executive Board makes all decisions necessary for the operation of the property under this Declaration. The Bylaws contain procedures for electing the Executive Board.

1.4.3 Voting.

(a) Voting Interests. As required by the Planned Community Act, the voting interest assigned to each Parcel shall be the same as its Allocated Interest.

(b) Methods. Wherever used in this Declaration, approval by a majority or other proportion of the Owners refers to a vote, either at a properly called membership meeting or through another voting procedure established under the Bylaws. However, where the Declaration specifies consent in writing, or request in writing, then the necessary number is based on the total voting interests within the Association, and signatures may be collected without a membership meeting or other voting procedure. To the greatest extent permitted by law, the Association may institute voting by electronic or other means.

Approval by Owners

As a convenient reference and not as a limitation, actions requiring a vote of the Owners, or assent in writing, include the following:

Election of the Executive Board.....	Paragraph 1.4.2
Repeal of Additional Services.....	Paragraph 2.2.5
Ratification of expenditures for capital improvements	Paragraph 3.1.4
Repeal of Rules and Regulations adopted by the Executive Board	
.....	Paragraph 4.1.4
Amendment or Termination of Declaration	Section 6.2
Conveyance or Dedication of the Commons	Attachment D-5
Redevelopment.....	Attachment D-6

Except for those matters specifically requiring approval of the Owners, the Executive Board has the power to act without membership approval.

1.4.4 Additional Provisions. Additional provisions concerning the operation of the Association and the Executive Board and voting procedure are contained in the Articles of Incorporation and the Bylaws.

Intentionally Left Blank

Part II: Maintenance and Operation



- 2.1 Houses
- 2.2 The Commons

2.1 Houses

Parcels are classified according to building type to determine what type of maintenance the Owner must provide.

2.1.1 Residential and Mixed-Use Parcel Types. The Property may have four types of Residential or Mixed-Use Parcels:

Detached Houses are owned by a single owner and are not attached to any other building, other than an accessory building owned by the same owner.

A **Type I Attached House** is attached to another home on one or more sides and may share a party wall with another home, but is otherwise structurally independent and does not need to have a uniform appearance with the home, or homes, to which it is attached.

A **Type II Attached House** is attached to another home on one or more sides and needs to be maintained together with the attached home, either because it is structurally dependent on the neighboring home, or because it is intended to have a uniform appearance with the neighboring home, or both. A Type II Attached House is structurally dependent if it shares a roof structure, so that damage to the roof over one Type II Attached House could cause water to travel to another Type II Attached House, or if other damage to the structure of the Type II Attached House could cause structural impairment to the other Type II Attached House.

A **Condominium Unit** has been submitted to a condominium form of ownership.

The type of Parcel will, in most instances, be readily apparent. The Executive Board, after notice and a meeting with the Parcel's Owner, may determine a Parcel's classification in instances where the type may be open to some interpretation. The deed conveying the Parcel from the Founder or other instrument signed by the Founder may designate the type of Parcel and shall be considered correct unless clearly in error.

2.1.2 Accessory Buildings. A Detached or Type I or Type II Attached House may also have an Accessory Building, such as a garage, which may include living space. Because the Accessory Building is owned by the same Owner as the main building, it does not change the Parcel's classification.

2.1.3 Maintenance Responsibility, Generally. Each Owner of a Parcel shall be responsible for keeping the Parcel in good repair and free from debris or hazardous conditions. When Type II Attached Houses are added to the Property, they shall be subject to special Maintenance Zone provisions for common maintenance. For condominiums, the condominium association performs most maintenance as provided by the declaration of condominium, although unit owners may also have some maintenance responsibilities.

2.1.4 Insurance. Except for Type II Attached Houses, which must be insured, property insurance is strongly encouraged but not required by this Declaration. (Most mortgage lenders require evidence of insurance.) A condominium building will be insured by its condominium association but unit coverage and contents coverage is also recommended.

2.1.5 Access for Equipment and Repair. Heat and air-conditioning equipment from several homes may be clustered in a yard or on the Commons. Each Owner shall have an easement for operation and maintenance of any such equipment as originally constructed, and for any replacements of such equipment. The Association shall have the power to reasonably interpret and administer this easement. Other easements for maintenance of homes are provided in Attachment D-3.

2.1.6 Support of Buildings. An easement is hereby reserved as reasonably necessary for support of buildings as originally established, including but not limited to the following:

(a) Footers. Footers necessary to the structural support of buildings may extend under adjacent Parcels, Commons or areas that have been dedicated to the public, such as streets, sidewalks and parks. In all such instances, an easement is hereby reserved for such footers as originally created and for repair and replacement as reasonably necessary. Any excavation must be performed with care so as not to damage footers and impair the structural integrity of the footing.

(b) Extension of Buildings over Streets. In some instances, portions of buildings may extend over streets, forming a bridge of habitable space that may be connected to a separate building on the other side. In other instances, an arcade with habitable space above may extend over a sidewalk or street. In all such instances, there is hereby reserved from any dedication to the public or conveyance to the Association an easement in favor the Owner of such space for the use, maintenance, repair and, if necessary, reconstruction of such airspace in substantially the same form, and notice is hereby given of such reservation of easement. Where such construction relies for support on a separately owned building, there is hereby reserved for the Owner an easement for support, maintenance, repair and, if necessary, reconstruction of the structure in substantially the same form.

Additional easements are provided in Attachment D-3.

2.2 The Commons

The common areas of Sanctuary Village are enjoyed best on foot. Sidewalks and trails abound. Small parks follow the land's natural slope. Streets within Sanctuary Village place priority on the pedestrian's comfort. They are intended to accommodate automobiles, but not be overwhelmed by them.

The Commons are known in the Planned Community Act as the Common Elements.

The Association is responsible for maintaining the Commons, and has other maintenance responsibilities as described in this Article. The powers and duties are intended to be flexible, so that the Association can meet the needs of the community as it changes over time.

2.2.1 Ownership. The Association may own open space, recreational facilities, streets, parking lots and other commonly used portions of the community. Those common areas for which the Association is responsible are called the Commons. In most cases, the Association will hold title to the Commons in fee simple. In other cases, the Association's interest may be in the form of easements, leases or other rights. As development progresses and improvements are completed, the Founder intends to convey certain property to the Association as Commons, and the Association shall be required to accept the conveyance.

2.2.2 Owners' Easement of Enjoyment. Every Owner has, and is hereby granted, an easement for appropriate use and enjoyment of the Commons. This easement passes with title to the Owner's Parcel and is automatically extended to the family members, tenants or guests who reside on the Parcel or are accompanied by the Owner. The easement is subject to the Association's right of regulation in accordance with this Declaration and is also subject to any limitations that may be contained in the conveyance of that portion of the Commons to the Association.

2.2.3 Maintenance and Capital Improvements. The Association is responsible for managing the Commons and must keep the Commons clean and in good repair. The Association may also make capital improvements to the Commons and may modify the uses of the Commons. Any changes to the Commons must be approved in accordance with the architectural review standards of Chapter Four.

2.2.4 Association's Easements for Maintenance. To the extent reasonably necessary, the Association has, and is hereby granted, an easement over each Parcel for maintenance of the Commons. The Association also has, and is hereby granted, an easement with respect to any improvements constructed on the Commons that encroach on a Parcel, whether due to any minor deviation from the subdivision plat or the settling or shifting of any land or improvements.

2.2.5 Events and Festivals. Sanctuary Village is intended to be a vibrant community with activity that brings people together. The Founder hereby reserves to itself the right to use of the Commons for various events at its discretion. The following are examples:

- (a) Music, performance, arts or crafts festivals.
- (b) Parades, block parties or other events intended to enrich and enliven the community.
- (c) Private parties and events.

As part of these events, the Founder may rent or assign space for pushcarts, kiosks, stands or temporary sales structures and may permit the erection of tents and banners. Such uses may be only for special events or on a recurring basis. However, other than where specified in this Declaration, no contract shall be for a period of longer than a year, including all renewal

options. The Founder may at any time assign all or some of its rights under this section to the Association, the Foundation or to any other successor or assigns.

Safer Streets

When roads are built too wide, drivers naturally speed up. Communities often react with punitive measures, such as speed bumps or traffic tickets. As an alternative approach, streets in this community have been designed to encourage drivers to drive at safe speeds, and to make the streets compatible for cars, bikes and people on foot.

While properly sized streets are the primary method for calming traffic, other design choices also contribute to safe neighborhoods for children and other pedestrians. Some of these may not be readily apparent as traffic-calming measures. For instance, on-street parking is not just a convenience—it narrows the travel lanes and slows down traffic. If on-street parking were to be prohibited, the effective street width would be instantly increased, and traffic would speed up. Other traffic-calming measures include planting of street trees, building homes closer to the street, choice of paving materials and design and frequency of intersections.

Slower traffic saves lives. A pedestrian hit by a car going 20 mph survives 95% of the time. At 30 mph, the pedestrian's chances are about 50/50. Pedestrians rarely survive crashes at 40 mph.

2.2.6 Streets and Rear lanes.

(a) Common Roads. The rear lanes and any streets within the Property that are not dedicated to the public shall be known as the Common Roads and shall be maintained by the Association. The Association may also maintain as Commons the sidewalks and on-street parking, even if located within the public right-of-way or on a Parcel.

(b) Parking Lots. Some Parcels share parking areas, which shall be maintained and regulated as Maintenance Zones as provided in Attachment D-2.

(c) Regulation. To the extent permitted by the Town of Franklin, the Association may make rules and regulations concerning driving and parking within the Property, post speed limit or other traffic signs and take any other reasonable measures to discourage excessive speed and encourage safe driving on the Common Roads. Because the Common Roads are subject to access easements, installation of speed bumps, security gates or other significant impediments is not permitted. However, other traffic-calming measures are encouraged.

2.2.7 Common Landscaping and Rights-of-Way. The Association shall maintain any landscaping or signage that is part of the Commons. To the extent permitted by governmental authorities, the Association may, but is not obligated to, maintain street trees and any landscaping between the sidewalk and the street as if they were part of the Commons, even if located within the public right-of-way or on a Parcel, and any other easement areas, public rights-of-way and other public or private properties located within reasonable proximity to the Property if its deterioration would affect the appearance of or access to the Property.

2.2.8 Lighting. The Association may purchase or lease, or lease to purchase, lighting for the streets and Commons from the local utility. Alternatively, the Association may enter into such agreements with the Founder or other entity if the lighting equipment to be provided meets the requirements of the Design Code and the terms are reasonable. To make outdoor lighting as unobtrusive as possible, the Association may hang or fix lighting for the Commons from houses. Owners of the houses to which lighting is attached are encouraged to maintain the lighting in good condition. The Association may repair lighting and replace light bulbs and is hereby granted an easement to do so. In most cases, such lighting is wired as part of the original construction to draw electricity from the house to which it is attached. Owners of such houses shall be responsible for paying the electricity for the light and shall not cut off the electricity to the light, or remove or damage the fixture or bulb.

Notice concerning Hazards

While recreational facilities provide a great deal of enjoyment, they are also by nature hazardous. The Founder, its affiliates and the Association take no responsibility for injuries or death related to the use of recreational facilities.

