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Mail to: Keystone Group, Inc.
3708 Alliance Drive
Greensboro, NC 27407

**DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR FRIEDBERG VILLAGE**

THIS DECLARATION is made on the date hereinafter set forth by KEYSTONE GROUP, INC. a North Carolina Corporation having an office in Guilford County, North Carolina, hereinafter referred to as "Declarant."

WITNESSETH:

WHEREAS, Declarant is the owner of certain property (hereafter "FRIEDBERG VILLAGE") in the County of Davidson, State of North Carolina, which is more particularly described as follows:

ALL of that certain parcel of land shown on the plat entitled "FRIEDBERG VILLAGE" which appears of record in the Office of the Register of Deeds of Davidson County, North Carolina, in Plat Book 51, Pages 83 and 84, which is a portion of the property described in the attached Exhibit A, which is herein incorporated by reference;

WHEREAS, it is the intent of the Declarant hereby to cause the above-described property to be subjected to this Declaration of Covenants, Conditions, and Restrictions;

WHEREAS, Declarant desires to create on the Property an exclusive residential community of single-family attached homes;

WHEREAS, Declarant desires to insure the attractiveness of the community, to prevent any future impairment thereof, to prevent nuisances, to preserve, protect and enhance the values and amenities of all properties within the community and to provide for the maintenance and upkeep of the exterior of all residential units and the Common Elements, as hereinafter defined; and to this end, desires to subject the real property hereinabove described, to the coverage of the covenants, conditions, restrictions, easements, rules, regulations, charges and liens hereinafter set forth, each and all of which is and are for the benefit of the Property and each owner thereof;

WHEREAS, the Declarant has deemed it desirable, for the efficient preservation, protection and enhancement of the values and amenities in the community and to provide for the maintenance and upkeep of the exterior of all residential units and the Common Elements, to create an organization to which will be delegated and assigned the powers of owning, maintaining, and administering the Common Elements and the exterior of the residential units and administering and enforcing the covenants and restrictions and collecting and dispersing the assessments and charges hereinafter created; and

WHEREAS, Declarant has incorporated or will incorporate under North Carolina law, the FRIEDBERG VILLAGE HOMEOWNERS ASSOCIATION, as a non-profit corporation for the purpose of exercising and performing the aforesaid functions.

NOW, THEREFORE, Declarant hereby declares that all of the property described above shall be held, sold and conveyed subject to the following easements, restrictions, covenants and conditions, which are for the purpose of protecting the value and desirability of, and which shall run with, such real property and be binding on all parties having any right, title or interest in the described properties or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each owner thereof.

ARTICLE I DEFINITIONS

SECTION 1. "Association" shall mean and refer to FRIEDBERG VILLAGE HOMEOWNERS ASSOCIATION, its successors and assigns.

SECTION 2. "Properties" shall mean and refer to that certain real property hereinabove described, and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

SECTION 3. "Common Elements" or "Common Area" shall mean all fixtures, personal property, real property owned by the Association (whether owned in fee or by way of license or easement) or leased by the Association, other than a Lot, for the common use and enjoyment of the Owners.

SECTION 4. "Owner" shall mean and refer to the record Owner, whether one or more persons or entities, of a fee simple title to any Lot which is a part of the Properties, as hereinafter defined, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

SECTION 5. "Member" shall mean and refer to every person or entity that holds Membership with voting rights in the Association.

SECTION 6. "Declarant" shall mean and refer to Keystone Group, Inc., as well as its successors and assigns, pursuant to an express assignment or conveyance of any special declarant's rights hereunder to such successor or assign, all of which rights, including Declarant's voting, architectural review, easement and development rights, shall be assignable and may be apportioned on a lot-by-lot basis.

SECTION 7. "Lot" shall mean and refer to any separately numbered plot of land shown upon any now or subsequently recorded subdivision plat of the Properties intended for single family residential purposes and shall include any improvements constructed thereon and "Lots" shall refer to all such lots collectively. Declarant hereby reserves the right to reconfigure, from time to time and without the consent of the Owners or the Members of the Association, the boundaries of any Lot or Lots owned by Declarant and to thereby create additional Lots, eliminate existing Lots or create additional or less Common Elements; provided, however, in no event shall the Properties contain a greater number of Lots than the number from time to time permitted by the Appropriate Local Governmental Authority, nor shall any Lot within the Properties contain fewer square feet than the minimum number of square feet from time to time required by the Appropriate Local Governmental Authority. If Declarant elects to exercise its right to revise the boundaries of one or more Lots owned by Declarant, Declarant shall record a revised plat of the affected Lot or Lots. Upon the recording by Declarant of such a revised plat, each lot shown on the previously recorded plat or plats, the boundaries of which are revised by the revised plat, shall cease to be a "Lot" as defined in this Declaration and each newly configured lot shown on the revised plat shall be a "Lot" as defined in this Declaration.

SECTION 8. "FHA" shall mean and refer to the Federal Housing Administration of the Department of Housing and Urban Development and "VA" shall mean and refer to the Veterans Administration.

SECTION 9. "Additional Property" shall mean and refer to the property described in Exhibit "A", attached hereto and incorporated herein by this reference, together with any other property located adjacent to the Properties. For the purpose of determining whether property is adjacent to the Properties, the rights of way of public road and utilities, as well as rivers and streams, shall be deemed not to separate otherwise adjacent property.

SECTION 10. "Appropriate Local Governmental Authority" shall mean and refer to the County of Davidson or other appropriate local governmental authority having jurisdiction over the Properties.

SECTION 11. "Declarant's Development Period" shall mean and refer to the period of time commencing on the date this Declaration is recorded in the Office of the Register of Deeds, Davidson County, North Carolina, and continuing for so long as Declarant shall have the right to annex any portion of the Additional Property pursuant to the provisions of Article X, Section 4 hereof or Declarant or any affiliate of Declarant shall own any portion of the Properties.

SECTION 12. "Master Plan" shall mean and refer to the plan(s) for the Properties and the Additional Property now or hereafter approved by the Appropriate Local Governmental Authority, as such plan(s) may be from time to time amended and approved. This includes, but is not limited to, plans for each phase of development.

SECTION 13. "Period of Declarant Control" shall mean and refer to the period of time commencing on the date this Declaration is recorded in the Office of the Register of Deeds, Davidson County, North Carolina, and continuing until the earlier of: (i) twenty (20) years from the date this Declaration is recorded in the Office of the Register of Deeds, Davidson County, North Carolina; or (ii) such time as seventy-five percent (75%) of the lots shown on the Master Plan have been conveyed by Declarant or an affiliate of Declarant to an Owner other than Declarant or an affiliate of Declarant; provided, however, if after the expiration of such period of time, the Master Plan is amended to add additional lots and fewer than seventy-five percent (75%) of the lots shown on the Master Plan have been conveyed by Declarant or an affiliate of Declarant to an Owner other than Declarant or an affiliate of Declarant, such period of time shall be reinstated and shall continue until the earlier of: (i) twenty (20) years from the date this Declaration is recorded in the Office of the Register of Deeds, Davidson County, North Carolina; or (ii) such time as seventy-five percent (75%) of the lots shown on the Master Plan have been conveyed by Declarant or an affiliate of Declarant to an Owner other than Declarant or an affiliate of Declarant.

ARTICLE II PROPERTY RIGHTS

SECTION 1. MAINTENANCE OF WATERSHED IMPROVEMENTS. The Association shall maintain any lake and any retention or detention ponds, rip rap and other drainage or erosion control devices located on the Common Elements now or hereafter conveyed to the Association by Declarant that are required to be maintained by the governmental office(s). In the event the Association is dissolved or otherwise defaults on its obligation to maintain any such drainage or erosion control device, Declarant, for each Lot owned within the Properties, hereby covenants, and each Owner for any Lot, by acceptance of a deed therefore, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay the pro rata share of the cost of the maintenance of such pond, drainage device or erosion control device.

SECTION 2. RULES AND REGULATIONS. The Executive Board of the Association may establish reasonable rules and regulations concerning the use of the Common Elements and improvements located thereon. Possible improvements, if any, may include but not limited to parking areas, streets, roadways, walking trails, recreational facilities, tennis courts, putting greens, pools, pool houses, club houses, and others. Such rules and regulations may prohibit or restrict the use of the Common Elements, improvements, and any lake, pond, or stream which is a part of or adjacent to the Common Elements for boating, fishing and swimming and/or may provide for access to any such lake or pond only through designated portions of the Common Elements. The Association may impose reasonable monetary fines and other sanctions for the violation of established rules and regulations and for the violation of any of the covenants and conditions contained in this Declaration, which monetary fines, and sanctions shall be assessed and collected pursuant to the provisions of Articles IV and X hereof. Copies of such rules and regulations, if established, and the amendments thereto shall be available for review upon reasonable notice to the Executive Board. All such rules and regulations shall be binding upon the owners, their families, tenants, guests, invitees and agents until and unless such regulation, rule or requirement shall be specifically overruled, cancelled, or modified by the Executive Board of the Association or by the Members of the Association entitled to cast at least two-thirds (2/3) of the votes of the Association, who are voting, in person or by proxy, at a meeting duly called for such purpose; provided, however, during any Period of Declarant Control, Declarant must also consent to such action. The Executive Board may also establish reasonable rules and regulations regarding the

use of Lots. The Rules and Regulations implemented for the Lots and the Common Area within the Properties may further restrict the use of the Lots and Common Area.

