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MASTER DECLARATION
OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
BRIGHTWOOD FARM

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THIS DECLARATION is made on the date hereinafter set forth by **ARCON, INC.**, a North Carolina corporation, 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 in Schedule "A" attached hereto and incorporated herein by reference; and

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.

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. It is the intent of Declarant that the provisions of this Declaration in all respects be subject to, conform to and comply with the requirements set forth in the North Carolina Planned Community Act. To the extent any provision contained herein does not conform or comply with the North Carolina Planned Community Act, the provisions of the Act shall control.

ARTICLE I

DEFINITIONS

SECTION 1. "Additional Covenants" shall mean and refer to any covenants, conditions or restrictions other than this Declaration now or hereafter recorded and imposed by Declarant on portions of the Properties.

SECTION 2. "Association" shall mean and refer to BRIGHTWOOD FARM MASTER HOMEOWNERS ASSOCIATION, INC. a North Carolina non-profit corporation, its successors and assigns.

SECTION 3. "Master Common Elements" shall mean all real property owned by the Association. The Master Common Elements to be owned at the time of the conveyance of the first Lot is described as follows: All of the land designated Master Common Elements, if any, as shown on the plats recorded in Plat Book 152, Page 122, Plat Book 152, Page 123, and Plat Book 152, Page 124, in the Guilford County Registry.

Declarant reserves the right, in its sole discretion, to convey from time to time and without the consent of the Association or its Members additional property to the Association, which property may include all or any portion of the Properties, including any additional land annexed by Declarant pursuant to Article X, Section 4 hereof. In addition, any Secondary Association, with the consent of Declarant for so long as Declarant or any affiliated entity shall own any portion of the Properties or shall have the right to annex additional properties pursuant

to Article VIII, 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 additional property and thereafter such additional property shall be held and maintained by the Association as Master Common Elements. Improvements, which may include, but shall not be limited to, club houses, walking trails, bike trails, gazebos, roadways, retention or detention ponds or erosion control devices, may be located on such additional Master Common Elements. 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 Master Common Elements for which the Association is required to maintain casualty insurance pursuant to the Bylaws of the Association which is damaged or destroyed.

SECTION 4. "Declarant" shall mean and refer to Arcon, Inc., as well as its successors and assigns, pursuant to an express assignment or conveyance of any special declarant rights hereunder to such successor or assign, all of which rights, including Declarant's voting rights, are assignable and may be apportioned on a lot-by-lot basis. Without limiting the foregoing, "Declarant" shall mean and refer to Westminster Homes, Inc., a North Carolina corporation, and any affiliate thereof including without limitation, The New Fortis Corporation, a North Carolina Corporation (collectively "Westminster") with respect to any and all Lots conveyed to Westminster or any affiliate of Westminster.

SECTION 5. "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, Guilford 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 6. "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 7. "Lot" shall mean and refer to any separately numbered plot of land, townhome lot or condominium unit shown upon any now or subsequently recorded subdivision map of the Properties with the exception of Master Common Elements and dedicated streets and shall include any dwelling and other improvements constructed thereon. 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 Master 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, 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. "Master Plan" shall mean and refer to the plan(s) for the Properties and the Additional Property now or hereafter approved by the County of Guilford or other appropriate governmental authority, as such plan(s) may be from time to time amended and approved.

SECTION 9. "Member" shall mean and refer to every person or entity who holds membership with voting rights in the Association.

SECTION 10. "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 11. "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, Guilford County, North Carolina, and continuing until the earlier of: (i) fifteen (15) years from the date this Declaration is recorded in the Office of the Register of Deeds, Guilford County, North Carolina; or (ii) such time as at least 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 or an assignee of Declarant's rights; 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 or an assignee of Declarant's development rights, such period of time shall be reinstated and shall continue until the earlier of: (i) fifteen (15) years from the date of this Declaration is recorded in the Office of the Register of Deeds, Guilford 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 or an assignee of Declarant's development rights.

SECTION 12. "Planned Community Act" shall mean and refer to the provisions of Chapter 47F of the North Carolina General Statutes.

SECTION 13. "Properties" shall mean and refer to that certain real property described in Schedule "A", and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

SECTION 14. "Secondary Association" shall mean and refer to any homeowners association, including, without limitation, any townhome association or any condominium association, formed pursuant to Additional Covenants imposed by Declarant on portions of the Property for the purpose of providing for the further administration, protection, maintenance and control of the Lots subject to such Additional Covenants and related property to be maintained for the benefit of the Owners of such Lots.

