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NORTH CAROLINA

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 KATHERINE LEE PAYNE
 REGISTER OF DEEDS
 GUILFORD COUNTY, NC
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GUILFORD COUNTY

DECLARATION

OF

COVENANTS, CONDITIONS AND RESTRICTIONS

FOR

ORCHARD KNOB

THIS DECLARATION is made on the date hereinafter set forth by Triad Property Group, LLC, a North Carolina Limited Liability Company having an office in Guilford County, North Carolina, hereinafter referred to as "Declarant."

WITNESSETH:

WHEREAS, Declarant is the owner of certain property in the County of Guilford, State of North Carolina, which is more particularly described as follows:

ALL of the parcel or tract of land shown on the plat entitled "Final Plat, Orchard Knob, Phase I" recorded in Plat Book 140, Page 22, in the Office of the Register of Deeds of Guilford County, North Carolina.

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

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. ALLOCATED INTERESTS. "Allocated Interests" means the common expense liability and votes in the Association allocated to each Lot.

SECTION 2. ASSOCIATION. "Association" shall mean and refer to Orchard Knob Owners Association, Inc., its successors and assigns.

SECTION 3. "COMMON AREA" OR "COMMON ELEMENTS." "Common Area" or "Common Elements" shall mean all 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.

Declarant reserves the right, in its sole discretion, to convey or cause to be conveyed to the

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including, without limitation, Triad Property Group, LLC, shall own any portion of the Properties or shall have the right to annex additional properties pursuant to Article X, Section 4 hereof, and thereafter with the consent of the Association, in the discretion of its Executive Board, may convey additional property to the Association. The Association shall accept any such conveyance of property and thereafter such property shall be held and maintained by the Association as Common Area. Improvements, which may include, but shall not be limited to, recreational amenities, roadways, retention or detention ponds or erosion control devices, may be located on such additional Common Area. Except as otherwise provided in Section 47F-3-113 of the Planned Community Act, the Association shall be required to promptly repair and replace any portion of the Common Area which is damaged or destroyed and for which the Association is required to maintain casualty insurance pursuant to the Bylaws of the Association.

The Association also may acquire additional Common Area with the consent of 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 purposes; provided, however, during any Period of Declarant Control, Declarant must also consent to such action. For such conveyance to be effective, the deed or instrument conveying to the Association additional Common Area must: (1) be executed on behalf of the Association by its duly authorized officers; (2) contain an attestation by the officers executing the instrument on behalf of the Association that the requisite owners' approval has been obtained and is evidenced by written acknowledgments signed by the owners approving the amendment and made a part of the minute book of the Association; and (3) be properly recorded in the Guilford County Registry.

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 Area now or hereafter conveyed to the Association by Declarant that are required to be maintained by the governmental office(s) having jurisdiction for watershed protection as directed by such 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 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 such pond or erosion control device.

SECTION 4. COMMON EXPENSES. "Common Expenses" means expenditures made by or financial liabilities of the Association, together with any allocations to reserves.

SECTION 5. DECLARANT. "Declarant" shall mean and refer to Triad Property Group, LLC, as well as its successors and assigns, pursuant to an express assignment or conveyance of any special declarant rights hereunder to such successors or assigns, 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 6. EXECUTIVE BOARD. "Executive Board" means the body, regardless of name, designated in this Declaration to act on behalf of the Association.

SECTION 7. FHA; VA. "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 Department of Veterans Affairs.

SECTION 8. LOT. "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 residential development and shall include any improvements constructed thereon. "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

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required by the City of High Point or other appropriate governmental authority. If Declarant elects to exercise its right to revise the boundaries of one or more Lots owned by Declarant on such a revised plat, each lot shown on the previously recorded plat or plats, the boundaries of which are shown on 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 9. OWNER. "OWNER" shall mean and refer to the 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 10. PERIOD OF DECLARANT CONTROL. "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 of Guilford County, North Carolina, and continuing until the earlier of: (i) six years from the date this Declaration is recorded in the Office of the Register of Deeds of Guilford County, North Carolina; or (ii) such time as Declarant, together with all affiliated entities, including, without limitation, Triad Property Group, LLC, shall cease to own at least twenty-five percent (25%) of the Lots; or (iii) such time as Declarant shall voluntarily terminate its rights, duties, and obligations as Declarant.

SECTION 11. PROPERTIES OR DEVELOPMENT. "Properties" or "Development" shall mean and refer to that certain real property herein described, and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

SECTION 12. REASONABLE ATTORNEYS' FEES. "Reasonable Attorneys' fees" means attorneys' fees reasonably incurred without regard to any limitations on attorneys' fees which otherwise may be allowed by law.