SECTION 3. OWNERS EASEMENTS OF ENJOYMENT. Every Owner shall have a right and easement of enjoyment in and to the Common Elements which shall be appurtenant to and shall pass with the title to every Lot, subject to the following provisions:

- (a) the right of the Association to permit the use of and to charge reasonable admission and other fees for the use of any recreational facility situated upon the Common Elements;
- (b) the right of the Association to suspend the voting rights by an Owner(s) for any Lot for any period during which any assessment against such Lot remains unpaid and for any period during which such Lot or any Owner or occupant thereof is in violation of the terms of this Declaration or the published rules and regulations of the Association and for a period not to exceed sixty (60) days after any such violation;
- (c) the right of the Association to dedicate or transfer all or any part of the Common Elements (with the exception of any water quality or erosion control device including, without limitation, any permanent wet detention/retention pond) to any public agency, authority or utility for such purposes and subject to such conditions as may be agreed to by the Members. No such dedication or transfer shall be effective unless an instrument signed by the Members entitled to cast at least two-thirds (2/3) of all the votes of each class, agreeing to such dedication or transfer, has been recorded; provided, however, during Declarant's Development Period, Declarant must also consent to such action.
- (d) the right of the Association to impose rules and regulations for the use and enjoyment of the Common Elements and improvements thereon, which regulations may further restrict the use of the Common Elements, and specifically including the right to make permanent and temporary assignments of parking spaces and to establish rules and regulations concerning parking and vehicular traffic flow on and along the streets and roadways, whether public or private, within or abutting the Properties which rules and regulations may restrict or prohibit on-street parking and may be enforced by towing at the expense of the vehicle's owner, by reasonable fine levied against the vehicle's owner and/or any Owner of a Lot to which such violation reasonably may be attributed, or by any other reasonable method of enforcement established by the Association's Executive Board;
- (e) the right of the Association, in accordance with its Articles and Bylaws, to borrow money for the purpose of improving the Common Elements and facilities thereon;
- (f) subject to the prior written consent of FHA or VA, in the event FHA or VA insured loans have been obtained secured by Lots, the right of the Association to convey to Declarant portions of the Common Elements for the purpose of correcting erroneous conveyances of Common Elements or eliminating unintentional encroachments of dwellings or other improvements onto portions of the Common Elements or for the purpose of enhancing the utility of the Common Elements to be retained by the Association; provided, however, no such conveyance shall interfere with or obstruct utility service to, or ingress, egress and regress to or from, the Lots or any remaining Common Elements or cause any Lot or any remaining Common Elements to fail to comply with applicable laws, regulations or ordinances.
- (g) the right of the Association to dedicate or transfer non-exclusive easements on, over and upon all or any part of the Common Elements for such purposes and subject to such conditions as may be agreed to by the Association's Executive Board; provided, however, no such dedication or transfer shall be effective unless an instrument executed on behalf of the Association by its duly authorized officers, agreeing to such dedication or transfer, has been recorded; and
- (h) the easements herein reserved by Declarant or created in favor of the Association, including, without limitation the easements set forth in Article VIII hereof;

SECTION 4. DELEGATION OF USE. Any Owner may delegate, in accordance with the Bylaws, his or her rights of enjoyment of the Common Elements and facilities to the Members of his or her family, his or her tenants, or contract purchasers who reside on the Lot of such Owner.

SECTION 5. LEASES OF LOTS. Any Lease Agreement between an Owner and a lessee for the lease of such Owner's Lot shall provide that the terms of the Lease shall be subject in all respects to the provisions of this Declaration of Covenants, Conditions and Restrictions, Rules and Regulations, the Articles of Incorporation and Bylaws of the Association; and that any failure by the lessee to comply with the terms of such document shall be a default under the terms of the lease. All leases of Lots shall be in writing and shall have a term of not less than six (six) months. Notwithstanding the foregoing, Owners may lease their Lots for a term of less than six (6) months on two occasions within any calendar year provided such Owner's Lot is owner-occupied for the remainder of the calendar year. Other than the foregoing there is no restriction on the right of any Owner to lease his or her Lot.

ARTICLE III MEMBERSHIP AND VOTING RIGHTS

SECTION 1. MEMBERSHIP. Every person or entity who or which is a record owner of a fee or undivided fee interest in any Lot which is subject by covenants of record to assessment by the Association, including Declarant and any affiliated entity shall be a voting Member of the Association. The foregoing is not intended to include persons or entities that hold an interest in a Lot merely as security for the performance of an obligation. Such Membership shall be appurtenant to and may not be separated from ownership of any Lot which is subject to assessment by the Association. Except as otherwise provided in Section 2 below, on all matters which the Membership shall be entitled to vote, the Member(s) owning each Lot shall be entitled to one (1) vote. When more than one person or entity owns an interest in any Lot, all such persons, or entities shall be Members. The vote for such Lot shall be exercised as they among themselves determine, but in no event shall more than one vote be cast with respect to any Lot.

SECTION 2. CLASSES OF MEMBERSHIP. The Association shall have two classes of voting Membership:

Class A: The Class A Members shall be all Owners other than the Declarant. Class A Members shall be entitled to one (1) vote for each lot owned.

Class B: The Class B Member shall be the Declarant and shall be entitled to three (3) votes for each lot shown on the Master Plan as developed or to be developed as a part of Friedberg Village which has not been conveyed by Declarant or any affiliated entity to a Class A Member. The Class B Membership shall cease and be converted to Class A Membership on the happening of either of the following events, whichever occurs earlier:

- (i) when the total votes outstanding in the Class A Membership equal or exceed the total votes outstanding in the Class B Membership; however, the Class B Membership shall be reinstated if thereafter, and before the time stated in subparagraph (ii) below, the Master Plan is amended to add additional lots developed or to be developed as part of Friedberg Village sufficient to give the Class B Membership a total number votes (with the Class B Membership entitled to three (3) votes for each lot shown on the Master Plan as developed or to be developed as a part of Friedberg Village which has not been conveyed by Declarant or an affiliate of Declarant to a Class A Member) greater than those of the Class A Membership; or
- (ii) twenty (20) years from the date this Declaration is recorded in the Office of the Register of Deeds, Davidson County, North Carolina

SECTION 3. DECLARANT RIGHT TO REPRESENTATION ON THE EXECUTIVE BOARD OF THE ASSOCIATION. During any Period of Declarant Control, Declarant shall have the right to designate and select all of the Members of each Executive Board of the Association. Whenever Declarant shall be entitled to designate and select any person or persons to serve on any Executive Board of the Association, the manner in which such person or persons shall be designated shall be as provided in the Articles of Incorporation and/or Bylaws of the Association, and Declarant shall have the right to remove any person or persons selected by it to act and serve on said Executive Board and to replace such person or persons with another person or other persons to act and serve in the place of any member or members of the Executive Board so removed for the remainder of the unexpired term of any member or members of the Executive Board so removed. Any Executive Board member designated and selected by Declarant

need not be a member of the Association. However, upon expiration of Declarant's Development Period, all Executive Board members must be members of the Association. Except as otherwise provided in the Bylaws with respect to the filling of vacancies, any members of the Executive Board which Declarant is not entitled to designate or select shall be elected by the Members of the Association.

ARTICLE IV COVENANT FOR MAINTENANCE AND ASSESSMENTS

SECTION 1. CREATION OF THE LIEN AND PERSONAL OBLIGATION OF ASSESSMENTS. The Declarant, for each Lot owned within the Properties, hereby covenants, and each Owner for any Lot, by acceptance of a deed therefore, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay: (a) to the Association: (i) annual assessments and other assessments, charges, late fees, and fines provided herein, together with interest, and late fees, costs and reasonable attorney's fees; (ii) special assessments for capital improvements, such assessments to be established and collected as hereinafter provided; and (b) to the appropriate governmental taxing authority: (i) a pro rata share of ad valorem taxes levied against the Common Elements; and (ii) a pro rata share of assessments for public improvements to or for the benefit of the Common Elements if the Association shall default in the payment of either or both for a period of six (6) months. All assessments, charges, late fees, and fines provided for herein, together with interest, costs, and reasonable attorney's fees, shall be a charge on the land and shall be a continuing lien upon the property against which each such assessment is made when a claim of lien is filed of record in the Office of the Clerk of Superior Court, Davidson County, North Carolina. Each such assessment and charge, together with interest, any late fees, costs and reasonable attorney's fees, shall also be the personal obligation of the Owner of such property at the time when the assessment fell due. The personal obligation for the delinquent assessments shall not pass to his or her successors in title unless expressly assumed by them.