ARTICLE II

PROPERTY RIGHTS

SECTION 1. RECREATIONAL AMENITIES TO BE LOCATED IN THE MASTER COMMON ELEMENTS. Declarant has or hereafter may construct or cause to be constructed one or more club houses, related walkways, driveways, parking areas, walking trails and other facilities on the Master Common Elements. Declarant shall have the right, in its sole discretion, BUT SHALL NOT BE OBLIGATED, to construct and establish on any portion of the Master Common Elements now or hereafter conveyed to the Association any recreational amenity Declarant, in its sole discretion, elects to construct or establish or cause to be constructed or established for the use and enjoyment of the Owners of Lots in Brightwood Farm. All recreational amenities constructed or established by Declarant shall become part of the Master Common Elements to be maintained by the Association.

For so long as Declarant or any affiliated entity shall own any portion of the Properties or shall have the right to annex additional properties pursuant to Article VIII, Section 4 hereof, Declarant and any affiliated entity shall have the right to require the exclusive use of such portions of any club house(s) now or hereafter constructed on the Master Common Element as Declarant or its affiliate, in their respective sole discretion, shall designate, for its sales office. In addition; during such period of time, Declarant or its affiliate shall have the right to require the exclusive (or, at the discretion of Declarant or its affiliate, non-exclusive) use of all or certain portions of the Master Common Elements, including any club house and any other recreational amenity now or hereafter constructed or established within the Master Common Elements, for events promoting the sale of lots or homes in Brightwood Farm; provided, however, no such use by Declarant or its affiliate shall unreasonably interfere with or obstruct ingress, egress and regress to or from the Lots. Notice of any such exclusive promotional event in any club house shall be posted at least twenty-four hours prior to the event.

Pursuant to rules and regulations from time to time promulgated by the Association, upon request and after such notice as the rules and regulations may require, the Association, in the sole discretion of the Association's Executive Board or its designee, may allow a Member of the Association exclusive use of all or certain portions of the Master Common Elements, including any club house and any other recreational amenity now or hereafter constructed or established within the Master Common Elements for private events for a period not to exceed twenty-four (24) hours. Such rules and regulations may require that fees and/or deposits be paid to the Association in connection with such exclusive private use. Any damage to the Master Common Elements or any improvements located thereon during any such private event and any liability incurred by the Association as a result thereof not covered by insurance maintained by the Association (including any deductible) shall be the personal obligation of the Member or Members (joint and several) reserving the Master Common Elements and if not paid within thirty (30) days of written demand therefor shall be subject to collection by the Association in accordance with the provisions of Article VIII hereof.

SECTION 2. 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 Master Common Elements now or hereafter conveyed to the Association by Declarant in accordance with the requirements of the governmental authority having jurisdiction over such devices. 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 therefor, 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 3. OWNERS EASEMENTS OF ENJOYMENT. Every Owner shall have a right and easement of enjoyment in and to the Master 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 Master Common Elements;

(b) the right of the Association to suspend the voting rights by an Owner for any period during which any assessment against his Lot remains unpaid; and, for a period not to exceed sixty (60) days, for any infraction of its published rules and regulations;

(c) the right of the Association, pursuant to Section 47F-3-112 of the Planned Community Act, to dedicate or transfer non-exclusive easements on, over and upon all or any part of the Master 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; provided further during Declarant's Development Period, Declarant must also consent to such action and, further provided that no such dedication or transfer shall interfere with or obstruct utility service to, or ingress, egress and regress to or from, the Lots or any remaining Master Common Elements or cause any Lot or any remaining Master Common Elements to fail to comply with applicable laws, regulations or ordinances;

(d) the right of the Association, pursuant to Section 47F-3-112 of the Planned Community Act and with the consent of the Members entitled to cast at least eighty percent (80%) of the votes in the Association (including two-thirds of the votes of the members present at a meeting of the Members held in accordance with the Bylaws of the Association, such vote including at least a majority of the votes of the Members present other than Declarant), to dedicate to any public agency, authority or utility, or to transfer to any other party, fee title to all or any part of the Master Common Elements for such purposes and subject to such conditions as may be agreed to by the Members consenting to such dedication or transfer; provided, however no such dedication or transfer shall interfere with or obstruct utility service to, or ingress, egress and regress to or from, the Lots or any remaining Master Common Elements or cause any Lot or any remaining Master Common Elements to fail to comply with applicable laws, regulations or ordinances; and further provided during Declarant's Development Period, Declarant must also consent to such action; and further provided that any conveyance of Common Elements

consisting of a retention or detention pond to a public agency shall not be effective unless such public agency affirmatively accepts such conveyance.