ARTICLE II

PROPERTY RIGHTS

SECTION 1. OWNERS' EASEMENTS OF ENJOYMENT. Every Owner shall have a right and easement of enjoyment in and to the Common Area and the right of access to the Common Area across designated access easements. These rights shall be appurtenant to and shall pass with the title to every Lot, subject to the following provisions:

(a) the easements herein reserved by Declarant or created in favor of the Association including, without limitation, the easements set forth in Article VIII hereof;

(b) 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 Area;

(c) the right of the Association to suspend the voting rights of the Owner(s) of 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 are 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;

(d) the right of the Association to dedicate or transfer nonexclusive easements on, over and upon all or any part of the Common Area 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.

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for such purposes and subject to such conditions as may be agreed to by the Members consenting to such dedication or transfer; provided, however, for so long as Declarant or any affiliated entity, including, without limitation, Triad Property Group, LLC, shall own any portion of the Properties or shall have the right to annex additional properties pursuant to Article X, Section 4 hereof, Declarant must also consent to such action and further provided that no such dedication or transfer shall interfere with or obstruct utility services to, or ingress, egress and regress to or from, the Lots or any remaining Common Area or cause any Lot or any remaining Common Area to fail to comply with applicable laws, regulations or ordinances.

(f) the right of the Association, without Owner, mortgagee, or agency approval to impose rules and regulations for the use and enjoyment of the Common Area and improvements thereon, which regulations may further restrict the use of the Common Area, 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.

(g) the right of the Association to borrow money for the purpose of improving the Common Area and facilities thereon and, with the assent of the Members entitled to cast at least eighty percent (80%) of the votes of the Association, to mortgage, pledge, deed in trust, or hypothecate any or all of its real property as security for money borrowed or debts incurred (any such mortgage shall be effective if it is executed on behalf of the Association by its duly authorized officers and recites that the requisite consent of Members has been obtained and documented in the Minute Book of the Association); provided, however, for so long as Declarant or any affiliated entity, including, without limitation, Triad Property Group, LLC, shall own any portion of the Properties or shall have the right to annex additional properties pursuant to Article X, Section 4 hereof, Declarant must also consent to such action and, further provided that no such mortgage, encumbrance, hypothecation, or foreclosure of the lien thereby created shall interfere with or obstruct utility service to, or ingress, egress and regress to or from, the Lots or any remaining Common Area or cause any Lot or any remaining Common Area to fail to comply with applicable laws, regulations or ordinances; and

(h) subject to the prior written consent of FHA or VA, in the event FHA or VA insured loans have been obtained and secured by Lots, the right of the Association to convey to Declarant or any Secondary Association portions of the Common Area for the purpose of correcting or eliminating unintentional conveyances of Common Areas or unintentional encroachments of dwellings or other improvements onto portions of the Common Areas or for the purpose of enhancing the utility of the Common Areas to be retained by the Association; provided, however, no such conveyances shall interfere with or obstruct utility services to, or ingress, egress and regress to or from, the Lots or any remaining Common Area or cause any Lot or any remaining Common Area to fail to comply with applicable laws, regulations or ordinances.

SECTION 2. DELEGATION OF USE. Any Owner may delegate, in accordance with the Bylaws, his rights of enjoyment of the Common Area and facilities to the members of his family, his tenants, his guests, or contract purchasers who reside on the Lot of such Owner.

SECTION 3. 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, the Articles of Incorporation, and the By-Laws of the Association, and that any failure by the lessee to comply with the terms of such documents shall be a default under the terms of the lease. All leases of Lots shall be in writing. Other than the foregoing there is no restriction on the right of any Owner to lease his Lot.

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temporary assignments of parking spaces and may 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 regulation 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 endorsement established by the Association's Executive Board. In addition, such rules and regulations may include rules concerning pet ownership and may restrict the number, type and size of domestic pets. Such rules and regulations may prohibit or restrict the use of any lake or pond which is a part of or adjacent to the Common Area for boating, fishing and swimming and/or may provide for access to any such lake or pond only through designated portions of the Common Area. 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 Article IV hereof. Copies of such rules and regulations and the amendments thereto shall be furnished by the Association to all Owners prior to the effective date thereof. 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, canceled, 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 purposes; provided, however, during any Period of Declarant Control, Declarant must also consent to such action.