SECTION 2. PURPOSE OF ASSESSMENTS.

(a) The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety and welfare of the residents of the Properties and in particular for the acquisition, improvement and maintenance of properties, services and facilities devoted to this purpose and related to the exterior maintenance of the homes situated upon Lots or for the use and enjoyment of the Common Elements or the Lots, including but not limited to, the costs of repairs, replacements and additions, the costs of labor, equipment, materials, management and supervision, the payment of taxes assessed against the Common Elements; the maintenance of water and sewer mains in and upon the Common Elements; the maintenance of open spaces and streets which have not been accepted for dedication by a public authority, roadway medians and islands (including medians and islands located in dedicated rights-of-way), drives and parking areas within the Common Elements; repair and/or maintenance of the completed permanent wet detention/retention pond owned either wholly or jointly by the Association (including, without limitation, cost of repairs, replacements and additions, costs of labor, equipment, management and supervision) as directed by the governmental office having jurisdiction for water protection; the procurement and maintenance of insurance in accordance with the Bylaws; the maintenance of dams and ponds or other bodies of water located within the Common Elements; the maintenance of any "sign easement" areas located on any Lot, as shown on a recorded plat; the maintenance of entranceways, landscaping and lighting of Common Elements, road medians and islands and entranceways; the lighting of streets (whether public or private); the payment of charges for garbage collection and municipal water and sewer services furnished to the Common Elements; the maintenance and operation of pool and club house, if any; provide for exterior maintenance per Article VI of this Declaration; the employment of attorneys and other agents to represent the Association when necessary; the provision of adequate reserves for the replacement of capital improvements including, without limiting the generality of the foregoing, paving, permanent wet detention/retention pond, if any; to pay assessments for public improvements made to the common elements, and any other major expense for which the Association is responsible; and such other needs as may arise.

(b) The Association shall establish and maintain an adequate reserve fund for the periodic maintenance, repair and replacement of improvements to the Common Elements and those other portions of the Properties which the Association may be obligated to maintain. Such reserve fund is established out of regular assessments for common expense.

(c) All monies collected by the Association shall be treated as the separate property of the Association, and such monies may be applied by the Association to the payment of any expense of operating and managing the Properties, or to the proper undertaking of all acts and duties imposed upon it by virtue of this Declaration, the Articles of Incorporation and the Bylaws of the Association. As monies for any assessment are paid to the Association by any Owner, the same may be commingled with monies paid to the Association by the other Owners. Although all funds and common surplus, including other assets of the Association, and any increments thereto or profits derived there from shall be held for the benefit of the Members of the Association, no Member of the Association shall have the right to assign, hypothecate, pledge or in any manner transfer his or her Membership interest therein, except as an appurtenance to his or her Lot. When any Owner shall cease to be a Member of the Association by reason of his or her divestment of ownership of his or her Lot, by whatever means, the Association shall not be required to account to such Owner for any share of the fund or assets of the Association, or which may have been paid to the Association by such Owner, as all monies which any Owner has paid to the Association shall be and constitute an asset of the Association which may be used in the operation and management of the properties.

SECTION 3. ADOPTION OF BUDGET AND FIXING OF ANNUAL ASSESSMENTS: MAXIMUM ANNUAL ASSESSMENT. Until December 31 of the year of the conveyance of the first Lot to an Owner, the maximum annual assessment shall be TWELVE HUNDRED AND NO/100 DOLLARS (\$1,200.00) per Lot.

(a) The maximum annual assessment for the calendar year immediately following the year in which conveyance of the first Lot to an Owner is made and for each calendar year thereafter shall be established by the Executive Board and may be increased by the Executive Board without approval by the Membership by an amount not to exceed twenty-five percent (25%) of the maximum annual assessment of the previous year. The maximum annual assessment for the calendar year immediately following the year in which conveyance of the first Lot to an Owner is made and for each calendar year thereafter may be increased without limit by a vote of the Members entitled to be increased without limit by a vote of the Members entitled to cast at least two-thirds (2/3) of the votes of each class of Members of the Association who are voting, in person or by proxy, at a meeting duly called for this purpose; provided, however, during any Period of Declarant Control, Declarant must also consent to such action.

(b) The Executive Board may fix the annual assessment at an amount not in excess of the maximum, subject to the provisions of Section 6 of this Article.

SECTION 4. SPECIAL ASSESSMENTS FOR CAPITAL IMPROVEMENTS. In addition to the annual assessments authorized above, the Association may levy, in any calendar year, a special assessment for the purpose of (i) defraying in whole or in part the costs of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Elements, including fixtures and personal property related thereto, provided that any such assessment shall have the assent of the Members entitled to cast at least two-thirds (2/3) of the votes of each class of Members of the Association who are voting, in person or by proxy, at a meeting duly called for this purpose; provided, however, during any Period of Declarant Control, Declarant must also consent to such action; and/or (ii) to establish sufficient reserves to meet anticipated capital improvements, maintenance and repairs; provided, however, during any Period of Declarant Control, Declarant must also consent to such action. All special assessments shall be fixed at a uniform rate for all Lots and may be collected on a monthly basis.

SECTION 5. NOTICE AND QUORUM FOR ANY ACTION AUTHORIZED UNDER SECTIONS 3 AND 4. Written notice of any meeting called for the purpose of taking any action authorized under Section 3 or 4 of this Article IV shall be sent to all Members not less than twenty (20) days or more than sixty (60) days in advance of the meeting. At the first such meeting called, the presence of Members or of proxies entitled to cast twenty percent (20%) of all the votes of each class of Membership shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

SECTION 6. RATE OF ANNUAL ASSESSMENT. Both annual and special assessments must be fixed at a uniform rate for all Lots within the same class and lot type; and may be collected on a monthly basis; provided, however, that a Lot that does not have a finished dwelling (finished dwelling shall mean a certificate of occupancy issued for dwelling) is not subject to assessments; and that so long as a finished dwelling on any Lot is owned by Declarant or affiliated entity, including Model Homes, the amount of the assessment for each such Lots shall be an

amount equal to twenty-five percent (25%) of the regular assessments fixed for each Lot. The books and records of the Associations shall be kept in such a manner that it is possible to determine and ascertain (i) such sums as are expended by the Association for development, improvement, maintenance and upkeep of all facilities of the Association.

SECTION 7. DATE AND COMMENCEMENT OF ANNUAL ASSESSMENTS: DUE DATES. The annual assessments provided for herein may be collected on a monthly basis and shall commence as to a Lot on the first day of the month following the transfer of the Lot by the Declarant subject to Declaration obligations set forth in Section 6. The first annual assessment shall be adjusted according to the number of months remaining in the calendar year. At least thirty (30) days in advance of each annual assessment period, the Executive Board shall establish an annual budget and fix the amount of the annual assessments in advance for the following year. In the event the Executive Board shall fail to fix the amount of annual assessments described above, the assessment fixed for the immediately preceding year shall continue in effect until a new assessment amount is fixed. Upon adoption by the Executive Board of the budget and annual assessments amount, the Executive Board shall deliver copies of same to every Owner subject thereto; provided, however, that failure to deliver a copy of the budget and annual assessments amount shall not affect the liability of Owners for assessments. The due dates shall be established by the Executive Board. The Association shall, upon demand, and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether the assessments on a specified Lot have been paid.

SECTION 8. EFFECT OF NONPAYMENT OF ASSESSMENTS: REMEDIES OF THE ASSOCIATION. Any assessment not paid within thirty (30) days after the due date shall result in imposition of a reasonable late fee to be determined by the Executive Board. In addition to the imposition of the late fee, the Executive Board may also assess interest on the unpaid late balance at the rate of eighteen percent (18%) per annum. After notice and an opportunity to be heard, the Association may suspend privileges or services provided by the Association except rights of access to Lots during any period that assessments or other amounts due and owing to the Association remain unpaid for a period of thirty (30) days or longer, which suspension may continue without further hearing until the delinquency is cured. The Association may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien created herein against the property in the same manner as prescribed by the laws of the State of North Carolina for the foreclosures of Deeds of Trust. All interest, costs and reasonable attorney's fees for representation of the Association in such action or foreclosure shall be added to the amount of such assessment and shall constitute a lien on the Property. No Owner may waive or otherwise escape liability for the assessment provided for herein by non-use of the Common Elements or abandonment of his or her Lot or shall damage to or destruction of any improvements on any Lot by fire or other casualty result in any abatement or diminution of the assessments provided for herein. In addition to the foregoing, the Association shall have and may utilize all remedies granted it under the provisions of North Carolina General Statutes Chapter 47F, et al.