From time to time, wildlife may pose a threat to people, pets and property. The Founder, its affiliates and the Association are under no duty to protect against, and do not in any manner warrant against, any death, injury or damage caused by wildlife. Feeding wildlife can cause animals to become more dangerous, and feeding of wildlife (including failure to properly secure garbage containers) is strictly prohibited.

Each Owner by acceptance of title to a Parcel accepts the above.

2.2.9 Surface Water Management. The Founder shall have a blanket easement and right on, over, under and through the ground within the Property to inspect, maintain and correct drainage of surface water and other erosion controls. This easement includes the right to cut or remove any vegetation, grade soil or to take any other action reasonably necessary for health or safety or to comply with governmental requirements. The Founder shall notify affected Owners (except in an emergency) and shall restore the affected property to its original condition as nearly as practical. The Founder may at any time assign all or some of its rights and obligations under this section to the Association or to any other successor or assigns. If so requested by the Founder, the Association shall assume responsibility for surface water management.

2.2.10 Limitation. The Association shall use reasonable judgment in maintaining and regulating the Commons, but neither the Association nor the Founder makes any representation or assumes any liability for any loss or injury. The Founder and the Association make no representations concerning security and shall not be liable in any way for failure to provide services or quality of such services.

2.2.11 Damage or Destruction of Commons by Owner. If any Owner or any of his guests, tenants, licensees, agents, employees or members of his family damages any of the Commons as

a result of negligence or misuse, the Owner hereby authorizes the Association to repair the damage. In the case of vandalism or other reckless or intentional damage, the cost of repair shall be the responsibility of that Owner and shall become an Individual Parcel Assessment payable by the responsible Owner. The Association may, but is not required to, seek compensation for damage from the guest, tenant or other party who caused the damage, in which case the Owner shall be jointly and severally liable. This paragraph shall not be used to reduce the obligation of any insurer to the Association for any policy held by the Association.

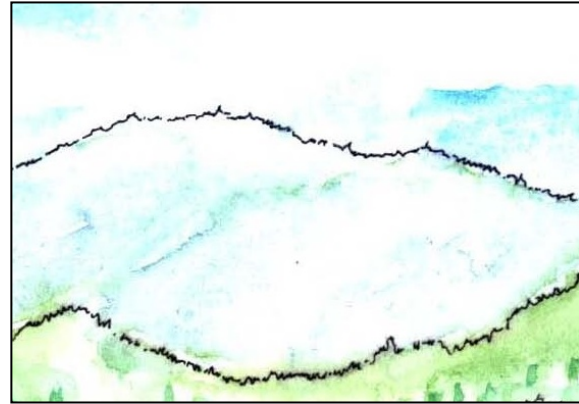
2.2.12 Additional Powers. In addition to the specific powers provided in this Declaration, and to the extent permitted by governmental authorities, the Association, by majority vote of the Executive Board, may provide any other service allowed by law to be provided by a community association organized as a nonprofit corporation. If requested by petitions signed by at least 10% of the Owners, a membership meeting may be called and, if a quorum is present, the offering of the additional service shall be repealed by majority vote of the Owners. For three years after such a repeal, the Executive Board may not reinstitute the service unless also approved by majority vote of the Owners.

2.2.13 Contractual Service. The Association may, but is not obligated to, act as agent for an Owner, if so requested by that Owner, to contract for routine maintenance and other services not required to be provided by the Association, the cost of which would be assessed to that Owner as an Individual Parcel Assessment. The terms and conditions of all such contracts shall be at the discretion of the Executive Board.

2.2.14 Contracts. The Association may contract with any party, including the Founder, for the performance of all or any portion of the management of the Association and its maintenance and repair obligations. The cost of the contract shall be included within the General Assessment, Special Assessment or Individual Parcel Assessment as applicable.

Part III:

Finance



- 3.1 Association Budget
- 3.2 Allocated Interests
- 3.3 Assessments

3.1 Association Budget

To fulfill its obligation to maintain the Commons and other maintenance obligations under this Declaration, the Executive Board is responsible for the fiscal management of the Association.

3.1.1 Budget Process.

(a) Budget Items. The budget shall estimate total expenses to be incurred by the Association in carrying out its responsibilities. These expenses shall include, without limitation, the cost of wages, materials, insurance premiums, taxes, services, supplies, professional management of the Association, accounting services, legal counsel, and other expenses for the rendering of all professional services properly approved in accordance with this Declaration. The budget may also include reasonable amounts, as determined by the Executive Board, for working capital and reserves for the Association.

(b) Maintenance Zone Expenses. The Executive Board shall adopt a separate budget for each Maintenance Zone for Maintenance Zone expenses after consultation with the appropriate Maintenance Zone Advisory Council.

(c) Approval. The Executive Board shall review and approve the budget prior to the beginning of the fiscal year for which it applies in accordance with the Bylaws.

(d) Effect of Failure to Prepare or Adopt Budget. The Executive Board' failure or delay in preparing or adopting the annual budget for any fiscal year shall not waive or release a Owner's obligation to pay General Assessments whenever the amount of such assessments is finally determined. In the absence of an annual Association budget each Owner shall continue to pay the assessment at the rate established for the previous fiscal period until notified otherwise.

3.1.2 Reserves and Deferred Maintenance.

(a) Generally. It is recommended that the Association establish reserves for deferred maintenance, which are significant expenses that occur infrequently (in most cases, no more frequently than every five years). As landscaping is usually not covered by insurance, it is also recommended that the Association establish reserves for clean up and landscape repair that may be needed after storm damage. Without sufficient reserves, the Association will be required to levy a Special Assessment when these major expenses arise. Costs which reoccur more frequently or which are less expensive may be handled as an ordinary expense,

although reserves may be established for these costs as well. Reserves for Maintenance Zones shall be kept separate.

(b) Using Reserves. When it is time to perform deferred maintenance, the Executive Board may authorize use of the appropriate reserve fund. Reserve funds are an estimate; sometimes one reserve fund will have excess funds, while another will not have enough. If specifically authorized by the Executive Board, reserves set aside for one purpose may be used for another purpose.

(c) Calculating Reserves. The amount of reserve required is based on the life expectancy of the item, its replacement cost, and the amount of money already in the fund. Once the amount of the reserve is determined, the reserve funds should be included in the budget and funded each year from General Assessments.

(d) Investing Reserves. Although separated for the Association's internal bookkeeping purposes, the various reserve funds may be deposited in a single bank or investment account, to be invested in a prudent way. Because the reserves are the Association's savings, reserves must be kept in an account separate from the Association's operating account and must require more than one signature to be accessed.

(e) Excess Reserves. If there is an excess of reserves at the end of the fiscal year, the Executive Board may decide to reduce the following year's assessments for reserves. If the Executive Board, by two-thirds vote, determines that a reserve is no longer necessary for its original purpose, it may assign all or part of the funds to a reserve for another purpose or allocate the funds to the operating account.

3.1.3 Capital Improvements.

(a) Authority. The Executive Board may authorize Capital Improvements to the Commons and include the cost in the budget. If the Capital Improvement is considered substantial, it must also be ratified by a majority of the Owners. If the Owners approve the substantial Capital Improvement, the Executive Board shall determine whether it shall be paid from General Assessments or by Special Assessment.

(b) Definition. A Capital Improvement is an alteration or addition or improvement to the Commons, or the purchase of additional property to be added to the Commons. A Capital Improvement shall be considered substantial if the cost to the Association of the improvement is more than six percent (6%) of the annual budget, or if, when added to other Capital Improvements for the fiscal year, totals more than ten percent (10%) of the annual budget. However, any reasonably necessary repair or replacement of existing improvements with materials of similar price and utility shall not be considered a Capital Improvement and may be authorized by the Executive Board without Owner approval.

3.1.4 Establishment of General Assessments. The budgeted amount for general expenses shall be divided among all Owners according to Allocated Interest and assessed as General Assessments. The Executive Board shall set the date or dates such assessments become due and may provide for collection of assessments annually or in monthly, quarterly or semiannual installments.

3.1.5 Special Assessment. In addition to the General Assessment, the Executive Board may at any time levy a Special Assessment:

(a) Capital Improvements. A Special Assessment may be levied for a Capital Improvement. If the Capital Improvement is considered substantial, Owners must first approve it in accordance with Paragraph 3.1.3.

(b) Emergency Assessment. By a two-thirds (2/3) vote, the Executive Board may impose a Special Assessment for any unusual or emergency maintenance or repair or other expense that this Declaration or the law requires the Association to pay (including, after depletion of reserves, any unexpected expenditures not provided by the budget or unanticipated increases in the amounts budgeted).

The Executive Board may decide to spread a Special Assessment over a number of years.

3.1.6 Individual Parcel Assessments. Certain charges are designated in this Declaration as an Individual Parcel Assessment, to be assessed to a particular Parcel or group of Parcels. Where such services may be reasonably estimated in advance, the Association may budget for such expenses and assess the cost in advance to the affected Parcels.

3.2 Allocated Interests

Each Parcel subject to this Declaration is assigned an Allocated Interest, which is used for allocating Assessments.

3.2.1 Residential Parcels. Each Residential Parcel shall be assigned one Allocated Interest unless the primary residential dwelling on the Parcel (whether attached or detached) is smaller than 1000 square feet of net leasable square footage, in which case the Parcel shall be assigned an Allocated Interest of 0.75. If a Parcel comprises a primary dwelling plus a garage or other accessory building with a separately leasable residential unit, the separately leasable residential unit shall be assigned an additional 0.25 Allocated Interest. *For instance, a townhome, condominium unit or cottage with 900 square feet of leasable space shall be assigned an Allocated Interest of 0.75. A 2,000 square foot house with an 800 square foot garage apartment shall be assigned an Allocated Interest of 1.25.*

3.2.2 Commercial Space. Commercial space shall be assigned one Allocated Interest per one thousand (1000) square feet of net leasable commercial square footage, as defined in paragraph 3.1.7. Commercial space may be assigned fractional interests and shall be rounded to the nearest 200 square feet, or one-tenth of an Allocated Interest. *For instance, 850 square feet of commercial space shall be assigned an Allocated Interest of 1.0, and 1490 square feet shall be assigned an Allocated Interest of 1.5.*

3.2.3 Live/Work Parcels. Parcels that include both residential and commercial uses shall have an Allocated Interest that is equal to the sum of the residential and commercial uses. *For instance, a Live/Work Parcel with one Residential Unit and 1,000 square feet of commercial space shall be assigned an Allocated Interest of 1.5.*

3.2.4 Unimproved Lots. Parcels that do not have a building that is substantially complete shall pay a reasonable amount as determined by the Association, but not to exceed one Allocated Interest per year.

3.2.5 Non-Commercial Uses. Parcels that are used by non-profit or governmental entities primarily for the benefit of residents or guests may be exempt from Assessments or pay reduced Assessments if so provided in the deed conveying the Parcel from the Founder, or, if

not so provided, as determined on an annual basis by the Association. If not so provided, such Parcels shall pay Assessments as commercial uses. The Commons are not subject to assessment.