SECTION 5. POWERS OF ASSOCIATION. The Association shall have all the general powers established by Section 47F-3-102 of the Planned Community Act as that section may from time to time be amended.

SECTION 6. POWERS OF EXECUTIVE BOARD. Except as provided in the Declaration, in the Bylaws, in Section 47F-3-103 of the Planned Community Act or in other provisions of the North Carolina Planned Community Act, the Executive Board of the Association may act in all instances on behalf of the Association. In the performance of their duties, officers and members of the Executive Board shall discharge their duties in good faith.

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, including, without limitation, Triad Property Group, LLC, shall be a voting Member of the Association. The foregoing is not intended to include persons or entities who 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. 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 holds an interest in any Lot all such persons shall be Members. The vote of 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. 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

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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 resident of the Properties. 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.

SECTION 3. QUORUM FOR MEMBERSHIP MEETINGS. A quorum is present throughout any meeting of the Association if persons entitled to cast ten percent (10%) of the votes which may be cast for election of the Executive Board are present in person or by proxy at the beginning of the meeting. The Members present at a duly organized meeting may continue to transact business until adjournment notwithstanding the withdrawal of enough Members to leave less than a quorum.

In the absence of a quorum at the opening of any meeting of Members, such meeting may be adjourned from time to time by a vote of the majority of the Members voting on the motion to adjourn and at any adjourned meeting at which a quorum is present any business may be transacted which might have been transacted at the original meeting.

SECTION 4. QUORUM FOR EXECUTIVE BOARD MEMBERS. A quorum to transact business at any meeting of the Executive Board shall consist of at least a simple majority in number of the members of the Executive Board.

SECTION 5. SPECIAL NOTICE AND QUORUM REQUIREMENTS. Written notice of any meeting of the Members of the Association called for the purposes of considering an amendment of this Declaration or any extraordinary action of the Association described in Section 6 below: (i) shall be given to all Members at least 25 days but not more than 60 days in advance (at least 15 days but not more than 60 days advance notice is required in the case of a meeting for other purposes); (ii) state the purpose of the meeting and contain a summary of any amendment or extraordinary actions proposed; and (iii) contain a copy of the proxy that can be cast in lieu of attendance at the meeting. The presence at any such meeting of Members entitled to cast at least twenty percent (20%) of the votes of the Membership of the Association shall constitute a quorum.

SECTION 6. EXTRAORDINARY ACTIONS OF THE ASSOCIATION. Unless a larger percentage of Member approval is expressly required elsewhere in this Declaration or by law, the following extraordinary actions of the Association shall require the consent and approval of the Members entitled to cast at least sixty-seven percent (67%) of the votes of Members present, in person or by proxy, and voting at a meeting of the Association duly called for such purpose, such vote to include at least fifty-one percent (51%) of the votes of all Members present, in person or by proxy, and voting at such meeting other than the Declarant, or, the Executive Board elects not to call a meeting of the Members with the written consent of the Members entitled to cast at least sixty-seven percent (67%) of the total authorized votes of all Members of the Association, such consent to include the consent of the Members entitled to cast at least fifty-one percent (51%) of the total authorized votes of all Members of the Association other than Declarant, said consent having been obtained after written notice to all Members of the proposed amendment:

(a) determining not to require professional management if that management has been required by the Association documents, a majority of eligible mortgagees or a majority vote of the Members;

(b) expanding the Association to include land not previously described as Additional Property which increases the overall land area of the project or number of Lots by more than 10 percent;

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In addition, unless a larger percentage of Member approval is expressly required elsewhere in this Declaration or by law, the following extraordinary actions of the Association shall require the written consent of the Members entitled to cast at least eighty percent (80%) of the total authorized votes of all members of the Association, such consent to include the consent of the Members entitled to cast at least (51%) of the total authorized votes of all Members of the Association other than Declarant, said consent having been obtained after written notice to all Members of the proposed action:

- (a) dissolution of the Association except pursuant to a consolidation or merger;
- (b) conveyance of all Common Elements;
- (c) merger or consolidation of the Association;
- (d) abandoning, partitioning, encumbering, mortgaging, conveying, selling, or otherwise transferring or relocating the boundaries of Common Elements (except for (i) granting easements which are not inconsistent with or which do not interfere with the intended Common Elements; (ii) dedicating Common Elements as required by a public authority; or (iii) limited boundary-line adjustments made in accordance with the provisions of this Declaration); or
- (e) using insurance proceeds for purposes other than construction or repair of the insured improvements.