ALL PROPERTIES WITHIN THE JURISDICTION OF THIS ASSOCIATION ARE SUBJECT TO THE PROVISIONS OF THE NORTH CAROLINA PLANNED COMMUNITY ACT, NORTH CAROLINA GENERAL STATUTES CHAPTER 47F.

SECTION 9. EFFECT OF DEFAULT IN PAYMENT OF AD VALOREM TAXES OR ASSESSMENTS FOR PUBLIC IMPROVEMENTS BY ASSOCIATION. Upon default by the Association in the payment to the governmental authority entitled thereto of any ad valorem taxes levied against the Common Elements or assessments for public improvements to the Common Elements, which default shall continue for a period of six (6) months, each Owner of a Lot in the development shall become personally obligated to pay to the taxing or assessing governmental authority their pro rata share of the outstanding amount. If such sum is not paid by the Owner within thirty (30) days following receipt of notice of the amount due, then such sum shall become a continuing lien on the Lot of the then Owner, his or her heirs, devisees, personal representatives and assigns, and the taxing or assessing governmental authority may either bring an action at law or may elect to foreclose the lien against the Lot of the Owner.

SECTION 10. SUBORDINATION OF THE LIEN TO MORTGAGES. The liens provided for herein shall be subordinate to the lien of any first mortgage or deed of trust. Sale or transfer of any Lot shall not affect the assessment lien or liens provided for in the preceding section. However, the sale or transfer of any Lot which is subject to any such first mortgage or deed of trust, pursuant to a foreclosure thereof or any proceeding in lieu of foreclosure thereof, shall extinguish the lien of such assessments as to the payment thereof which become due prior

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

SECTION 11. EXEMPT PROPERTY. All property dedicated to, and accepted by, a local public authority and all properties owned by a charitable or non-profit organization exempt from taxation by the laws of the State of North Carolina shall be exempt from the assessments created herein. However, no land or improvements devoted to dwelling use shall be exempt from said assessments.

SECTION 12. WORKING CAPITAL ASSESSMENTS. In addition to the annual assessments authorized above, at the time of the closing of the first sale of each lot to a purchaser other than Declarant or its affiliate, the Purchaser shall pay to the Association an amount equal to three twelfths (3/12) of the then current annual assessments for such lot established by the Association. Such funds shall be used by the Association to establish a Working Capital Fund, the purpose of which is to help insure that the Association will have sufficient monies available to meet its initial operational needs, unforeseen expenditures or long-term capital improvements and repairs to the common elements. No such payments made into the Working Capital Fund shall be considered advanced or current payments of regular assessments. All monies paid into the Working Capital Fund shall be held and administered by the Association in accordance with the terms of the Declaration and the Bylaws of the Association.

ARTICLE V ARCHITECTURAL CONTROL

SECTION 1. IMPROVEMENTS. No improvements, alteration, repair, change in paint color, excavation, change in grade, planting, landscaping, exterior decoration (including, without limitation, yard ornaments, figurines, statues, bird baths, houses and feeders, flags and similar items) or other work which in any way alters the exterior of any Lot or the improvements located thereon from their natural or improved state existing on the date such Lot was first conveyed in fee by the Declarant or an affiliate of Declarant to an Owner other than Declarant or an affiliate of Declarant, shall be commenced, erected or maintained upon any Lot and no building, fence, retaining wall, residence or other structure shall be commenced, erected, maintained, improved, altered or removed, until the plans and specifications showing the nature, kind, shape, height, materials and location of the same shall have been submitted to and approved in writing as to harmony of external design and location in relation to surrounding structures and topography by the Executive Board of the Association or by an architectural committee composed of three (3) or more representatives appointed by the Executive Board (the "Architectural Control Committee"). Notwithstanding the foregoing, landscaping improvements consisting of plant materials native to the area and commonly used in residential landscaping which do not interfere with the sight lines of motorists at intersections of the streets and/or driveways located within the Properties and that are harmonious and consistent with the surrounding property shall not require approval by the Executive Board of the Association or the Architectural Control Committee. In addition, temporary seasonal exterior decorations shall not require the prior approval of the Executive Board or the Architectural Control Committee, but if any such decorations are determined, in the sole discretion of the Executive Board or the Architectural Control Committee, to be distasteful or otherwise disruptive of the aesthetics or visual harmony of the community, the Executive Board or the Architectural Control Committee may require that such decorations promptly and permanently be removed. In the event that an Owner neglects or fails to remove any such decorations at the request of the Executive Board or the Architectural Control Committee, the Association may provide such removal. In order to enable the Association to accomplish the foregoing, there is hereby reserved to the Association the right to unobstructed access over and upon each Lot at all reasonable times subject to 10 days written notice to the Buyer for such purpose and the cost of such removal shall be added to and become a part of the assessment to which such Lot is subject. Notwithstanding the foregoing, nothing herein contained shall prevent or interfere with the right of Declarant or any affiliate of Declarant to improve and develop the Properties, including the Lots, as Declarant or such affiliate chooses, so long as said development follows the general plan of development of the Properties from time to time approved by the Appropriate Local Governmental Authority. Accordingly, nothing herein shall require that either Declarant or any affiliate of Declarant seek or obtain the approval of the Architectural Control Committee for improvements erected on the Properties by or at the direction of Declarant or any such affiliate. In addition, for so long as Declarant or any affiliated entity owns any Lot or has the right to annex any Additional Property pursuant to Article X hercof, Declarant or its affiliate may approve any plans and specifications rejected by the Executive Board or the Architectural Control Committee for the construction or

alteration of improvements on any Lot provided the construction or alteration approved by Declarant or its affiliate conforms with the general scheme of development from time to time approved by the Appropriate Local Governmental Authority. Such approval by Declarant or its affiliate shall operate and have the same effect as approval by the Executive Board or the Architectural Control Committee.

SECTION 2. PROCEDURES.

(a) Any person desiring to make an improvement, alteration or change described in Section 1 of this Article shall submit sufficient plans and specifications therefore in writing, showing the nature, kind, shape, height, materials and location of the same, to the Executive Board of the Association or the Architectural Control Committee which shall evaluate such plans and specifications in light of the purpose of this Article. A reasonable architectural review fee, to be paid in advance, may be charged by the Association each time preliminary plans and specifications are submitted for approval in accordance herewith. Preliminary and final plans shall count as one (1) submittal for the purposes of this Section. In the event that submitted plans are disapproved as not conforming with the provisions of this Article or with other criteria imposed by the Architectural Control Committee, when new or revised plans are submitted, if the revisions are reasonably deemed by the Architectural Control Committee to be substantial and pervasive, the resubmission may be deemed to be an entirely new submittal, subject to the foregoing fee schedule. Notwithstanding anything in this Section to the contrary, the amount of the architectural review fee provided for herein may be modified from time to time by the Architectural Control Committee to reflect changed circumstances such as inflation. The Architectural Control Committee also shall have the power to waive any established architectural review fee.

(b) Upon approval by the Executive Board or Architectural Control Committee of any plans and specifications submitted pursuant to this Declaration, a copy of such plans and specifications, as approved, shall be deposited for permanent record with the Architectural Control Committee and a copy of such plans and specification bearing such approval, in writing, shall be returned to the applicant submitting the same. Approval for use in connection with any Lot of any plans and specifications shall not be deemed a waiver of the Architectural Control Committee's right, in its discretion, to disapprove similar plans and specifications, features or elements that are subsequently submitted for use in connection with any other Lot. Approval of any such plans and specifications relating to any Lot, however, shall be final as to that Lot and such approval may not be reviewed or rescinded thereafter, provided that there has been adherence to, and compliance with, such plans and specifications, as approved, and any conditions attached to any such approval. As a condition to the granting of approval of any request made under this Article, the Association may require that the Owner(s) requesting such change be liable for any cost of maintaining, repairing and insuring the approved alteration. If such condition is imposed, the Owner(s) shall evidence consent thereto by a written document in recordable form satisfactory to the Association. Thereafter, the Owner(s), and any subsequent Owner(s) of the Lot, by acceptance of a deed therefore, whether or not it shall be so expressed in such deed, are deemed to covenant and agree that the cost of maintaining, repairing and insuring such alteration shall be a part of the annual assessment or charge set forth herein, and subject to the lien rights described herein.