3.2.6 Definition of Net Leasable Square Footage. For purposes of calculating Allocated Interests for both residential and commercial uses, net leasable square footage shall include all heated or air-conditioned space, measured to the center of the wall for interior walls (such as the walls between condominium units) and measured to the exterior surface of the wall for outside walls. Commercial square footage shall include all such space that may be used for commerce, office, storage and other support areas for the commercial use but shall not include any Residential Unit, or any lobbies, stairwells or walkways used primarily to access residential space. At the discretion of the Association, decks and other un-airconditioned space that are used on a regular basis for commerce may also be considered as part of the square footage and assessed at a reduced rate, depending on use. The Association in its reasonable discretion may determine the amount of assessed square footage for a particular Parcel and may make rules for calculating and rounding square footage. The Association may adjust or revise Allocated Interests if uses for the Parcel change.

3.3 Assessments

The cost of fulfilling the Association's financial obligations is divided among the Owners by means of Assessments. To assure the Association of a reliable source of funds and to protect Owners who contribute their share, assessments are an Owner's personal obligation and are secured by a lien on the Parcel.

3.3.1 Obligation for Assessments. Each Owner of any Parcel by acceptance of a deed or other transfer instrument is deemed to agree to pay to the Association the following (to be known collectively as "Assessments"):

- (a) General Assessments for expenses included in the budget for general Association expenses, divided among all Owners according to Allocated Interest,
- (b) Special Assessments for the purposes provided in this Declaration, and
- (c) Maintenance Zone Assessments and other Individual Parcel Assessments for any charges particular to that Parcel.

Each Owner also agrees to pay a reasonable late fee and interest, as established by the Executive Board, and cost of collection when delinquent, including a reasonable attorney's fee whether or not suit is brought. Upon default in the payment of any one or more installments, the Executive Board may, to the extent permitted by law, accelerate the entire balance of such Assessment, which shall be declared due and payable in full.

3.3.2 Fees Due Upon Property Transfers.

(a) General Assessments. During the initial year of ownership, each Owner shall be responsible for the prorated share of the annual General or Special Assessment charged to each Parcel, prorated in accordance with policy adopted by the Executive Board of the Association. The Association may require that the initial General Assessment for some or all of the remainder of the year be collected at the time title is conveyed to the Owner.

(b) Association Contribution. At the closing and transfer of title of each Parcel to the first Owner (other than the Founder or an affiliate of the Founder) and upon each subsequent resale, the new Owner shall contribute to the Association three months' assessments or \$250, whichever is greater. This contribution may be used by the Association for the purpose of initial and nonrecurring expenses of the Association, for providing initial working capital for the Association and for other expenses, and shall not be considered as a pre-payment of assessments. If not paid at closing, the Association Contribution may be collected as an Individual Parcel Assessment.

(c) Exempt Transactions. The Association Contribution is not required to be paid by an institutional first mortgagee that acquires title as the result of a foreclosure or deed in lieu, but shall be paid by a third-party purchaser at foreclosure or upon the conveyance by the mortgagee to a subsequent Owner. Transfers from the Founder to an affiliate are not subject to the Association Contribution. If the Founder conveys a lot without a building to a builder, then that sale may be exempt from the Association Contribution so long as the contribution is made upon conveyance from the builder to a subsequent buyer (other than re-conveyance to the Founder) or occupation of the Parcel, whichever comes first. Inheritance, or transfers or made by an Owner to a trust, corporation or other entity, which is not made for value and is made as part of an estate plan, shall be exempt.

3.3.3 Effect of Nonpayment of Assessment; Remedies

(a) Personal Obligation. All Assessments, together with any late fee, charges, fines, interest and cost of collection when delinquent, including a reasonable attorney's fee whether or not suit is brought (collectively, the "Assessment Charge") shall be the personal obligation of the person or entity who was the Owner of the Parcel at the time when the assessment was levied, and of each subsequent Owner. No Owner may waive or otherwise escape liability for the Assessment Charge by abandonment of the Parcel.

(b) Creation of Lien. The Assessment Charge shall also be charged on the land and shall be a continuing lien upon the Parcel against which the Assessment Charge is made, which may be enforced upon recording of a notice of lien. This lien, in favor of the Association, shall secure the Assessment Charge which is then due and which may accrue subsequent to the recording of the notice of lien and prior to entry of final judgment of foreclosure. If any Assessments are unpaid on the Parcel, the new owner shall, to the extent permitted by law, automatically become liable for those Assessments upon acceptance of a deed and shall be deemed to have notice of the Assessment Charge, whether or not a lien has been filed.

(c) Suit for Payment; Foreclosure of Lien. The Association may bring an action at law against the Owner personally obligated to pay the Assessment Charge, or may foreclose the lien in a manner similar to foreclosure of a mortgage lien, or both. The Association, acting on behalf of the Owners, shall have the power to bid for an interest in any Parcel foreclosed at such foreclosure sale and to acquire, hold, lease, mortgage and convey the Parcel.

3.3.4 Initial Budget and Guarantee of Assessments. The Founder guarantees to Parcel owners that their Assessments during the “Guarantee Period,” as defined below, shall not exceed the amounts shown in the then-current estimated operating budget. During the Guarantee Period, each Owner other than the Founder shall pay the amount shown on that budget as initial Assessment, and the Founder agrees to pay any Common Expenses incurred during the Guarantee Period that exceed the amount produced by such Assessments during that time. The “Guarantee Period” shall begin upon the recording of this Declaration in the public records of Macon County, North Carolina and shall end at the beginning of the next fiscal year. The Guarantee Period shall then be automatically extended for successive six-month periods up to an additional five years unless terminated upon written notice by the Founder to the Association at least 30 days before the end of the then-current Guarantee Period. During the Guarantee Period, the General Assessments may be increased by up to 15% per year. During any such Guarantee Period, the Founder shall be excused from payment of Assessments for Parcels that it owns within the Property made subject to this Declaration.

Notice to Purchasers concerning Unpaid Assessments

If there are any Assessments unpaid on the Parcel, you will automatically become liable for those Assessments when you accept a deed. **You should contact the Association before purchasing a Parcel to make sure no Assessments are owed.** You should also inquire about Special Assessments which may have been assessed but which are not yet owed.

The Association, upon request of any Owner or contract purchaser, will furnish a certificate stating whether assessments are paid to date by that Owner and whether any Special Assessments have been levied. Such a certificate, when co-signed by at least two officers of the Association, may be relied upon by a good faith purchaser or mortgagee. Alternatively, the Executive Board may delegate to the Association’s management company the responsibility for preparing and executing such certificates.

Part IV: Neighbors



- 4.1 Covenants and Restrictions
- 4.2 Conciliator
- 4.3 Enforcement

This Part IV applies only to residential Parcels, and to the residential portion of mixed-use Parcels. The Association shall not have any authority to regulate commercial uses.

4.1 Covenants and Restrictions

This Declaration doesn't have long lists of rules. General rules of civility shall apply, so that neighbors shall have freedom to enjoy music, entertainment and other aspects of life so long as such enjoyment does not unreasonably infringe on the enjoyment of others.

4.1.1 Generally. Each Parcel Owner is responsible for keeping that Parcel in good repair, free of hazardous conditions and unpleasant odors.

4.1.2 Renting. Parcels may be rented, subject to reasonable rules and regulations as promulgated by the Executive Board, which may be modified from time to time.

(a) Short-term Rentals. Short-term rentals, defined as any rental for a term of less than seven months, shall be permitted. To provide the most consistent image and service within Sanctuary Village and to reduce the impact on the community of multiple service vehicles, the Founder reserves the right to require that short-term rentals be made through its designated rental manager. The Founder may in its discretion permit certain short-term rentals to be self-managed, such as rentals that are of a longer duration or a rental of a primary home or accessory building while the Owner resides on the Parcel.

(b) Long-Term Rentals. Long-term rentals shall be permitted. An Owner may rent a primary home or an accessory building separately so long as the Owner occupies one or the other dwelling unit while the other unit is being rented, or uses the designated rental manager.

4.1.3 Pets. Most pets are welcome so long as the pets don't cause an unsafe condition or unreasonable disturbance or annoyance. Pets are limited to cats, dogs and birds, along with animals that are not specifically prohibited by law or by Association rule, that are contained inside the home and that are not poisonous or otherwise hazardous if they were to escape. Pets shall not create unreasonable noise or odor, and Owners shall collect and dispose of animal waste. The Association may designate specific areas within the Commons where pets may be walked, may prohibit pets on other areas, and may require pets to be on leash. The Association

may further regulate the number and size of pets and may prohibit the keeping of particular breeds of dogs or other animals that it deems to create unreasonable danger or nuisance.

4.1.4 Rules and Regulations. The Executive Board may from time to time adopt rules or amend previously adopted rules and regulations to address specific problems concerning the operation, use, maintenance and control of the Parcels, Commons and any facilities or services made available to the Owners. Rules and Regulations shall take effect immediately upon approval by the Executive Board, or at a later date selected by the Executive Board. If requested in writing by at least 10% of all Owners, a membership meeting may be called and any Rule or Regulation may be repealed by majority vote of the Owners. A copy of the Rules and Regulations adopted from time to time shall be posted in a conspicuous place within the Property or furnished to each Owner.

4.1.5 Owner's Responsibility. Each Owner, family members of Owners and Owners' guests and tenants shall conform and abide by the covenants contained in this Declaration and any Rules and Regulations which may be adopted from time to time by the Executive Board. Each Owner shall be responsible for assuring such compliance, and any violation by family members, guests or tenants may be considered to be a violation by the Owner.

4.2 Conciliator

Neighbors should try to work out any differences among themselves, in a courteous and respectful manner. When a neighbor objects to a condition, action, or event caused by another neighbor's actions or inactions, the initial step to resolve the matter should be a discussion between both parties leading to resolution. However, when such efforts fail, the Executive Board may appoint a Conciliator to hear all sides and resolve problems.

4.2.1 Establishment. If the Executive Board institutes an office of the Conciliator, disputes concerning this Part IV may be heard by a Conciliator, or a Conciliatory Panel. The Executive Board shall determine the number of Conciliators and decide if the Conciliators are to be elected or appointed. The Executive Board may decide to make the Conciliator a paid professional position, in which case the Executive Board shall select a mediator, psychologist, attorney or other professional for each available position.

4.2.2 Issues to be Heard. The Executive Board or any resident or Owner may file a request with the Conciliator to hear an issue concerning any violations of Part IV of the Declaration or Rules and Regulations adopted by the Executive Board. The Executive Board may also refer to the Conciliator certain violations of Part V, Design Review, as it deems appropriate. In each case, the Executive Board shall determine if the matter is to be heard by a single Conciliator or by a panel of Conciliators.

4.2.3 Notice. The Conciliator shall notify in writing the resident who is believed to be in violation, as well as the Owner of the Parcel, if different, and set a convenient date and time for meeting.

4.2.4 Meeting. The object of the meeting is to hear the various viewpoints and to attempt to reach an agreement that is acceptable to all parties. Sessions must be conducted with tact, dignity and respect. The Conciliator has the discretion to decide if the complaining party should participate in the meeting.