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 therefor, 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 and other assessments and charges provided for herein, together with interest and late fees, costs and reasonable attorneys' fees; (ii) special assessments for capital improvements, such assessments to be established and collected as hereinafter provided; and (b) to the appropriate taxing authority: (i) a pro rata share of ad valorem taxes levied against the Common Area; and (ii) a pro rata share of assessments for public improvements to or for the benefit of the Common Area if the Association shall default in the payment of either or both for a period of six (6) months. All assessments and charges provided for herein, together with interest, any late fees, 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, Guilford County, North Carolina. Each such assessment, 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 successors in title unless expressly assumed by them.

SECTION 2. PURPOSE OF ASSESSMENT.

(a) The assessment levied by the Association shall be used 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 use and enjoyment of the Common Area or the Lots, including but not limited to, the costs of repairs, replacements and additions; the cost of labor, equipment, materials, management, and supervision; the payment of any taxes assessed against the Association; the maintenance of

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retention or detention ponds, or other bodies of water, if any, located within the Common Area; the maintenance of entrance ways, landscaping and lighting of Common Areas; the cost of operating, maintaining and repairing any street lights erected by the Association or the Declarant in the right-of-way of streets (whether public or private) or in any other easement provided therefor within the Properties; the payment of charges for garbage collection and municipal water and sewer services furnished to the Common Area; 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, and any other major expense for which the Association is responsible; the cost of the maintenance required by Article VI of this Declaration; 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 shall be 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 By-Laws of the Association. As monies for any assessment are paid to the Association by the 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 therefrom 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 Membership interest therein, except as an appurtenance to his Lot. When any Owner shall cease to be a Member of the Association by reason of his divestment of ownership of his 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. 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. Within thirty (30) days of adoption of any proposed budget, the Executive Board shall provide to all the Owners a summary of the budget and a notice of the meeting to consider ratification of the budget, including a statement that the budget may be ratified without a quorum. The Executive Board shall set a date for a meeting of the Owners to consider ratification of the budget, such meeting to be held not less than 25 nor more than 60 days after mailing of the summary and notice. There shall be no requirement that a quorum be present at the meeting. The budget is ratified unless at that meeting the Owners of a majority of the Lots reject the budget. In the event the proposed budget is rejected, the periodic budget last ratified by the Owners shall be continued until such time as the Owners ratify a subsequent budget proposed by the Executive Board.

Until January 1 of the second year following conveyance of the first Lot to an Owner, the maximum annual assessment shall be \$100.00 per townhome lot and \$170.00 per month per Lot upon which a single family detached dwelling is located (Lots 72 & 73). The maximum annual assessment 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 fifteen percent (15%) of the maximum annual assessment of the previous year. The maximum annual assessment for each calendar year thereafter may be increased without limit by a vote of the Members entitled to cast at least two-thirds (2/3) of the votes of the Association who are

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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 defraying in whole or in part the costs of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Area, including fixtures and personal property related thereto; provided that any such assessment shall have the assent of the Members entitled to cast at least eighty percent (80%) of the votes of the Association who are voting, in person or by proxy, at a meeting duly called for this purpose; provided, however during the 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, quarterly, or annual basis as designated by the Association.

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 action authorized under Section 3 or 4 of this Article shall be sent to all Members not less than twenty-five (25) days nor more than sixty (60) days in advance of the meeting. At the first meeting called, the presence of Members or of proxies entitled to cast ten percent (10%) of all votes of the Association 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 (½) of the required quorum at the preceding meeting. The requirement for a quorum shall continue to be reduced by fifty percent from that required at the previous meeting as previously reduced, until such time as a quorum is present.

SECTION 6. COMMENCEMENT OF ANNUAL ASSESSMENTS. The annual assessments provided for herein shall commence as to a Lot as follows:

(a) On the first day of the first month following the date a vacant Lot is conveyed by Declarant. The first annual assessment shall be adjusted according to the number of months remaining in the calendar year. As to a vacant Lot, the amount of the assessment shall be one-half (½) of the normal annual assessment.

(b) If a Lot remains vacant six months after conveyance of the Lot by Declarant, then the full annual assessment shall be due and payable.

(c) Upon issuance of a certificate of occupancy, or upon conveyance of a lot upon which a residence has been constructed, the full amount of the annual assessment shall be due and payable, pro-rated for the calendar year, as of the first day of the first month following such conveyance.