(c) Neither Declarant, nor any other Member of the Association's Executive Board or Architectural Control Committee, shall be responsible or liable in any way for any defects in any plans or specifications approved by them, nor for any structural defects in any work done according to such plans and specifications. Further, neither Declarant, nor any Member of the Association's Executive Board or Architectural Control Committee, shall be liable for damages to anyone by reason of mistake in judgment, negligence, misfeasance, malfeasance or nonfeasance arising out of or in connection with the approval or disapproval or failure to approve or disapprove any such plans or specifications or the exercise of any other power or right provided for in this Declaration. Every Person who submits plans or specifications for approval agrees, by submission of such plans and specifications, and every owner of any Lot agrees, that he or she will not bring any action or suit against Declarant, the Association, any Member of the Association's Executive Board or Architectural Control Committee, to recover any damages connected directly or indirectly to architectural control set forth herein. By submission of such plans and specifications, the submitting party releases and discharges the Declarant, the Association, any Member of the Association's Executive Board and Architectural Control Committee from any and all claims, debts, damages, liability or demands arising from or related, in any way, to the architectural control process.

ARTICLE VI EXTERIOR MAINTENANCE AND PARTY WALLS

SECTION 1. EXTERIOR MAINTENANCE. The Association shall reasonably maintain the Common Elements and shall maintain the grounds of each Lot which is subject to assessments hereunder as follows: mow, seed and fertilize all grassed areas, mulch, remove dead or diseased trees or shrubs, prune trees or shrubs planted by the Declarant or the Association. Notwithstanding, the Association shall not maintain the fenced-in portion of any Lot. For an additional charge, the Association's Landscape Maintenance Contractor may offer to contract separately and directly with an Owner in order to perform rear fenced-in yard maintenance for the Owner. Further, the Owner of any Lot may, at his or her election, plant flowers in the planting beds established by Declarant in developing the Lot, provided that such maintenance by the Owner does not hinder the Association in performing its maintenance of the exterior of the Townhome and the remaining yard spaces. The Owner shall not plant any vegetation in the front yard except with prior written approval of the Association.

In addition to maintenance upon the Common Elements and each Lot, the Association shall provide exterior maintenance upon each Townhome which is subject to assessment hereunder, as follows: paint, repair, replace and care of roofs, gutters, downspouts, exterior building surfaces, walks, mailboxes, and other exterior improvements. In addition, the Association shall maintain, repair, and replace any fence or retaining wall located within the Common Elements and any Lot originally constructed by the Declarant. Except as specifically set forth herein, the Owner shall be responsible for all other maintenance upon the Lot. Such exterior maintenance, repair and replacement, shall not include glass surfaces, window and door screens, storm doors installed (any such installation being subject to Article V hereof). Each Owner shall be liable and responsible for maintenance, repair, and replacement, as the case may be, of all glass surfaces, window and door screens, storm doors installed (any such installation being subject to Article V hereof), air conditioning and heating equipment, and all other equipment and materials required to provide water, light, power, natural gas, telephone, cable television, sewage, and sanitary service to the Lot which are not publicly maintained. In the event that the Owner neglects or fails to maintain his or her Lot and/or the exterior of his or her dwelling in a manner consistent with other Lots and dwellings within the Properties, the Association may provide such exterior maintenance and all cost incurred by the Association in providing such exterior maintenance shall be added to the annual assessment for such Lot and subject to the lien rights described in Article IV including a 20% surcharge; provided, however, that the Association shall first give written notice to the Owner of the specific items of exterior maintenance or repair the Association intends to perform and the Owner shall have twenty (20) days from the date of mailing of said notice within which to perform such exterior maintenance himself or herself. The determination as to whether an Owner has neglected or failed to maintain his or her Lot and/or dwelling in a manner consistent with other Lots and dwellings within the Properties shall be made by the Executive Board of the Association, in its sole discretion.

Any maintenance performed by an Owner shall not reduce the assessment payable by him or her to the Association.

SECTION 2. COSTS SUBJECT TO ASSESSMENT. In the event that the need for any maintenance, repair or replacement required hereunder to be performed by the Association is caused through the willful or negligent act of the Owner, his or her family, guests or invitees, or is caused by fire, lightning, windstorm, hail, explosion, riot, riot attending strike, civil commotion, aircraft, vehicles or smoke, as the foregoing are defined and explained in North Carolina Standard Fire and Extended Coverage Insurance policies, the cost of such maintenance, replacement or repairs shall be added to and become a part of the assessment to which such Lot is subject.

SECTION 3. PARTY WALLS

(a) **GENERAL RULES OF LAW TO APPLY.** Each wall which is built as a part of the original construction of the townhomes upon the properties and placed on the dividing line between the Lots shall constitute a party wall, and, to the extent not inconsistent with the provisions of this Article, the general rules of law regarding party walls and liability for property damage due to negligence or willful acts or omissions shall apply thereto. No alterations may be made to any party wall other than alterations to the interior surfaces.

(b) **SHARING OF REPAIR AND MAINTENANCE.** The cost of reasonable repair and maintenance of a party wall shall be shared by the Owners who make use of the wall in proportion to such use.

(c) DESTRUCTION BY FIRE OR OTHER CASUALTY. If a party wall is damaged or destroyed by fire or other casualty, and Owner who has used the wall may restore it, and if the other Owners thereafter make use of the wall, they shall contribute to the cost of restoration thereof in proportion to such use without prejudice, however, to the right of any such Owners to call for a larger contribution from the others under any rule of law regarding liability for negligent or willful acts or omissions.

(d) WEATHERPROOFING. Notwithstanding any other provision of this Article, an Owner who by his negligence or willful act causes the party wall to be exposed to the elements shall bear the whole cost of furnishing the necessary protection against such elements.

(e) RIGHT TO CONTRIBUTION RUNS WITH LAND. The right of any Owner to contribution from any other Owner under this Article shall be appurtenant to the land and shall pass to such Owner's successors in title.

(f) ARBITRATION. In the event of any dispute arising concerning a party wall or under the provisions of this Article, each party shall choose one arbitrator, and such arbitrators shall choose one additional arbitrator, and the decision shall be by a majority of all the arbitrators.

SECTION 4. EASEMENT TO PERFORM EXTERIOR MAINTENANCE. In order to enable the Association to accomplish the foregoing, there is hereby reserved to the Association and Declarant the right to unobstructed access over and upon each Lot at all reasonable times to perform maintenance as provided in this Article.

ARTICLE VII RESTRICTIONS

SECTION 1. LAND USE AND BUILDING TYPE. No Lot shall be used except for single-family residential purposes; provided, however, Declarant, or any affiliated entity may use any Lot owned or leased by Declarant or any affiliated entity as a sales office, construction office, and/or model. No building shall be erected, placed or permitted to remain on any Lot other than one detached or attached single-family dwelling not to exceed three (3) stories in height excluding basement, an optional attached private garage for not more than three (3) cars and one (1) accessory building incidental to the residential use of the Lot. By way of illustration and not of limitation, any such accessory building must be (i) approved pursuant to Article V and (ii) constructed of wood, and (iii) match the primary exterior color of the residence.

SECTION 2. DWELLING SPECIFICATIONS. No dwelling shall be erected or allowed to remain on a Lot if the total heated floor area shall be less than Nine Hundred Fifty (950) square feet in the case of a single story dwelling, or Eleven Hundred (1100) square feet in the case of a one and one-half, two, or three story dwelling.

SECTION 3. NUISANCE. No noxious or offensive activity shall be conducted upon any Lot or the common elements nor shall anything be done thereon which may be or may become an annoyance or nuisance to the neighborhood. All Lot Owners expressly waive any claims against the Declarant or any affiliated entity related to any obnoxious or offensive activity conducted upon any Lot or relating to anything done upon any Lot which may be or may become an annoyance or nuisance to the neighborhood, except to the extent that the alleged obnoxious or offensive activity is conducted by the Declarant or the Declarant's agent. No Lot or other area within the Properties shall be used as a dumping ground for rubbish or as a site for the accumulation of unsightly materials of any kind, including, without limitation, broken or rusty equipment and discarded appliances and furniture. No garbage cans or trash receptacles of any kind or nature shall be kept on any lot unless inside a structure or enclosure, such as a latticed area and screened from the view of persons using the street and from adjacent lots. All garbage cans or trash receptacles shall only be placed outside at the earliest the evening before garbage pickup day and shall be immediately returned inside an enclosed area after garbage has been picked up. No outdoor clotheslines or above ground pools shall be permitted to be erected or remain on any lot.