4.2.5 Resolution. The Conciliator (or Conciliatory Panel) is to evaluate whether the resident or Owner has caused an unreasonable disturbance or other violation, and if so, to help reach a resolution. If the parties reach agreement and the Conciliator approves the agreement, the agreement is to be summarized in writing and signed by the parties, including the Conciliator. The Conciliator has the right to consider whether the same problem has arisen in the past and whether the resident has complied with previous agreements in evaluating the current agreement. If agreement is not reached, or if the parties do not comply with the agreement, or if the Conciliator determines that a fine or suspension be imposed, the Conciliator is to make a report and recommendation to the Executive Board for further action.

4.3 Remedies

The Executive Board may take any or all of the following actions.

4.3.1 Fines and Suspension. After receiving the report of the Conciliator if one has been appointed, the Executive Board has the right to assess reasonable fines up to the maximum allowed by law, with no limit on the aggregate amount except as required by law, and may restrict the resident's use of the Commons for up to sixty (60) days or until the violation is remedied, whichever is longer. Fines shall be charged against the Parcel as an Individual Parcel Assessment. Any fines shall be contributed to the Association's general fund. However, the primary goal of this Declaration is not to punish but to resolve problems. The Executive Board may suggest or approve agreements and withhold the requirement of paying a fine if the agreement is honored.

4.3.2 Pets. If the Executive Board finds that a pet causes an unsafe condition or unreasonable disturbance or annoyance or violates this Declaration or any of the Rules and Regulations concerning pets, the Executive Board may require the resident or Owner to take steps to cure or limit the offensive condition. If such steps are ineffective, if the resident or Owner fails to cooperate or if the pet is considered to create an unsafe condition or is in violation of the types, number or size of permitted pets, the Association may require that an Owner or resident permanently remove the pet from the Property.

4.3.3 Tenant Violations. If after notice to both tenant and Owner and opportunity for a hearing before the Conciliator, the Executive Board determines that a tenant has violated this Declaration or Rules and Regulations, the Association by majority vote of the Executive Board may assess fines against the Owner. In addition, if the violation continues for ten days after notice to the Owner of the findings, or if the tenant materially violates the same covenant more than once in any one-year period, the Association by majority vote of the Executive Board shall have the right to evict the tenant, except tenants who are members of the Owner's immediate family and their spouses. Each Owner by acceptance of a deed irrevocably appoints the Association as its agent and attorney-in-fact in such an eviction action. All costs related to such action shall be charged to the Owner as an Individual Parcel Assessment.

4.3.4 Additional Remedies. The Association by majority vote of the Executive Board shall also have the right to bring suit to enforce the covenants contained in this Declaration, including the right to an injunction.

Part V: Design Review



- 5.1 Design Code
- 5.2 Review Process
for
Modifications
- 5.3 Standard for Review
- 5.4 Remedies

Provisions concerning the review process for original construction are in Attachment D-4.

5.1 Design Code

The Design Code communicates the elements that are essential for creation of a special place, guiding both the construction of original improvements, and later modifications.

5.1.1 Establishment of Design Code. The Design Code shall set standards for the Commons and for all aspects of the Parcel visible from the outside. The Design Code may also regulate the type, placement and number of residential or business units that may be constructed on a Parcel. Founder shall have the right to establish the initial Design Code for Sanctuary Village. Although the Design Code do not need to be recorded to be effective, the Founder or the Association may at any time record the Design Code, or any amendment to the Design Code, in the public record as an additional exhibit to this Declaration.

5.1.2 Modification of the Design Code. The Founder may revise the Design Code during the Development Period. After the Development Period, the Executive Board of the Association by two-thirds vote may approve modifications to the Design Code as to Parcels subject to this Declaration. If requested by petitions signed by at least 10% of the Owners, a membership meeting may be called and, if a quorum is present, the modification to the Design Code shall be repealed by majority vote of the Owners. The Design Code may not be modified to impair the rights of Parcel Owners who have not yet constructed a primary building to build improvements that are substantially similar to those permitted at the time the Parcel was conveyed, provided that construction begins within two years of the date of conveyance.

5.1.3 Applicable Governmental Codes. The Design Code is intended to be consistent with all applicable requirements of state and local law. In the event of a conflict, Founder shall

attempt to resolve the issue with the applicable agency and, if necessary, revise the Design Code.

5.2 Review Process for Modifications

Sanctuary Village will not be frozen in time. Modifications may be as simple as a fresh paint color or as complex as a room addition. The questions surrounding modification review concern not just design but compatibility with the adjacent properties and the concerns of the neighborhood. The review process ensures that as Sanctuary Village matures, it continues to follow the vision set out in Design Code.

The process established under this Section shall apply after the Development Period, and may be instituted sooner for modifications if so established by the Founder. Until that time, modifications shall be reviewed in the same way as new construction.

5.2.1 Architectural Review Committee.

(a) Establishment. Upon termination of the Development Period or if sooner authorized by the Founder, the Executive Board shall establish an Architectural Review Committee to review modifications under this Article. Members of the Executive Board may sit on the ARC. The Architectural Review Committee may employ personnel or contract with individuals or companies as necessary to assist in the review process.

(b) Procedures. Plans and specifications for review shall be submitted in the form and number required by ARC. ARC may provide lists of approved materials and may allow for staff review and approval of routine or minor matters.

(c) Fees. The Executive Board shall set the Architectural Review Committee's review fees to cover all or part of the expected cost of its operation and shall fund any deficit. Fees shall not be intended to create a surplus, other than an ordinary operating capital fund for the Architectural Review Committee to which any excess fees shall be contributed.

(d) Inspection. ARC or its agent may inspect the property during construction but has no obligation to make any such inspection.

5.2.2 When Approval Required. Other than for Type II Attached Houses, review is not required to repaint with originally approved paint and colors, or to replace the roof or other components with duplicates of those originally approved, unless ARC has previously notified the Owner in writing that replacement with the original colors or materials will not be permitted. The ARC shall maintain a registry of such notifications, indexed by address and by the name of the Owner to whom the notice was originally given, so that any purchaser of a Parcel may check to see if such notice has been given. If the registry is properly maintained, it shall serve as notice to any subsequent Owner. Any other modification of the main building, outbuilding, landscaping and all other parts of the Parcel visible from outside the Parcel must be approved in advance of performance of any work. Once construction begins, all construction must comply with the approved plans and specifications, and any changes to the plans must be reviewed and approved.

5.2.3 Type II Attached Houses. Because Type II Attached Houses must be compatible with its companion home or homes, the ARC must review any maintenance, repair or replacement of any part of the exterior of a Type II Attached House Parcel, even with materials and colors identical to those originally approved. The Design Code restricts Owners' ability to enlarge or enclose space or to make any other changes in the exterior appearance of a Type II Attached House or yard to a much greater degree than for other housing types. Review of any private antenna, satellite dish or other structure to be placed on the roof must include assurances that the roof will not be damaged.

5.2.4 Commons. Although this Part V refers to "Parcels" and applies primarily to private property, it also applies to modification of the Commons. Construction of any structure upon the Commons (other than initial construction by the Founder), reconstruction or repair after a loss, modification of any existing structure, or any material alteration of the landscaping or topography of any Commons, must be approved in advance under this Section 5.2.

5.2.5 Modifications to New Construction. Modifications within two years of completion of construction shall be considered part of the original construction, subject to review by the Founder under Attachment D-4. If the Founder declines review or the Development Period has ended, then the modifications shall be subject to review by the ARC under this Section 5.2.

5.2.6 Builders. ARC may establish review and approval process for builders and other contractors. Approval shall be based on willingness to build in accordance with approved plans and specifications, quality of past work, client satisfaction and financial history. Builders must agree to comply with construction regulations, to properly contain and dispose of construction debris, and to build in accordance with the approved plans and specifications.

5.4.7 Limitation. ARC and its inspectors are concerned primarily with aesthetic considerations, and are not responsible for compliance with governmental requirements or design or construction defects or use of materials affecting the safety or structural integrity of the building. Approval by ARC of an application, builder or architect shall not constitute a basis for any liability of the Founder, or members of the ARC, Executive Board or Association for failure of the plans to conform to any applicable building codes or inadequacy or deficiency in the plans resulting in defects in the improvements, or for the performance or quality of work of any contractor or architect approved by it, or for non-compatible or unstable soil conditions or soil erosion, or any other condition or event.

5.3 Standard for Review

Applications are approved based upon compliance with the Design Code in effect at the time of the submittal, compatibility with surrounding Parcels and Commons and overall quality of design.

5.3.1 Design Quality. In addition to compliance with the Design Code, the ARC may also consider other factors, including purely aesthetic considerations, so that it may require changes to a plan to improve its appearance even if the design meets the technical requirements of Design Code. If ARC rejects an application due to overall design quality, ARC may make suggestions for improving the design.

5.3.2 Variances. ARC may occasionally grant a variance from Design Code based on existing topographical or landscape conditions, accessibility needs or architectural merit, but the granting of such a variance shall not be deemed a precedent for other variances.

5.3.3 Signage. All signs, advertisements or notices of any type (other than building permits) on any Parcel are subject to review. However, the Association is encouraged to respect polite expressions of civic interest and permit reasonable political signage supporting candidates or causes. For Sale or For Rent signs may be prohibited or limited to a uniform size and type.

5.4 Remedies

5.4.1 Generally. If any construction or installation is begun which has not been approved or which deviates from approved plans and specifications, the Founder (for original construction) or Association (for modifications) may approve any of the following actions or any combination of the following:

- (a) Require the Owner to resolve the dispute through binding arbitration,
- (b) Seek an injunction requiring the Owner to immediately stop construction and remove or correct any improvements that are not in compliance with approved plans.
- (c) Bring suit seeking other remedies, including any combination of damages, specific performance, declaratory decree and/or permanent injunction or other remedy at law or in equity.

If the Founder or Association brings suit and the court finds that the construction was not approved or that the construction deviated from the approved plans or specifications, then the Founder or Association as applicable shall also be awarded reasonable attorney's fees and costs, even if the relief requested is not granted.

5.4.2 Deposit, Fines. The Founder (for new construction) or Association (for modifications) may require the builder or Owner to post a deposit from which the Founder or Association as applicable may deduct fines for failure to comply with the approved plans and specifications, damage to the Commons, tree regulations and rules for builder conduct. The collection of a fine shall not in any way diminish the available remedies at law or equity.

5.4.3 Tree Protection. Improper cutting, removal or intentional damage to existing trees is subject to fines as set by the Founder or Association as applicable, plus a requirement that the tree be replaced with one or more of approved species and size.

5.4.4 Governmental Compliance. Owners are responsible for making sure that construction conforms to governmental regulations and all local building codes. All plans must comply with applicable drainage, water conservation, erosion control and stormwater detention requirements. If the Founder or ARC notes noncompliance, the Owner will be required to make the necessary changes. However, the Founder and ARC are not responsible for the construction's compliance with governmental requirements.

5.4.5 No Waiver. Failure to enforce any provision of this Declaration, the Design Code or construction rules shall not be deemed a waiver of the right to do so at any time thereafter.