(e) the right of the Association to impose rules and regulations for the use and enjoyment of the Master Common Elements and improvements thereon, which regulations may further restrict the use of the Master Common Elements, and specifically including the right 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 vehicles' 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;

(f) the right of the Association to borrow money for the purpose of improving the Master Common Elements and facilities thereon and, with the assent of the Members entitled to cast at least eighty percent (80%) of the votes of the Association (including two-thirds of the votes of the members present at a meeting of the Members held in accordance with the Bylaws of the Association, such vote including at least a majority of the votes of the Members present other than Declarant), mortgage, pledge, deed in trust, or hypothecate any or all of its real or personal 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, no mortgage, encumbrance or 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 Master Common Elements or cause any Lot or any remaining Master Common Elements to fail to comply with applicable laws, regulations or ordinances; provided further during Declarant's Development Period, Declarant must also consent to such action; and

(g) 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 portions of Master Common Elements to the Declarant or any Secondary Association for the purpose of eliminating unintentional conveyances of Master Common Elements or unintentional encroachments of improvements onto portions of the Master Common Elements or for the purpose of enhancing the utility of the Master Common Elements to be retained by the Association.

SECTION 4. DELEGATION OF USE. Any Owner may delegate, in accordance with the By-Laws, his rights of enjoyment of the Master Common Elements and facilities to the members of his family, his 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, the Articles of Incorporation and By-Laws 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. Other than the foregoing there is no restriction on the right of any Owner to lease his Lot.

SECTION 6. ANNEXATION OF PROPERTIES INTO CITY OF BURLINGTON.

The Properties are subject to a voluntary annexation petition submitted to the City of Burlington, a copy of which is attached hereto as Schedule B (the "Annexation Petition"), pursuant to which the Properties will be annexed at some time into the City of Burlington. Each Owner of a Lot, by accepting title to the Lot, acknowledges the pending annexation and agrees not to protest or contest such annexation when it is effected.

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 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, except as provided in Article III, Section 2. When more than one person holds an interest in any Lot, all such persons 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 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, except for Declarant or any affiliated entity, during any Period of Declarant Control. Class A Members shall be entitled to one (1) vote of each Lot owned. In the event that a Lot is owned by more than one Class A Member, the Owners of such Lot, collectively, shall be allocated not more than one (1) vote and the vote of such Owners shall be cast as such Owners may agree between or among themselves.

Class B: Declarant shall be the Class B Member and Declarant 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 Brightwood Farm 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:

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(a) 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 (b) below, the Master Plan is amended to add additional lots developed or to be developed as a part of Brightwood Farm sufficient to give the Class B membership a total number of 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 Brightwood Farm 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,

(b) fifteen (15) years from the date this Declaration is recorded in the Office of the Register of Deeds, Guilford 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 persons who shall serve as members of each Executive Board 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.

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 resident of the Properties. Following the expiration of the Period of Declarant Control, the Owners of Lots subject to the Declaration of Covenants, Conditions and Restrictions for Brightwood Farm (Single Family) (the "Single Family Lot Owners"), now or hereafter recorded in the Guilford County Registry, shall be entitled to elect the lowest number of Executive Board members that will allow Single Family Lot Owners to elect a majority of the Executive Board members and Owners of Lots subject to the Declaration of Covenants, Conditions and Restrictions for Brightwood Farm Townhomes (the "Townhome Lot Owners"), now or hereafter recorded in the Guilford County Registry, will be entitled to elect the remaining Executive Board members. For illustrative purposes, if the Executive Board consists of five (5) members, the Single Family Lot Owners will be entitled to elect three (3) members of the Executive Board and the Townhome Lot Owners will be entitled to elect two (2) members of the Executive Board. For purposes of electing Executive Board members only, Single Family Lot Owners and Townhome Lot Owners shall vote as separate classes of Members.