SECTION 4. MOTOR VEHICLES. No motor vehicles, including boats, marine crafts, hovercrafts, aircraft, trailers, campers, mopeds, motorcycles, or passenger or commercial automobiles or trucks shall be parked within the right of way of any public or private street adjacent to any Lot, except that any of the above may be parked within such right of way for not more than four (4) consecutive hours. This restriction shall not apply to any

vehicle, machinery or equipment temporarily parked and in use for the construction, maintenance or repair of a residence in the immediate vicinity of the parking area. No vehicles, boats, jet skis, motorcycles, trailers, campers, recreational vehicles, or similar equipment shall be parked or stored in any area (Common Elements or on any Lot) visible from any street except passenger automobiles, passenger vans, and pick-up trucks (equal to or less than one ton in size) that are in operable condition and have current license plates, registration, and inspection certificate stickers. No unsightly discolored or rusty motor vehicle; or inoperative motor vehicle may be parked or stored on any Lot or any public or private street or other area within the Properties, except within a completely enclosed garage, for a period in excess of forty-eight (48) hours. No maintenance and/or repair of vehicles shall be performed on any Lot or any public or private street or other area within the Properties except within completely enclosed garages constructed in conformity with these covenants and applicable laws and ordinances. All parking for the aforesaid acceptable vehicles within the Lots shall be in garages, driveways, or Association designated parking areas and shall not be in any lawns.

SECTION 5. ANIMALS. No animals, livestock or poultry of any kind shall be kept or maintained on the Common Elements or on any Lot or in any dwelling except that dogs, (except for those breeds, either full blood or mixed, known as Chows, Rottweilers, and Pit Bull Terriers, all of which are specifically excluded) cats or other household pets, not to exceed three (3) pets per household, may be kept or maintained provided that they are not kept or maintained for commercial purposes and further provided that they are kept and maintained in compliance with (i) all laws and ordinances of the Appropriate Local Governmental Authority; (ii) such rules and regulations pertaining thereto as the Executive Board may adopt from time to time; and (iii) are controlled when outside the dwelling so as not to annoy or offend other residents due to barking or other conduct. The foregoing limitation on the number of pets shall not apply to hamsters, small birds, fish or other constantly caged indoor animals, nor shall it apply to require the removal of any litter born to a permitted pet to prior to the time that the animals in such litter are three (3) months old. If any animal may, in the sole discretion of the Executive Board or its designated committee, make an objectionable amount of noise, or endanger the health, safety, comfort or well being of the occupants of other Lots, such animal shall be removed upon the request of the Executive Board or its designated committee. If the Owner of such animal fails or refuses to honor such request, the animal may be removed at the direction of the Executive Board. Pet fecal matter must be collected from the Common Elements and any Lot by the pet owner and/or other person responsible for the pet at the time. An Owner's failure to remove fecal matter or other said waste shall be conclusively deemed to be a nuisance, and shall subject such Owner to such reasonable penalties as may be determined by the Association, including without limitation, the removal of such animal as described above. The cost and expense of any removal of an animal under this Section 5 shall be the sole responsibility of the Owner of the Lot where the animal was kept (or brought by a guest or invitee). In the event that such Owner fails to reimburse the Association for such cost and expense within twenty-one (21) days after the Association's demand for reimbursement, such cost and expense shall become part of the annual assessment against such Lot, and the amount of such cost or expense assessed against such Lot shall not be counted or considered in determining whether a maximum assessment has been made against such assessed Lot under Article IV of this declaration.

SECTION 6. OUTSIDE ANTENNAS. No outside radio or television antennas or discs shall be erected on the Common Elements or on any Lot or dwelling within the Properties unless and until permission for the same has been granted by the Executive Board of the Association or the Architectural Control Committee pursuant to Article V of this Declaration. In no event shall any satellite dish in excess of thirty-six (36) inches in diameter be permitted on any lot. Prior to installing an approved satellite dish, the Owner must make a good faith effort to locate the dish in an approved area and screen the dish such that the dish is not visible from any Lot, the street or any Common Elements. The screening for the dish must be approved by the Executive Board of the Association or the Architectural Control Committee.

SECTION 7. RESUBDIVISION OF LOTS AND STREETS. No lot shall be resubdivided into a lot smaller than or different from the Lot shown on the recorded plat and no street shall be laid out across or through any Lot, except with the written consent of Declarant.

SECTION 8. SIGNS. No sign or billboard of any kind whatsoever shall be erected upon or displayed or otherwise exposed to view on any Lot or any improvement thereon or on any vehicle within Properties. No sign deemed by the Association, the Architectural Control Committee or Declarant to be a nuisance or a detriment to the Properties or the Additional Property shall be permitted or erected or allowed to remain on any Lot.

Notwithstanding the foregoing, Declarant and any affiliate shall have the right to erect and maintain signs, of any shape and size, within the Common Elements or on any Lot for the purpose of informing, advertising and marketing.

SECTION 9. MOBILE HOMES, MANUFACTURED HOMES, ETC. No mobile home, manufactured home, modular home, trailer, or other like structure shall be located or installed on any Lot. As used in this Section 9, mobile home, manufactured home or modular home shall mean a structure, assembled in whole or in part in a location other than on the Lot itself, transportable in one or more sections, any section of which, during transport, is four (4) feet or more in width and ten (10) feet or more in length on a two dimensional plane, (other than roof and floor trusses), which may or may not be built on a permanent chassis and which is designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities. Notwithstanding the foregoing, Declarant, builders or contractors may maintain temporary improvements (such as a sales office and/or construction trailer) on any Lot or Common Elements during the construction and development period.

SECTION 10. FENCES OR RETAINING WALLS. Except any fence constructed by Declarant, or any affiliated entity, no fence, retaining wall, or other enclosure shall be constructed on any lot except with the written consent of Declarant or Architectural Control Committee as provided in Article V of the declaration. Chain Link fences are not permitted. Notwithstanding the foregoing, Declarant, its successors and assigns, and the Association shall have the right to erect chain link fences and any other type of fences and enclosures within the Common Elements to enclose retention ponds and for other purposes without the approval of the Architectural Control Committee, such fences and enclosures to become a part of the Common Elements to be maintained by the Association.

SECTION 11. STORAGE. No household furnishings, equipment, lawn furniture or related personal property, including but not limited to: toys, children's play objects, grills, bicycles, and lawn ornaments shall remain outside the residential unit, approved accessory building, or garage overnight; or during the period of time that lawn maintenance is being performed. Approved lawn furniture, grills, and other approved items may be allowed to remain on patios, decks, and/or covered porches. By way of illustration and not limitation, all objects must be removed from the front yards, front porches and placed out of view of the public and other Owners within a reasonable amount of time after the last use. Reasonable arrangements of seasonal flower pots and hanging baskets are permitted. All outside garbage storage receptacles, containers, and enclosures shall be located at the rear of the homes.

SECTION 12. SINGLE FAMILY USE RESTRICTION. No Lot within the Properties shall be used as a half-way house, juvenile home, detention center, temporary/long term shelter of any kind, or rehabilitation center of any kind. This provision is intended to prevent the use of the Properties for housing, protection, detention, or rehabilitation of criminals, homeless persons, or other similarly situated persons. It is not the intent of the provision to prevent the Owners of the Lots from undergoing medical or therapeutic rehabilitation or treatment at home. No industry, business, trade, occupation, or profession of any kind, whether commercial or otherwise, shall be conducted, maintained, or permitted on any part of the property, except an Owner may use one room of his or her Home as a home office, provided however, (i) there is nothing visible from outside the Home to indicate a room is being used as an office; (ii) there are no business clients or members of the general public coming to the Home because of the business being conducted in the Home; and (iii) there is nothing being done in the Home which may be or may become an annoyance or nuisance to the Properties. Notwithstanding the Declarant or its agents may use any unsold Lots for staging construction materials and any unsold Homes for sales or display purposes.

SECTION 13. RULES AND REGULATIONS FOR USE OF LOTS. The Executive Board may implement reasonable Rules and Regulations that govern use and conduct on Lots owned by Owners. These Rules and Regulations may be more restrictive than those restrictions set forth in this Declaration, the Bylaws, and the Articles of Incorporation. Said Rules and Regulations may be enforced pursuant to Article X below.

ARTICLE VIII EASEMENTS

SECTION 1. UTILITIES. Easements for installation and maintenance of utilities (including cable television service) and drainage facilities are reserved as indicated on recorded plats. In addition, Declarant reserves, for itself and the Association, additional easements and rights-of-way for the installation and maintenance

of utilities (including cable television service) and drainage facilities over the rear ten (10) feet of any Lot and over each side five (5) feet of all Lots, provided, however, that Declarant may, in its sole discretion, waive its right to such additional easement along rear and side Lot lines, in connection with any planned and approved "zero lot line" residence to be constructed on any Lot. Any such waiver shall be by written instrument executed and recorded by Declarant. Within these easements no structures, planting or other material shall be placed or permitted to remain which may interfere with the installation and maintenance of utilities, or which may change the direction of flow of drainage channels in the drainage easements, or which may obstruct or retard the flow of water through drainage channels in the easements. An easement is hereby established for the benefit of the appropriate governmental entity (and any other person or firm providing services to the Properties under agreement with or at the direction of the Association) over all Common Elements as may be reasonably necessary for the setting, removal and reading of utility meters, and for maintenance and replacement of water, sewer, and drainage facilities and for the fighting of fires and collection of garbage. The Declarant and the Association Executive Board shall have the power and authority to grant and establish upon, over and across the Common Elements such additional easements as are necessary or desirable for the providing of service or utilities to the Common Elements or Lots.