Part VI: General Provisions



- 6.1 Easements
- 6.2 Amendment and Termination
- 6.3 Additional Terms

6.1 Easements

The Founder hereby reserves for itself, its successors and assigns and for the Association and its assigns the following perpetual, nonexclusive easements, which shall benefit the Property and all other properties owned by Founder or its assigns which are adjacent to, or reasonably near, the Property (including property separated from the Property by a public road):

6.1.1 Utility Easements. An easement is hereby reserved upon, across, over, through, and under the Property for ingress, egress, installation, replacement, repair and maintenance of all public and private utility and service systems. These systems include, but are not limited to, water, sewer, irrigation systems, drainage, telephone, electricity, gas, television, cable or communication lines and other equipment. Except where indicated on the plat or as described in specific recorded easements, such easements shall be located within the street right-of-way or other Commons, or in alley easement areas. By virtue of this easement the Founder, and its successors or assigns, may install and maintain facilities and equipment, excavate for such purposes and affix and maintain wires, circuits and conduits.

6.1.2 Police Powers. A blanket easement is hereby reserved throughout the Property for private patrol services, and for police powers and services supplied by the local, state and federal governments.

6.1.3 Drainage. A blanket easement and right is hereby reserved on, over, under and through the ground within the Property for drainage of surface water and other erosion controls.

6.1.4 Encroachment. An easement is hereby reserved for any improvements constructed on the Commons that encroach on any Parcel, whether due to any minor deviation from the subdivision plat of the Property or the settling or shifting of any land or improvements.

6.1.5 Maintenance of Commons. To the extent reasonably necessary, an easement is hereby reserved over any Parcel for maintenance of the Commons or to perform any duties required or permitted to be performed by the Association, its agent or assigns.

6.2 Amendment and Termination

Property Owners should be able to rely on the Declaration and the general principles it states. Amendment should not be easy. However, new solutions will be proposed from time to time to make the Association operate more efficiently or to adjust to changing conditions. Where clearly to the community's benefit, these new provisions should be incorporated into the Declaration.

6.2.1 Amendment.

(a) Generally. Except as provided otherwise, this Declaration, including vested rights, may be amended at any time by affirmative vote or written agreement signed by Parcel Owners representing at least sixty-seven percent (67%) of the voting interests in the Association. If the Planned Community Act is amended to so permit, this percentage shall be automatically reduced to sixty percent (60%). To the extent permitted under the Act, a meeting shall not be required to obtain such consents and the individual consents do not need to be recorded.

(b) Founder. Any amendment during the Development Period shall require Founder's consent. Rights reserved to the Founder may not be amended at any time without the specific consent of the Founder. The Founder specifically reserves the absolute and unconditional right, at any time during the Development Period, to amend this Declaration without the consent or joinder of any party (i) to conform to the requirements of the Federal Home Loan Mortgage Corporation, Veterans Administration, Federal National Mortgage Association, HUD or any other generally recognized institution involved in the guarantee or purchase and sale of home loan mortgages, (ii) to conform to the requirements of institutional mortgage lenders or title insurance companies, or (iii) to clarify, explain or make more certain any the Declaration's provisions or to correct errors, omissions or inconsistencies.

(c) Limited Provisions. The provisions in a Supplemental Declaration affecting only the Parcels subject to the Supplemental Declaration may be amended as provided in the Supplemental Declaration. The Attachments to Exhibit D may be amended as so provided. This Declaration cannot be amended to regulate commercial uses.

(d) Limitation. Whenever any action described in this Declaration requires approval of greater the amount required under (a) to amend the Declaration, amendment of that provision shall require the same percentage vote as would be required to accomplish that action directly.

(e) Recording. Any amendment shall be recorded as provided by the Planned Community Act and unless provided otherwise, shall take effect immediately upon recording.

6.2.2 Duration; Termination. The covenants and restrictions contained in this Declaration shall run with and bind the Property and shall inure to the benefit of and be enforceable by the Founder, the Association, and all Owners of property within the Property, their respective legal representatives, heirs, successors or assigns for twenty years, and shall be automatically extended for each succeeding ten year periods unless an instrument signed by Owners representing 90% of the votes in the Association shall have been recorded, agreeing to

terminate the Declaration as of a specified date. This Declaration may also be terminated in any of the following ways:

(a) Unanimous Consent. The Declaration may be terminated at any time by the consent in writing of all Owners.

(b) Dedication of Commons. The Declaration may be terminated in the same manner as amendment to the Declaration, if the Commons have been accepted for dedication or taken by eminent domain by the appropriate unit of local government (or, if alleys or footpaths are not accepted for dedication, they have been conveyed to the adjacent Parcel Owner, reserving an easement for continued use).

(c) Redevelopment. The Declaration may be terminated for all or a part of the Property in accordance with the redevelopment provisions of Attachment D6.

6.2.3 Rerecording. Unless this Declaration is terminated, the Association shall rerecord this Declaration or other notice as necessary under North Carolina law to preserve its effect.

6.3 Additional Terms

6.3.1. Assignment. Founder may assign all or any portion of its rights at any time for all or part of the Property to any successor or assigns, or to the Association.

6.3.2 Interpretation. The provisions of this Declaration shall be liberally construed to effectuate their purpose of creating a uniform and consistent plan for the development and operation of the Property as a high quality community. Boxed text and italicized portions may be used as an aid to interpretation. However, if the boxed or italicized portion conflicts with the operative provision, the operative provision shall govern.

6.3.3 Enforcement of Declaration.

(a) Enforcement. Suit may be brought against any person, persons or entity violating or attempting to violate the provisions of this Declaration, either to restrain violation or to recover damages, and against his or its property to enforce any lien created by this Declaration. To enforce this Declaration or the Rules and Regulations, the Association, the Founder or any Owner may bring an action for damages, specific performance, declaratory decree or injunction, or any other remedy at law or in equity. The Executive Board shall be empowered to bring suits on behalf of the Association.

(b) No Waiver. Failure to enforce any provision of this Declaration or the Rules and Regulations shall not be deemed a waiver of the right to do so at any time thereafter.

(c) Association's Legal Fees. Any and all costs, including but not limited to attorneys' fees and court costs, which may be incurred by the Association in the enforcement of any of the provisions of this Declaration, whether or not suit is brought, may be assessed as an Individual Parcel Assessment to the Owner against whom such action was taken.

Part IX: General Provisions

6.3.4 Notices. Any notice required to be sent to the Owner shall be deemed to have been properly sent when delivered in accordance with the Bylaws and applicable statute.

6.3.5 Gender and Number. The use of the masculine gender herein shall be deemed to include the feminine gender and the use of the singular shall be deemed to include the plural, whenever the context so requires.

6.3.6 Invalidity and Law to Govern. The invalidity of any part of this Declaration shall not impair or affect the validity or enforceability of the rest of the Declaration, which shall remain in full force and effect. This Declaration shall be construed in accordance with the laws of the State of North Carolina.

IN WITNESS WHEREOF, the undersigned does hereby make this Declaration of Charter, Easements, Covenants and Restrictions for the Property and has caused this Declaration to be executed as of the day and year first above written.

WITNESSES THE SANCTUARY COMMUNITIES OF NC, INC, a Florida
A corporation registered in North Carolina and doing business as The Sanctuary Communities

By: _____
print: _____ its president

STATE OF NORTH CAROLINA

COUNTY OF MACON

I, _____ (Name of the officer taking acknowledgment),
_____ (Official title of the officer taking acknowledgment)

certify that Timothy J. Ryan personally came before me this day, and acknowledged that he is the President of The Sanctuary Communities of NC, Inc., a Florida corporation registered in North Carolina, and doing business as The Sanctuary Communities and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its president, sealed with its corporate seal, and attested by himself as its president.

Witness my hand and official seal, on the 9th day of January 2023.

Notary Public

Printed Name: _____

My Commission Expires:

Schedule of Exhibits:

- Exhibit A, Legal Description, The Initial Property -The Master Plan Area Reserved Areas 1, 3 and 4 are hereby specifically not subject to this Declaration of Covenants, Conditions and Restrictions.
- Exhibit B, The Articles of Incorporation for Sanctuary Village Association, Inc.
- Exhibit C, The Bylaws for Sanctuary Village Association, Inc.
- Exhibit D, Additional Terms:
 - Attachment D1: Founder's Reserved Rights
 - Attachment D2: Provisions for Type II Attached Houses
 - Attachment D3: Easements Between Parcels
 - Attachment D4: Review Process for Original Construction
 - Attachment D5: Modification of Commons
 - Attachment D6: Insurance, Repair, Reconstruction and Redevelopment

Attachment D1: Founder's Reserved Rights

Purpose: *This Attachment sets out rights necessary for the Founder to develop the Master Plan Area.*

Why this is an Attachment: *Most of the rights in this Attachment expire after the Development Period and are of no further interest to the community after that time.*

How this Attachment can be amended: *This Attachment is amended in the same way as any other part of the Declaration, except that any amendment also requires the consent of the Founder.*

1. Selection of Executive Board. The Founder shall appoint and remove the initial officers and members of the Executive Board of the Association. There shall be a gradual transition of voting for the Executive Board as follows:

	<i>Unless Founder voluntarily assents sooner, when...</i>	<i>What Happens Then...</i>
Transition Point I	Completion of construction on at least 30 Parcels within the Property and sale to Owners other than the Founder or builder.	Within three months, Owners other than the Founder elect two members of the Executive Board.
Transition Point II	90 percent of the Parcels in all phases of the community that will ultimately be operated by the Association have been conveyed to Owners other than the Founder or related entities.	Within three months, Owners other than the Founder elect three members of the Executive Board. The Founder may designate two Directors. If the Executive Board has more than five members, similar ratios shall be used such that Owners other than the Founder elect a majority of the Executive Board.
Transition Point III	Founder no longer holds 5% of the Parcels for sale in the normal course of business.	The Founder no longer designates a director but may vote for directors based on its voting interests for the Parcels it owns.

For the purposes of these transitions, the term "Parcel" shall include those pieces of real property within the Master Plan Area that have not yet been submitted to this Declaration but that have not been developed in an inconsistent manner and may reasonably be anticipated to be submitted in the future. The Founder may voluntarily surrender the right to appoint and remove a majority of the officers and members of the Executive Board before Transition Point II, in which case the Founder reserves the right to record an instrument specifying that certain actions of the Association or Executive Board must be approved by the Founder before they become effective.

2. Commons. During the Development Period, the Founder reserves the right to modify the design of the Commons, to make further improvements and to provide landscape maintenance and other maintenance in addition to that provided by the Association.

3. Review of Parcel Modifications. During the Development Period, the Founder may require notification and an opportunity to review modifications to Parcels under Section 5.2 of the Declaration, and may prohibit any modification that is not in compliance with the Design Code.

4. Models; Sales and Management Offices. The Founder reserves for itself and its assigns the right at any time during the Development Period to maintain a sales office, a management office and an unlimited number of models within the Property. These facilities may be located on any Parcel in the Property and may be relocated from time to time at the Founder's discretion. The sales office, management office and models may be owned by different entities, including builders and other entities that are unrelated to the Founder. At the end of its use as a sales or management office or model, the Parcel shall be owned by the owner of record, subject to all normal covenants and restrictions for the Property. Subject to state law and local ordinances, the Founder or its assigns may maintain signs on the Commons and on the sales office, management office and models advertising Sanctuary Village.