SECTION 7. WORKING CAPITAL ASSESSMENTS. In addition to the annual assessments authorized above, at the time of the first sale of each Lot, the first occupant thereof shall pay to the Association an amount equal to two-twelfths (2/12 ths) of the then current annual assessment established by the Association. Such funds shall be used by the Association to establish a Working Capital Fund, the purpose of which is to insure that the Association will have sufficient monies available to meet its operational needs. No such payments made into the Working Capital Fund shall be considered advance or current payment 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 these Bylaws.

SECTION 8. EFFECT OF NONPAYMENT OF ASSESSMENTS: REMEDIES OF THE ASSOCIATION. Any assessment not paid within thirty (30) days after the due date shall bear interest from the due date at a rate from time to time established by the Association not to exceed eighteen percent (18%) per annum. In addition, the Association may charge a reasonable late fee,

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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 to 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 foreclosure of a mortgage or deed of trust on real estate under power of sale, and interest, late fees, 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. No Owner may waive or otherwise escape liability for the assessment provided for herein by nonuse of the Common Area or abandonment of his Lot nor 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.

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 Area or assessments for public improvements to the Common Area, 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 a portion of such unpaid taxes or assessments in an amount determined by dividing the total taxes and/or assessments due the governmental authority by the total number of Lots in the Development. 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 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 FOR ASSESSMENTS TO THE LIEN OF FIRST MORTGAGES. When the holder of a first mortgage or first deed of trust of record, or other purchaser of a Lot obtains title to the Lot as a result of foreclosure of a first mortgage or first deed of trust or deed in lieu of foreclosure, such purchaser and its heirs, successors, and assigns, shall not be liable for the assessments against such Lot which become due prior to the acquisition of title to such Lot by such purchaser. Such unpaid assessments shall be deemed to be common expenses collectible from all Owners including such purchaser, its heirs, successors and assigns. Such 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 became due prior to such sale or transfer; provided, however, no such sale or transfer shall relieve such Lot or the Owner thereof from liability for any assessments thereafter becoming due or from the lien thereof.

SECTION 11. EXEMPT PROPERTY. All property dedicated to, and accepted by, a 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 improvement devoted to dwelling use shall be exempt from said assessments.

ARTICLE V

ARCHITECTURAL CONTROL

SECTION 1. IMPROVEMENTS. No improvements, alterations, repair, change in paint color, excavation, change in grade, planting, landscaping 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 to an Owner other than Declarant shall be commenced, erected or maintained upon any Lot and no building, fence, 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

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decorations are determined, in the sole discretion of the Executive Board or 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 decoration 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 for 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 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 to improve and develop the properties, including the Lots, as Declarant chooses, so long as said development follows the general plan of development of the Properties previously approved by the City of High Point. Accordingly, Declarant need not seek or obtain the approval of the Architectural Control Committee for improvements erected on the Properties by or at the direction of Declarant. 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 Section 4, Article X thereof, 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 comport with the general scheme of development approved by the City of High Point. 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.

ARTICLE VI

MAINTENANCE OF LANDSCAPING, EXTERIORS, WATER AND SEWER LINES, AND DETENTION POND

SECTION 1. MAINTENANCE TO BE PERFORMED BY THE ASSOCIATION. The Association shall maintain the Common Elements and shall maintain the grounds of each Lot which is subject to assessments hereunder (except for any enclosed privacy area, which area shall be maintained by the Owner(s) of the Lot on which the residence is located as set forth in Section 2 below), as follows: mow, seed and fertilize all grassed areas, mulch, remove dead or diseased trees or shrubs if such trees or shrubs existed at the time Declarant initially conveyed the Common Elements or the Lot on which the tree or shrub is located, replace dead or diseased trees or shrubs planted by the Declarant or the Association and prune all trees or shrubs planted by the Declarant or the Association. In addition the Association shall provide exterior maintenance for the dwelling located on each Lot which is subject to assessments hereunder, as follows: paint, repair, replace and care of roofs, gutters, downspouts, exterior building surfaces (including doors and garage doors, *but* excluding glass surfaces, window or door screens, any storm doors installed by Owners and garage door openers), steps, and other exterior improvements. Such exterior maintenance shall not include the exterior maintenance to be performed by the Owners as provided in Section 2 below. 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 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 2. MAINTENANCE TO BE PERFORMED BY THE OWNERS. Each Owner shall be liable and responsible for the maintenance, repair and replacement, as the case may be, of all glass surfaces, window or door screens, any storm doors installed by Owner (any such installation being subject to Article V hereof), air conditioning and heating equipment and all utility lines, fixtures and/or their connections required to provide water, light, power, telephone, sewage and