SECTION 2. SIGNS. Declarant hereby grants, gives and conveys to the Association a perpetual, non-exclusive easement over any portions of the Lots designated as "sign easements" on plats of the Properties, now and hereafter recorded, to erect, maintain, replace and repair subdivision signs and landscaping and/or lighting surrounding the same and add such easements shall be part of the Common Elements. The Association shall maintain all subdivision signs, landscaping, lighting, irrigation systems, and etc. surrounding the same now or hereafter erected within the Common Elements. The costs of all such maintenance, repair and replacement of such signs, landscaping, lighting, irrigation systems, etc. shall be part of the common expenses of the Association, payable by the Owners as set out in Article IV hereof. Further, Declarant and any affiliated entity shall have (i) the right to erect within the Common Elements additional subdivision signs, landscaping, lighting, irrigation systems, etc. surrounding the same to be maintained by the Association as herein provided and (ii) the right to erect within the Common Elements signs for advertising and marketing.

SECTION 3. EASEMENT RESERVED BY DECLARANT. Declarant hereby reserves such easements on, across and over the Common Elements and Lots as shall be reasonably necessary for (i) the exercise by Declarant or any affiliated entity of any right herein reserved, including, without limitation, Declarant's right, should Declarant elect, to annex the Additional Property, as hereinafter defined and (ii) the development by Declarant or any affiliate, their respective successors and assigns, of the Additional Property, should Declarant elect to annex or not to annex the Additional Property, including without limitation easements for ingress, egress and regress over private roads and streets now or hereafter erected on the Properties and easements for the use of all utility lines, fixtures and/or their connections located within the Common Elements for the purpose of providing water, light, power, telephone, water and sanitary and other utility services to the Properties and Additional Property.

SECTION 4. ENCROACHMENTS. In the event that any improvements including but not limited to structures, fences, retaining walls, driveways and etc. on a Lot shall encroach upon any Common Elements or upon any other Lot as a result of the improvements constructed by Declarant or for any reason not caused by the purposeful or negligent act of the Owner or agents of such Owner, then an easement appurtenant to such Lot shall exist for the continuance of such encroachment upon the Common Elements or other Lot for so long as such encroachment shall naturally exist; and, in the event that any portion of the Common Elements shall encroach upon any Lot, then an easement shall exist for the continuance of such encroachment of the Common Elements into any such Lot for so long as such encroachment shall naturally exist.

ARTICLE IX RIGHTS RESERVED UNTO INSTITUTIONAL LENDERS

SECTION 1. ENTITIES CONSTITUTING INSTITUTIONAL LENDERS. "Institutional Lender" as the term used herein shall mean and refer to banks, savings and loan associations, insurance companies or other firms or entities customarily affording loans secured by first liens on residences, and eligible insurers and governmental guarantors.

SECTION 2. OBLIGATION OF ASSOCIATION TO INSTITUTIONAL LENDERS. So long as any Institutional Lender shall hold any first lien upon any Lot and shall given notice to the Association as set forth in Section 3 of this Article, or shall be the Owner of any Lot, such Institutional Lender shall have the following rights:

- (a) To inspect the books and records of the Association during normal business hours and to be furnished with at least one (1) copy of the annual financial statement and report of the Association prepared by a certified public accountant designated by the Executive Board of the Association, such financial statement or report to be furnished by April 15 of each calendar year.
- (b) To be given notice by the Association of the call of any meeting of the Membership to be held for the purpose of considering any proposed amendment to this Declaration of Covenants, Conditions and Restrictions or the Articles of Incorporation or Bylaws of the Association or of any proposed abandonment or termination of the Association or the effectuation of any decision to terminate professional management of the Association and assume self-management by the Association.
- (c) To receive notice of any condemnation or casualty loss affecting the Common Elements or any portion thereof.
- (d) To be notified of any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association.
- (e) To be given notice by the Association of any proposed alienation, release, transfer, hypothecation or other encumbrance of the Common Elements, other than those specific rights vested in the Association under Article II hereof.
- (f) To be given notice of any delinquency in the payment of any assessment or charge (which delinquency remains uncured for a period of sixty (60) days by any Owner owning a Lot encumbered by a mortgage held by the Institutional Lender, such notice to be given in writing and to be sent to the principal office of such Institutional Lender, or to the place which it may designate in writing.

SECTION 3. REQUIREMENTS OF INSTITUTIONAL LENDER. Whenever any Institutional Lender desires to avail itself of the provisions of this Declaration, it shall furnish written notice thereof to the Association by CERTIFIED MAIL at the address shown in the Articles of Incorporation identifying the Lot or Lots upon which any such Institutional Lender holds any first lien or identifying any Lot or Lots owned by such Institutional Lender and such notice shall designate the place to which notices, reports or information are to be given by the Association to such Institutional Lender.

ARTICLE X GENERAL PROVISIONS

SECTION 1. ENFORCEMENT. The Owner(s) of each Lot shall be governed by and shall comply with the provisions of this Declaration, the Bylaws of the Association and all Rules and Regulations of the Association adopted pursuant thereto, as any of the same are now constituted the Articles of or as they may be amended from time to time. A default by any Owner shall entitle the Association or the Owner(s) of any of the other Lots to the following relief:

- (a) The Association, or any Owner, shall have the right to enforce, by any proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens, fines and charges now or hereafter imposed by the provisions of the Declaration, Bylaws of the Association, Articles of Incorporation and all rules and regulations of the Association adopted pursuant thereto. Failure to comply with any of the terms of this Declaration or other restrictions and regulations contained in the Bylaws, Articles of Incorporation, and Rules and Regulations of the Association, or which may adopted pursuant thereto, shall be grounds for relief including without limitation an action to recover sums due for damages, injunctive relief, foreclosure of lien, imposition of a monetary fine, sanctions, or any combination thereof. The Association shall have the right to request that law enforcement, public safety and animal control officers come on the Properties to facilitate the enforcement of the laws, codes and ordinances of any governmental authority.

(b) The Association, after notice to the Owner and a reasonable opportunity to be heard, shall have the right to assess reasonable fines against an Owner for violations of this Declaration, the Bylaws of the Association, Articles of Incorporation or the Association's Rules and Regulations, or such Owner's family, guests, invitees and lessees in an amount not to exceed \$150.00 for each violation, and without further hearing, for each day after the decision that the violation exists. Such fines shall be deemed to be assessments as set forth in Article IV of the Declaration and if not paid within thirty (30) days after notice and demand thereof, the Association shall be entitled to the remedies set forth in the Declaration for the enforcement and collection of delinquent assessments.

(c) The Association, after notice to the Owner and reasonable opportunity to be heard, shall have the right to suspend privileges and/or services provided by the Association (except rights of access to Lots) for reasonable periods for violations of this Declaration, Bylaws, Articles of Incorporation, or Association's Rules and Regulations. If it is decided that a suspension of privileges and/or services provided by the Association should be imposed, the suspension may be continued without further hearing until the violation is cured.

(d) If an Owner is legally responsible for damage inflicted on any Common Elements, the Association may direct such Owner to repair such damage, or the Association may itself cause the repairs to be made and recover damages from the responsible Owner. If damage is inflicted on any Lot by an agent of the Association in the scope of the agent's activities as such agent, the Association is liable to repair such damage or to reimburse the Owner for the cost of repairing such damages. When any such claim for damages against an Owner or the Association is less than or equal to the jurisdictional amount established for small claims by North Carolina General Statute 7A-210, any aggrieved party may request that a hearing be held before an adjudicatory panel appointed by the Executive Board of the Association to determine if an Owner is responsible for damages to any Common Elements or the Association is responsible for damages to any Lot. If the Executive Board fails to appoint an adjudicatory panel to hear such matters, such hearings shall be held before the Executive Board. Such panel shall accord to the party charged with causing damages notice of the charge, opportunity to be heard and to present evidence, and notice of the decision. This panel may assess liability for each damage incident against each Owner charged or against the Association not in excess of the jurisdictional amount established for small claims by North Carolina General Statute 7A-210. When the such claim exceeds the jurisdictional amount established for small claims by North Carolina General Statute 7A-210, liability of any Owner charged or the Association shall be determined as otherwise provided by law. Liabilities of Owners determined by adjudicatory hearing or as otherwise provided by law shall be assessments secured by lien under Section 47F-3-116 of the Planned Community Act. Liabilities of the Association determined by adjudicatory hearing or as otherwise provided by law may be offset by the Owner against sums owing to the Association and if so offset, shall reduce the amount of any lien of the Association against the Lot at issue.