5. Change of Name. The Founder shall have the right to change the name, Sanctuary Village, for all or any part of the property subject to this Declaration. Founder may, but is not required to, amend this Declaration to reflect the name change.

6. Easements for Continued Development. The Founder shall have, and hereby reserves, all easements reasonably necessary to permit the Founder to continue and complete construction of Sanctuary Village and any remaining portion of the Master Plan Area and adjacent properties. Accordingly, the Founder hereby reserves for itself, its successors and assigns the following nonexclusive easements, to benefit the entire Master Plan Area and other properties adjacent to, or reasonably near, the Property (including property separated from the Property by a street), whether or not such properties are developed as part of the Property:

(a) Private Roads and Paths. A nonexclusive easement for use of any roads or streets which are not accepted for dedication to the public and which are intended for automobile traffic (other than alleys or other similar access roads which are intended for use only by residents on that road), along with a nonexclusive easement for appropriate use of any pedestrian or bicycle paths.

(b) Utility Easements. A blanket easement upon, across, over, through, and under the Property for ingress, egress, installation, replacement, repair and maintenance of all public and private utility and service systems. These systems and services include, but are not limited to, water, sewer, irrigation systems, drainage, telephone, electricity, natural gas, television, security, collection of garbage and recyclable materials, cable or communication lines and other equipment. By virtue of this easement the Founder, and its successors or assigns, may install and maintain facilities and equipment, excavate for such purposes and affix and maintain wires, circuits and conduits. However, the exercise of this easement must not unreasonably disturb each Owner's right of quiet enjoyment of the Parcel.

(c) Police Powers. A blanket easement throughout the Property for private patrol services, and for police powers and services supplied by the local, state and federal governments. The reservation of such easement does not imply that any such service shall be provided.

(d) Drainage, Erosion Controls. A blanket easement and right on, over, under and through the ground within the Property to maintain and to correct drainage of surface water and other erosion controls. This easement includes the right to cut any trees, bushes or shrubbery, grade soil, or to take any other action reasonably necessary for health or safety or to comply with governmental requirements. The Founder shall notify affected Owners (except in an emergency) and shall restore the affected property to its original condition as nearly as practicable. This easement may be exercised

at the option of the Founder and shall not be construed to obligate Founder to take any affirmative action to correct conditions.

(e) Maintenance of Commons. An easement for maintenance of the Commons to provide, at Founder's discretion, services in addition to those provided by the Association, and, to the extent reasonably necessary, an easement over any Parcel for maintenance of the Commons.

(f) Construction Equipment: To the extent reasonably necessary, an easement over, under and through any roads, whether public or private, and any Commons for construction equipment and any other purpose reasonably related to continued construction of any property within the Property.

The above easements are illustrative and not intended as a limitation. Easements in this paragraph 6 do not automatically expire at the end of the Development Period but shall continue as long as necessary.

7. Cable Television and High Speed Internet Services. Founder hereby reserves for itself, its successors and assigns permanent, exclusive easements within all of the Property for installation, replacement, repair, maintenance and removal of cable, fiber optic and other communications systems, and for connecting such services to the dwelling or other building. By virtue of this easement the Founder, and its successors or assigns, may install and maintain facilities and equipment, excavate for such purposes, and affix and maintain wires, circuits and conduits for the purpose of providing services distributable over such systems to the Property, including, but not limited to, cable or satellite television, video and audio services, Internet access, information services, telephone and other telecommunications services, and electronic security services. However, the exercise of this easement must not unreasonably disturb each Owner's right of quiet enjoyment of his Parcel.

8. Commercial Use of Images. The Founder shall have the following rights:

(a) the exclusive right to grant permission for the Commons to be photographed, sketched, painted or otherwise reproduced for promotional, publishing, academic or commercial use (including without limitation its use as a background for the display of fashions or other goods), and

(b) the right to grant permission for similar reproduction of the exteriors of any other part of the Property that can be viewed from streets, lanes or Commons. Such exteriors may be reproduced without the consent of, or payment to, the Parcel Owner, but the above right is not intended to prevent any Parcel Owner from granting independent permission for any part of the Property owned exclusively by that Owner, in which case the consent of the Founder shall not be required.

The exercise of these rights shall not interfere with normal and customary rights of architects as to structures designed by them. The Founder may collect a fee for its consent to the use of common area images, or for the providing of support services to photographers or others.

9. Trademark. The Founder reserves the right to trademark the name "Sanctuary Village" or other name of the community as a trade name owned by the Founder. An Owner may use the trademarked name to describe the location of the business, and may advertise a business as being located "in Sanctuary Village" or other trademarked name. If requested by the Founder, Owner shall accompany such use with a symbol or explanation concerning trademark or service mark registration of the name. Owner may not use the trademarked name in any other manner without the express permission of the Founder, which may be arbitrarily denied.

Attachment D2: Maintenance Zones

Purpose: *Maintenance Zones are smaller areas within the Property that have special maintenance requirements, either for certain Commons used primarily by the Owners within the Zone such as a shared courtyard or parking court, or for unified maintenance of Parcels within the Zone*

Why this is an Attachment: *Only some Parcels will be in a Maintenance Zone.*

How this Attachment can be amended: *This Attachment can be amended in the same way as the Declaration.*

1. Designation. Maintenance Zones may be created by supplemental declaration or designated by the Executive Board in its reasonable discretion. A Parcel may be in more than one Maintenance Zone. *For instance, a Parcel could be in one Maintenance Zone for rear lane maintenance and another for front yard landscaping.*
2. Maintenance Zone Advisory Councils. For each Maintenance Zone that has become established, the Executive Board shall establish an advisory council from each Maintenance Zone of at least three Owners from that Maintenance Zone. A Maintenance Zone shall be considered established when at least 90% of the Parcels anticipated for the Maintenance Zone have received certificates of occupancy and been conveyed to Owners other than the Founder or a builder. The advisory council shall review and give suggestions for the annual Maintenance Zone budget, proposed services and any modifications to the Maintenance Zone. After the first such council, which shall be appointed by the Executive Board, Owners from each Maintenance Zone shall elect subsequent councils as part of the regular Executive Board election process. For those portions of the Community that have a condominium association or other incorporated association, that entity shall serve as the advisory council.
3. Maintenance Responsibilities and Expenses. Each Maintenance Zone has separate maintenance requirements and a separate budget. The Maintenance Zone budget will include the following as applicable:
 - (a) Commons. Rear lanes and parking lots (but not other Common Roads) shall be a Maintenance Zone Expense. If more than one Maintenance Zone shares a rear lane or parking lot, the cost shall be apportioned. Other Commons such as a courtyard intended primarily for the use of the surrounding Parcels may be designated a Maintenance Zone Expense.
 - (b) Parcel Maintenance. Any Parcel maintenance that this Declaration, Supplemental Declaration or Amendment to this Declaration requires to be provided to a particular Maintenance Zone shall be included in the Maintenance Zone budget.
 - (c) Capital Improvements. Any Maintenance Zone may, by sixty percent (60%) vote of the Owners within that Maintenance Zone and approval of the Executive Board, vote to assess all Owners within the Maintenance Zone for capital improvements to Commons within that Maintenance Zone.
 - (d) Landscape Maintenance. In order to provide a better and more efficient level of service and reduce the number of landscaping vehicles on the Property, the Executive Board may at

any time determine that the Association shall provide landscape maintenance services to some or all of the Parcels within the Property. The cost for such maintenance shall be considered a Maintenance Zone expense, based upon the type of lot. If such service is provided, the Executive Board shall make and apply policies concerning the type of maintenance to be provided and allocation of costs.

(e) Additional Services. Any Maintenance Zone may, by majority vote of the Owners within that Maintenance Zone and approval of the Executive Board, vote to assess all Owners within the Maintenance Zone for maintenance or services in addition to those normally provided by the Association, including yard maintenance (if not already provided) or other maintenance to the Parcel or Maintenance Zone Commons. Any service thus approved shall continue until revoked by majority vote of the Owners within that Maintenance Zone.

4. Allocation of Maintenance Zone Expenses. Unless provided otherwise in the Supplemental Declaration creating the Maintenance Zone, the Maintenance Zone budget will be assessed to and allocated to Owners within that Maintenance Zone according to Allocated Interests.

5. Special Types of Maintenance Zones.

(a) Type II Attached Houses. Each group of Type II Attached Houses of similar design, materials and time of construction shall be considered a Maintenance Zone. A Supplemental Declaration submitting the property to this Declaration may designate such a Maintenance Zone and establish special maintenance and insurance provisions. If not so designated, the Executive Board may determine in its reasonable discretion whether a building shall be considered a Type II Attached House that requires unified maintenance and designate the boundaries of the Maintenance Zone.

(b) Condominiums. If a condominium is established within the Property, the condominium shall be considered a Maintenance Zone. Unless otherwise agreed between the Association and the condominium association, the condominium association shall assume any Maintenance Zone responsibilities and expenses.

(c). Village Center. Commercial property within Village Center shall be considered a Maintenance Zone unless the Village Center is submitted to a separate declaration, as further provided in Paragraph 2.2.2 of this Declaration. If such a declaration is recorded, residential property within Village Center may remain part of one or more Maintenance Zones under this Attachment.

6. Other Maintenance Zone associations.

(a) Intent. The system of Maintenance Zones is intended to permit efficient delivery of services based on property type without the formation of multiple incorporated sub-associations, other than a Village Center Manager and condominium associations, if any. However, Owners within a Maintenance Zone may determine in the future that they wish to seek the benefit of a separate incorporated association to provide services to that Maintenance Zone.

(b) Formation by Single Entity. During the Development Period, if all of the Allocated Interests within that Maintenance Zone are owned by a single entity, then formation of the Maintenance Zone association shall require approval of the Founder and the owner of the Allocated Interests, if different. Association documents shall be recorded as a supplement to this Declaration and shall not require any other approvals.

(c) Formation by Vote of Owners. Any Maintenance Zone may form an owners' association and adopt articles of incorporation and bylaws, if approved by written consent of sixty percent (60%) of the Allocated Interests within that Maintenance Zone, by the Executive Board of the Association and, if during the Development Period, by the Founder. The documents so adopted shall be recorded in this public record as an amendment to this Declaration.

(d) Termination. Any association so created may be terminated, and the responsibilities resumed by the Association, by consent in writing of a majority of the Allocated Interests within that Maintenance Zone and approval of the Executive Board of the Association.

(e) Operation. Upon creation, the new association shall assume the Maintenance Zone maintenance responsibilities and shall have the same rights to assess, collect and lien for assessments for Maintenance Zone expenses as provided to the Association under this Attachment. All Owners within that Maintenance Zone shall continue to be members of the Association, to pay Assessments for Association expenses, and to be subject to the terms of this Declaration.