(e) In any proceeding arising because of an alleged default by an Owner, the Association, if successful, shall be entitled to recover the costs of the proceeding and such reasonable attorneys' fees as may be determined by the Court, and any other costs incurred by the Association.

(f) The failure of the Association or any Owner to enforce any right, provision, covenant, condition or restriction which may be granted by this Declaration or the other above mentioned documents shall not constitute a waiver of the right of the Association or of the Owner to enforce such right, provision, covenant or condition in the future.

(g) All rights, remedies and privileges granted to the Association or the Owners, pursuant to any terms, provisions, covenants or conditions of the Declaration or other above mentioned documents, shall be deemed to be cumulative, and the exercise of any one or more shall not be deemed to constitute an election of remedies, nor shall it preclude the party thus exercising the same from exercising such other and additional rights, remedies or privileges as may be available to such party at law or in equity.

(h) The failure of the Declarant to enforce any right, provision, covenant, condition or restriction which may be granted by this Declaration or the other above mentioned documents shall not constitute a waiver of the right of the Declarant to enforce such right, provision, covenant or condition in the future.

SECTION 2. SEVERABILITY. Invalidation of any one of the covenants or restrictions by judgment or court order shall in no wise affect any other provision which shall remain in full force and effect.

SECTION 3. AMENDMENT. The covenants and restrictions of this Declaration shall run with and bind the land for a term of twenty (20) years from the date this Declaration is recorded, after which time they shall be automatically extended for successive periods of ten (10) years unless hereinafter provided. This Declaration may be terminated or amended with the written consent of the Owners entitled to cast at least eighty percent (80%) of the votes of the Association; provided, however, during Declarant's Development Period, this Declaration may not be amended or terminated without Declarant's written consent; no amendment purporting to revoke or curtail any right herein conferred to Declarant shall be effective unless executed by Declarant; and no amendment relating to the maintenance or ownership of any permanent detention or retention pond shall be effective unless reviewed and approved by the governmental office having jurisdiction for watershed protection. Any amendment must: (1) be executed on behalf of the Association by its duly authorized officers; (2) contain an attestation by the officers executing the amendment on behalf of the Association that the requisite Owner and Declarant approval has been obtained and is evidenced by written acknowledgement(s) signed by the Owners approving the amendment and, if required, Declarant, and that such acknowledgements have been made a part of the Minute Book of the Association; and (3) be properly recorded in the Office of the Register of Deeds, Davidson County, North Carolina. For the purposes of this section, additions to existing property by Declarant pursuant to Section 4 of this Article shall not constitute an "amendment". In the event this Declaration is terminated in accordance with the provisions hereinabove provided, Declaration, for each Lot owned within the Properties, hereby covenants, and each Owner for any Lot, by acceptance of a deed thereof, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay a pro rata share of the cost of the maintenance of all permanent retention and detention ponds. Notwithstanding any provision to the contrary, Declarant reserves the right and power, and each Owner by acceptance of a deed to a Lot is deemed to and does give and grant to Declarant a power of attorney, which right and power is coupled with an interest and runs with the title to a Lot and is irrevocable (except by Declarant), without consent, approval or signature of each Owner, to (i) amend the Declaration and all attachments, to the extent necessary to conform to the requirements then governing the purchases or insurance of mortgages by The Mortgage Corporation, Federal National Mortgages Association, Governmental National Mortgages Association, Federal Home Loan Mortgage Corporation, Mortgage Guaranty Insurance Corporation, Department of Housing and Urban Development, the Federal Housing Administration, the Veterans Administration, or any other similar agency or organization, (ii) induce any such agencies or entities to make, purchase, sell, insure or guarantee first mortgages covering Lot ownership, (iii) to correct typographical errors, surveyor errors in descriptions or otherwise, or obvious factual errors or omissions, the correction of which would not impair the interest of any Owner or mortgagee, (iv) bring this Declaration into compliance with the NC Planned Community Act, (v) to amend any Exhibits, (vi) to exercise any Special Declarant Rights or development rights or (vii) to amend this Declaration in any other manner that does not materially affect the use and enjoyment of an Owner's Lot; and further provided that if there is an Owner other than Declarant, the Declaration shall not be amended to increase the scope or the period of control of the Declarant. Each deed, mortgage, other evidence of obligation, or other instrument affecting a Lot and the acceptance thereof shall be deemed to be a grant and acknowledgement of, and consent to the reservation of, the power of Declarant to vote in favor of, make, execute and record any of the foregoing amendments. The rights of Declarant under this Section shall terminate at such time as Declarant no longer holds or controls title to a Lot and the right of Declarant to add the Additional Property has expired.

SECTION 4. ANNEXATION.

(a) Except as provided in Subsection (b) of this Section 4, Article X, additional residential property and Common Elements may be annexed to the Properties only with the consent of the Members entitled to cast two-thirds (2/3) of the votes of each class of Members of the Association, who are voting, in person or by proxy, at a meeting duly called for such purpose; provided, however, during Declarant's Development Period, Declarant must also provide written consent to such action.

(b) All or any portion of the Additional Property may be annexed by the Declarant without the consent of Members within twenty (20) years of the date of this instrument, provided that, in the event FHA or VA insured loans have been obtained to purchase Lots, FHA and VA determine that the annexation is in accord with the general plan from time to time approved by them. Declarant shall have no obligation of any kind to annex any or all of the Additional Property and, should Declarant elect to annex all or any portion of the Additional Property,

Declarant shall have no obligation of any kind to annex the Additional Property in any particular sequential order. Should Declarant elect to annex all or any portion of the Additional Property and accordingly to subject such property to the terms and conditions of this Declaration, with regard to all or any part of the Additional Property annexed by Declarant, to make such complementary additions and/or modifications of the covenants and restrictions contained in this Declaration (including, without limitation, those contained in Section 2 of Article VII hereof) as may be necessary or convenient, in the sole judgment of the Declarant, to and reflect the different character, if any, of the added properties and as are not inconsistent with the plan of this Declaration, but such additions and/or modifications shall have no effect upon the properties previously subjected to this Declaration. With regard to any portion of the Additional Property not annexed by Declarant, Declarant makes no representations with regard to the use of such property or the exterior appearance, design, size or intended purpose of any improvements now or hereafter erected on such property.

SECTION 5. FHA/VA APPROVAL. During any period of Declarant Control, the following actions will require the prior approval of the Federal Housing Administration or the Veterans Administration provided that FHA or VA loans have been obtained to purchase Lots: dedication of Common Elements and amendment of this Declaration of Covenants, Conditions, and Restrictions.

SECTION 6. AMPLIFICATION. The Provisions of this Declaration are amplified by the Articles of Incorporation and Bylaws of the Association; but no such amplification shall alter or amend any of the rights or obligations of the Owners set forth in this Declaration. Declarant intends that the provisions of this Declaration on the one hand, and the Articles of Incorporation and Bylaws of the Association on the other be interpreted, construed, and applied to avoid inconsistencies or conflicting results. If such conflict necessarily results, however, Declarant intends that the provisions of this Declaration control anything contained in the Articles of Incorporation or Bylaws of the Association.

SECTION 7. DECLARANT'S DISCRETION. Wherever the terms of this Declaration provide for the granting or withholding of Declarant's consent to any action contemplated herein, or provide otherwise for the discretionary action of Declarant, Declarant's discretion to grant or withhold consent or take or not take such action shall be sole and absolute, subject to applicable law. The Association shall hold Declarant harmless from any claims or liabilities arising against Declarant in its capacity as the declarant under this Declaration.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the undersigned, being the Declarant herein, has caused this instrument to be executed in its name and its corporate seal hereto affixed as of the 15 day of July, 2008.

KEYSTONE GROUP, INC.,
a North Carolina Corporation

By: [Signature]
President

STATE OF NORTH CAROLINA

COUNTY OF GUILFORD

I, the undersigned, a Notary Public for said County and State, do hereby certify that W. SCOTT WALLACE appeared before me this day and acknowledged that he is President of KEYSTONE GROUP, INC, a North Carolina Corporation, and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by him/her as its _____ President.

WITNESS my hand and notarial seal, this the 15 day of July, 2008.

L Temple Wallace
Notary Public

My Commission Expires:

12-2-08

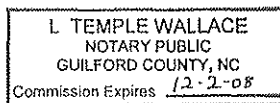


EXHIBIT A

BEING ALL of those certain parcels of land known as Friedberg Village Subdivision as recorded in Plat Book 51, Pages 83 and 84 in the Office of the Register of Deeds of Davidson County, North Carolina.