Attachment D3: Easements Between Parcels

Purpose: *Sanctuary Village is a compact community, with homes close together and, in some cases, attached. The easements in this Attachment are intended to provide guidelines for reasonable cooperation between neighbors.*

Why this is an Attachment: *It applies only to certain housing types*

How this Attachment can be amended: *This Attachment requires consent in writing of Owners of sixty percent (60%) of the type of Parcel affected by the amendment, plus approval of the Executive Board.*

1. **Structural Party Walls.** Each Owner grants to the Owner of each adjacent Parcel the right and easement to maintain and to utilize any exterior or interior wall of a Building that forms a party wall between them. A wall will be considered a party wall only if it provides structural support for the Buildings, or parts of a Building, on more than one Parcel. Maintenance of the surface of the party wall shall be the sole responsibility of the Owner whose Building faces such wall. Each Owner shall be liable and responsible if, in connection with that Owner's use and maintenance of the party wall, the Owner damages the adjacent Owner's Parcel or the wall itself. The adjacent Owners shall share the cost of any other repairs to the party wall equally.
2. **Exterior Walls along a Parcel Line.** An exterior wall which supports the Building on only one Parcel, or which encloses a courtyard on one Parcel, shall not be considered a party wall. The Association may make rules and regulations concerning use and maintenance of such walls, including assigning responsibility between the adjoining owners for painting and repair and granting access over the adjoining Parcel as reasonably necessary to maintain the wall. All such maintenance and repair shall be in accordance with the Design Code.
3. **Side-Yard Easements.** Rather than have narrow, useless side yards on both sides, houses may be designed so that each home has an accessible yard on one side, and a "privacy side" on the other. Such easements may be designated on the plat, the Design Code or on the deed from the Founder to the first Owner other than the Founder. Side-yard easements shall generally run the length of the lot and shall encompass the area between the home and the boundary line. The Owner of such a Parcel subject to an easement shall be the beneficiary of a similar easement along another portion of the Parcel, unless the Parcel is a corner lot, is larger than the surrounding lots or has other special conditions. Subject to regulation under the Design Code, the beneficiary of such an easement shall have the use and maintenance responsibility for the easement area and may place air-conditioning equipment, fences, decks or patios and other fixtures (but not a primary structure) upon the easement area.
4. **Roof Overhang; Footings.** For certain building types that are to be built near or along a property line, the Design Code may permit roofs, gutters, soffits and downspouts to overhang this property line, and may allow footings and rain leaders to intrude below the surface of the same property line. To the extent allowed by the Design Code and local governmental regulations the adjacent property shall be subject to an easement for such intrusion, and the adjacent landowner shall not excavate or otherwise operate in such a way that would impair the structural integrity of the footing.

5. Attached House Roof. If a Type I or Type II Attached House wall or parapet is constructed along or very near the property line, the owner of the Attached House to be constructed on the adjacent property shall have the right to flash into the existing building, in accordance with normal building practices and in order to make the new building watertight. This right shall include the right to make minor cuts on the existing building and to secure flashing or other materials to the existing building, so long as the structural integrity and watertightness of the existing building is not impaired. The cost for flashing shall be incurred by the owner of the new building, but the maintenance of this connection shall be a shared expense between adjacent property owners.

6. Regulation. The Association may reasonably interpret these easements and make reasonable rules for maintenance and use of easement areas and shared improvements, which shall be applied uniformly to all Parcels similarly configured.

7. Additional Easements. The Founder shall have the right to establish additional easements as necessary to provide for different design conditions that may be created in the future.

Attachment D4: Review Process for Original Construction

Purpose: *This Section applies to new construction, as the community is being shaped and formed.*

Why this is an Attachment: *The Founder intends to build most new homes within Sanctuary Village. This procedure is only necessary when parties other than the Founder design and build homes.*

How this Attachment can be amended: *The Founder may modify this Attachment at any time as to future application by recording an amendment. Parcels owned by an Owner other than the Founder at the time of such amendment shall not be affected.*

1. Construction Subject to Review.

(a) Approval Required. All modifications to the undeveloped lot, including without limitation clearing, grading, building construction, paving and landscaping, must be approved by the Founder. No tree or land clearing or grading or any construction is permitted on any Parcel until the Founder has reviewed and approved construction plans and specifications.

(b) Modifications. Once a plan is approved, any modification to that plan prior to or during construction must also be reviewed and approved by the Founder. Any modification within two years of the receipt of a Certificate of Completion and Release as described in Paragraph 5 of this Attachment, including without limitation the addition of any landscaping, fence or other improvements, shall be considered part of the original construction, unless the Development Period has ended or the Founder declines review, in which case the improvement shall be subject to Section 5.2 of the Declaration.

2. Basis for Decision. Applications shall be approved or denied based upon compliance with the provisions of the Design Code and overall quality of design. If the Founder rejects an application due to overall design quality, despite compliance with the Design Code, the Founder shall make suggestions for improving the design. The Founder may occasionally grant a variance from the Design Code based on existing topographical or landscape conditions, existing trees, accessibility needs or architectural merit. Any such variance must be in writing. Approval of a variance does not constitute a precedent for other applications, and such requests may be arbitrarily denied.

3. Review Procedure.

(a) Applications. The Founder may establish forms and procedures for the review of applications, including review costs and fees, if any, to be paid by the applicant. The Founder may provide lists of approved materials and may allow for staff review and approval of routine or minor matters.

(b) Notification. The Founder shall make best efforts to notify the applicant of its decision within the time allowances set out in its design approval process handbook. However, a delay in reviewing an application shall not be deemed consent to construction unless the delay exceeds 45 days and the applicant notifies Founder in writing, receipt acknowledged by Founder, that failure to respond within ten days shall be deemed approval. If approval is given, construction of the improvements may begin.

(c) Construction; Inspection. All construction must comply with the submitted plans. The Founder or its agent may inspect the property during construction but has no obligation to make any such inspection.

(d) Governmental Compliance. Owners are responsible for making sure that construction conforms to governmental regulations and all local building codes, along with applicable drainage, water conservation, erosion control and stormwater detention requirements. If the Founder notes noncompliance, the Owner will be required to make the necessary changes. However, the Founder is not responsible for the construction's compliance with governmental requirements.

(e) Exception. Interior construction and modifications not affecting the external structure or appearance of any building are not subject to review. However, construction drawings may be required as part of the review process to assist in interpreting the design.

4. Approval of Architects, Builders.

(a) Generally. The creation of the streetscape depends on the quality of design and construction, and adherence to the Design Code. Approval of architects and builders is necessary to assure quality construction and a reasonable spirit of cooperation. Once granted, approval status may be reviewed and revoked or extended from time to time based on actual performance.

(b) Architects. Architects must be approved by the Founder before submitting plans. Approval shall be based on quality of past work, client satisfaction and understanding of, and willingness to work within, the Design Code.

(c) Builders. Builders must be approved by the Founder before building in the Property. Approval shall be based on willingness to build in accordance with approved plans and specifications, quality of past work, client satisfaction and financial history. Builders must agree to comply with construction regulations, to dispose of construction debris properly and to build in accordance with the approved plans and specifications. Builders may be required to post a deposit for compliance and damages. Failure to comply may result in fines, forfeiture of the deposit and revocation of the right to build in the Property.

5. Completion. When the primary building and landscaping are completed in substantial compliance with the approved plans and specifications, the Founder shall issue a Certificate of Substantial Conformance. The Certificate shall describe any areas of deficiency that need to be corrected. All fines and other enforcement shall be waived so long as the deficiencies are corrected within the amount of time stated in the certificate. Upon correction of all deficiencies, including completion of the landscaping, the Founder shall issue a Certificate of Completion and Release in recordable form.

6. Liability. The Founder and its inspectors are concerned primarily with aesthetic considerations, and are not responsible for compliance with governmental requirements or design or construction defects or use of materials affecting the safety or structural integrity of the building. Approval by the Founder of an application, builder or architect shall not constitute a basis for any liability of the Founder for failure of the plans to conform to any applicable building codes or inadequacy or deficiency in the plans resulting in defects in the improvements, or for the performance

or quality of work of any builder or architect approved by it, or for non-compatible or unstable soil conditions or soil erosion, or any other condition or event.

7. End of Development Period. After the Development Period, all of the Founder rights under this Attachment E-4 shall be automatically assigned to ARC, other than the right of architectural review for Town Center, which shall be retained by the Founder indefinitely. The Founder may assign all or some of these rights sooner but is not required to do so. Any Parcel Owner who owns a Parcel at the time of the termination of the Development Period but who has not yet constructed a building shall be permitted to build improvements that are substantially similar to those permitted during the Development Period.

Attachment D5: Modification of Commons

Purpose: *This Attachment provides a deliberate and thoughtful method for modifying the Commons.*

Why this is an Attachment: *The following provisions are rarely if ever to be used, but are intended to provide flexibility over the life of the community.*

How this Attachment can be amended: *This Attachment is amended in the same way as any other part of the Declaration, except that any amendment also requires the consent of the Founder.*

1. Capital Improvements. The Association may make Capital Improvements to the Commons and may modify the uses of the Commons. Expenses for substantial Capital Improvements must be approved in accordance with Paragraph 3.1.3 of the Declaration.

2. Purchase of Additional Commons. The Association may acquire additional real property to be owned as Commons. The decision to acquire additional Commons (other than that added by the Founder), whether by purchase or lease or other means, shall be authorized by a two-thirds vote of the Executive Board. If the purchase or lease is costly enough to be considered a substantial Capital Expense, it must be approved as described in Paragraph 3.1.3 of the Declaration.

3. Sale or Lease for Community Benefit. Although it would be unusual, the Association may sell, donate or grant long-term leases for small portions of the Commons or exchange parts of the Commons for other property inside or outside the Property when the Executive Board finds that it benefits the community in at least one of the following two ways:

(a) The conveyance is intended to benefit the community in ways other than the revenue, if any, to be derived from the transaction. *For instance, the Association may convey or exchange property if necessary to improve access to the Property or to improve utility service.*

(b) The revenue to be derived is significant and the use and appearance of the Commons is not significantly impaired. *For instance, the Association might sell or lease small amounts of space for cellular telephone transmission equipment if such equipment were not obtrusive.*

Any decision to donate, sell, exchange or lease any portion of the Commons must be approved by two-thirds of the Executive Board and must have the consent of the Founder if within the Development Period. A transaction for sale, exchange or lease for a term of more than one year, including all tenant renewal options, cannot be completed until thirty days after notice to Owners. If requested by Owners representing at least 10% of the voting interests within the 30-day period, a meeting of Owners must be held following at least 7-days notice and, if a quorum is present in person or proxy, the decision to purchase, sell, exchange or lease may be rescinded by majority vote of the Owners present. Any contract with a third party for the purchase, sell, exchange or lease of the Commons should be contingent upon this right of rescission, unless the Executive Board has previously passed a resolution describing the intended transaction and giving 30-days notice.

4. Corrective Instruments: The Association, by approval of two-thirds vote of the Executive Board, may also execute corrective instruments, settle boundary line disputes and resolve other title matters concerning the Commons.

5. Dedication. The Founder may dedicate streets and parks within the Property to the public rather than establishing such areas as Commons. Any areas that have been conveyed to the Association may be conveyed to the appropriate public agency or authority and dedicated to the public as follows:

(a) Streets. For any streets that have not previously been dedicated to the public and are established as Common Roads, the Association, by approval of the Executive Board, shall have the right to dedicate the Common Roads to the public.

(b) Other Commons. After a meeting for which Owners are given notice in accordance with the notice provisions of the Declaration and an opportunity for discussion, the Association, by approval of the Executive Board, may dedicate parks, other Commons or any property that it owns. No vote or approval of the Owners shall be required.

Any such dedication may include additional terms and conditions as negotiated between the Executive Board and the public entity.

6. Condemnation. If all or part of the Commons is taken or condemned by any authority having the power of eminent domain, all compensation and damages shall be paid to the Association. The Executive Board shall have the right to act on behalf of the Association with respect to the negotiation and litigation of the taking or condemnation affecting such property.

7. Mortgage. The Association may mortgage the Commons provided that the funds secured are used for the benefit of the Association, including the payment of debt owed by the Association.

8. Other Conveyances. Except as specifically permitted by this Declaration, the Commons cannot be conveyed or used for commercial purposes without the approval of at least two-thirds of the Parcel Owners other than the Founder, plus the consent of the Founder during the Development Period.

9. Limitation on Modification of Certain Commons. The Founder may, in the instrument conveying certain Commons to the Association, restrict or prohibit the sale or modification of the Commons being conveyed. In such an instance, the provisions of the instrument of conveyance will take precedence over the provisions of this Attachment.

Attachment D6: Insurance, Repair, Reconstruction and Redevelopment

Purpose: *Insurance is essential to protect the interests of the various Owners and to assure that funds will be available for rebuilding after a casualty. However, because insurance costs may increase significantly or new types of coverage made available, this Attachment gives flexibility to the Executive Board to select insurance coverage that is reasonable for the conditions that exist at that time. Insurance requirements for Parcels are provided in paragraph 2.1.4 of the Declaration.*

This Attachment also provides guidance for rebuilding the community in the event of major damage.

Why this is an Attachment: *Most of the provisions in this Attachment are to be used only after a major casualty loss.*

How this Attachment can be amended: *This Attachment can be amended in the same way as the Declaration. However, no amendment or modification of this Attachment specifically impairing such rights, priorities, remedies or interests of mortgagees shall be adopted without the prior written consent of a majority of those mortgagees that have become “registered mortgagees” by providing the Association with notice of their mortgages and current contact information. Any such required consent shall be given promptly and shall not be unreasonably withheld. Any consent not given or denied within 50 calendar days of receipt of request for consent shall be deemed given.*

1. Review of Coverage. At least once each year, the Executive Board should review types of insurance and terms and limits of coverage for insurance held by the Association. Changes in replacement costs or anticipated liabilities can make old insurance inadequate. In rare cases, if coverage becomes too expensive, the Association may make a decision to drop certain coverage or to take a higher deductible. In any event, the Executive Board is expected to exercise the “prudent person” principle in determining how to deal with insurable risks of the Association.

Note: The provisions of this Attachment are intended to comply with the Planned Community Act as currently written. In the event of any conflict, the Executive Board shall comply with the Planned Community Act as it may be amended from time to time. The Executive Board should review annually the provisions of § 47F-3-113 of the Planned Community Act, which contains important information about insurance policies for community associations.

2. Types of Insurance. The following are examples of insurance the Association should consider:

(a) Property Insurance. The Executive Board should consider whether the Commons includes structures or other improvements that can and should be insured against loss. Certain improvements, such as green space or landscaping, may not be insurable. However, buildings or other structures usually are insurable. The Executive Board shall obtain property insurance for insurable improvements unless the Executive Board determines that insurance is not reasonably available and the Executive Board adopts a plan for self-insurance.

(b) Public Liability. To the extent reasonably available, the Executive Board shall obtain public liability insurance in reasonable amounts, covering all occurrences commonly insured against for death, bodily injury, and property damage arising out of or in connection with the use, ownership, or maintenance of the Commons. At the Executive Board’s discretion, such coverage may include

easements, such as walkways, and any topographic conditions or water access located on or adjoining the Property.

Note: The Planned Community Act currently requires that if the insurance described in (a) or (b) is not reasonably available, the association promptly shall cause notice of that fact to be hand-delivered or sent prepaid by United States mail to all lot owners.

(c) Director Liability Insurance. The Executive Board may obtain liability insurance insuring against loss for actions taken by members of the Executive Board, officers of the Association and advisory members in the performance of their duties. The Executive Board may also obtain fidelity insurance or bonding for Executive Board members, officers and employees.

(d) Other Coverage. The Executive Board shall obtain and maintain workman's compensation insurance if and to the extent necessary to meet the requirements of law and such other insurance as the Executive Board may determine or as may be requested from time to time by a majority vote of the Owners.

Whenever practical, insurance should be issued on a comprehensive liability basis and should contain a "severability of interest" endorsement, which prevents the insurer from denying the claim of an insured because of negligent act of other insureds.

3. Mortgagee Requirements. Despite anything to the contrary in this Declaration, the Association shall obtain property insurance for insurable improvements on the Commons, and shall obtain liability insurance on the Commons in amounts sufficient to meet FNMA, FHLM, HUD and VA requirements if applicable.

4. Repair and Reconstruction after Fire or Other Casualty.

(a) Commons. If fire or other casualty damages or destroys any of the improvements on the Commons, the Executive Board shall arrange for and supervise the prompt repair of the improvements, unless the area is to be redeveloped as provided in paragraph 5 of this attachment. The Executive Board may restore the Commons to substantially original condition or may improve or modify the design or use. The reconstruction may be considered a substantial Capital Improvement in accordance with Paragraph 3.1.3 of the Declaration only if and to the extent that it modifies the original purpose of the Commons, in which case insurance proceeds shall be considered as if they were assessments. The Executive Board shall obtain funds for reconstruction first from the insurance proceeds, then from reserves for the repair and replacement of such improvements, and then from any Special Assessments that may be necessary after exhausting insurance and reserves.

(b) Parcels If fire, severe weather or other loss damages or destroys a building or any other improvements on a Parcel, the Owner is required to restore the property as follows:

(i) Clean-Up. The Owner of the Parcel shall immediately clear and secure the Parcel. If the Owner fails to clear and secure a Parcel within 30 days after a loss, the Association shall notify the Owner. If the violation continues for ten days after notice to the Owner, the Association shall have the right without liability to enter the Parcel to remove debris, raze or remove portions of damaged structures and perform any other clean up the Association deems

necessary to make the Parcel safe and attractive. The cost of such clean-up shall be assessed to the Parcel Owner as an Individual Parcel Assessment.

(ii) Rebuilding. Within 18 months of the loss, the Owner shall proceed to rebuild and restore the improvements and shall continue such improvement until completion without undue delay, unless a plan for redevelopment is approved as described in Paragraph 5 of this Attachment. The improvements shall be restored to the plans and specifications existing immediately prior to such damage or destruction, unless the Owner submits, and the ARC approves, other plans. If an Owner fails to begin rebuilding within the time allowed or abandons reconstruction, then the Association has the right but not the obligation to purchase the Parcel at 80% of fair market value in "as is" condition. The reduction in value is intended to allow the Association to market and resell the Parcel to an Owner who will restore the property.

Type II Attached Houses are also subject to the additional provisions of Attachment E2.

5. Redevelopment. All or a portion of the Property, known as a "Redevelopment Area," may be purchased for redevelopment in accordance with the following provisions:

(a) Purpose. If the Property should ever be struck by a natural disaster or other casualty, all or a portion of the Property might be destroyed and need to be rebuilt. In general, after any casualty loss, improvements are to be rebuilt in accordance with the original plan. Alternatively, this Paragraph provides a method for redevelopment in accordance with a new plan when Parcel Owners representing sixty seven percent (67%) of the Allocated Interests in the Association, and a majority of the Registered Mortgagees agree that it is necessary and desirable to do so. This super-majority approval is designed to protect individual property owners' rights and expectations in their property. However, when such consensus is achieved, this Paragraph allows redevelopment, while continuing to protect the dissenting owners by assuring payment to them of fair market value, plus a relocation allowance. The same method may be used when, after long periods of time, changing uses and conditions make redevelopment desirable.

(b) Redevelopment Area. A Redevelopment Area may be all or a portion of the Property. If a portion of the Property, it must be a defined, logical area for redevelopment. Both the plan for redevelopment and exercise of the purchase option for a Redevelopment Area must be approved by the Architectural Review Committee and the Executive Board prior to exercise of the option. The plan for redevelopment may include modification of the Design Code or termination of the Declaration for the Redevelopment Area. If the Declaration is terminated for a Redevelopment Area, the Executive Board may sell or donate to the Owners within the Redevelopment Area the Commons located there, reserving access and use easements as appropriate.

(c) Purchase Option; Time When Available. The option to purchase Parcels within the Property for redevelopment is not available until the occurrence of one of the following:

(i) Any time after fifty (50) years from the recording of this Declaration, or

(ii) Upon a casualty loss destroying at least 75%, by value, of the insurable improvements, either within the entire Property, or within a Redevelopment Area. The option period for a casualty loss ends ninety (90) days after the casualty, and if the option is not exercised within that time, the damage must be repaired in accordance with Paragraph 4 of this Attachment.

(d) Requirements for Exercise. If Owners representing sixty seven percent (67%) of the voting interests within the Property or the Redevelopment Area, as applicable or such greater number that may be required by the Planned Community Act, and a majority of the mortgagees who have registered with the Association and provided current contact information wish to make a new use of that portion of the property, such Owners may exercise an option to purchase the remaining Parcels. The option to purchase must be executed by all Owners of all Parcels seeking the option, and must include all remaining Parcels.

(e) Delivery of Option; Closing. The option to purchase (or copy of the original, executed option) must be delivered in person or by registered mail to each Owner of a Parcel to be purchased. The sale price shall be paid in cash or upon terms approved by the seller, and the sale shall be closed in a timely fashion following determination of the sale price.

(f) Price. The price for each Parcel to be purchased shall be its fair market value determined by agreement between the seller and purchaser within 30 days of the delivery or mailing of the notice. In the absence of agreement, the purchasing Owners and the selling Owners shall each select a real estate appraiser, which appraisers shall then choose a third appraiser, and the purchase price shall be the average (mean) of the three appraisals. The fair market value of the property shall be determined in its present, as-is condition, subject to the Declaration, and the seller shall be entitled to any insurance proceeds attributable to that Parcel distributed on account of the casualty loss. The purchaser shall pay the expense of the appraisals and all closing costs.

(g) Relocation Allowance. In addition to the purchase price, the purchaser shall pay to the seller a relocation allowance of five percent (5%) of the purchase price.

(h) Enforcement. A judgment of specific performance of the purchase based upon the determination of the price by the appraisers may be entered in any court of competent jurisdiction.

(i) Limitation. If necessary for this Paragraph's validity under the Rule Against Perpetuities or similar law, this option shall expire ninety (90) years from the recording of this Declaration or whatever greater time period allowed by law.