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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 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 Master Common Elements; and (ii) a pro rata share of assessments for public improvements to or for the benefit of the Master Common Elements 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 constitute 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 and charge, together with interest, 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 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 use and enjoyment of the Master Common Elements, including but not limited to, the costs of repairs, replacements and additions, the cost of labor, equipment, materials, management and supervision, the payment of taxes assessed against the Master Common Elements; the maintenance of water and sewer mains in and upon the Master 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 within the Properties), drives and parking areas within the Master Common Elements; the procurement and maintenance of liability insurance in accordance with the Bylaws; the procurement of casualty insurance covering the Master Common Elements; the maintenance of dams and ponds, including retention or detention ponds, or other bodies of water, if any, located within the Master Common Elements; the maintenance of entrance ways and structures, landscaping and lighting of Master Common Elements, road medians and islands and entrance ways; the cost of installing, leasing, operating, maintaining and repairing any street lights (including decorative street lights), including lights on entrance ways, erected by the Association or the Declarant in the rights-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 Master Common Elements; 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; 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 Master Common Elements and those other portions of the Properties which the Association may be obligated to maintain. Such reserve fund is to 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 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 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.

(a) 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 the adoption of any proposed budget, the Executive Board shall provide to all of 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 10 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.

(b) Until December 31 of the year of the conveyance of the first Lot to an Owner, the maximum annual assessment shall be Four Hundred Eighty and No/100 Dollars (\$480.00) per Lot, and may be collected in monthly installments of Forty and No/100 Dollars (\$40.00). 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 ten percent (10%) 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 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.

(c) 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 Master 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 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 semi-annual basis, as determined by the Members approving such assessments.

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 shall be sent to all Members not less than fifteen (15) days nor 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 Members 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 (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; provided, however, that so long as the dwelling on any Lot owned by Declarant or assignee of Declarant's development rights is unoccupied as a residence, the amount of the assessment for each such Lot shall be an amount equal to twenty-five percent (25%) of the regular assessments fixed for each Lot; provided, however, should Declarant so elect such reduced assessments and FHA or VA insured loans have been obtained to purchase Lots, Declarant must provide for or pay for all maintenance to such Lots and shall fund all operating budget deficits incurred during the Period of Declarant's Control, including reserves based upon expected lives of items for which reserves are

maintained, but not including shortfalls caused by nonpayment of assessments by other members or extraordinary expenditures (e.g., expenses caused by natural catastrophes or environmental hazards). The foregoing obligation to fund budget deficits, should it arise, shall be a charge on the land and shall be a continuing lien upon those portions of the Properties owned by the Declarant when a claim of lien is filed of record in the Office of the Clerk of Superior Court, Guilford County, North Carolina.

SECTION 7. DATE AND COMMENCEMENT OF ANNUAL ASSESSMENTS: DUE DATES. The annual assessments provided for herein shall commence as to a Lot on the first day of the month following the date such Lot is made subject to this Declaration. The first annual assessment shall be adjusted according to the number of months remaining in the calendar year. The due dates shall be established by the Executive Board. Annual assessments may be collected on a monthly, quarterly or semi-annual basis, as determined by the Association's 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. 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 party other than an assignee of Declarant's development rights, the purchaser(s) thereof shall pay to the Association an amount equal to two-twelfths (2/12ths) 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 initial 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 9. 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 Association not to exceed eighteen percent (18%) per annum. In addition, the Association may charge a reasonable late fee, the amount of which shall be established from time to time by the Executive Board of the Association, for assessments not paid within thirty (30) days after the due date and 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 foreclosure of a mortgage or deed of trust on real estate under power of sale, and 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. No Owner may waive or otherwise escape liability for the assessment provided for herein by nonuse of the Master Common Elements 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 10. 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 Master Common Elements or assessments for public improvements to the Master 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 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 11. FORECLOSURE 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 become 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 12. 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.

ARTICLE V

PROPERTY SUBJECT TO ADDITIONAL RESTRICTIONS

Declarant, in its sole discretion, may subject portions of the Properties to Additional Covenants. Any such Additional Covenants may provide for the creation of a Secondary Association and may provide that such Secondary Association may collect the assessments levied hereunder with respect to that portion of the Properties subject to such Additional Covenants. In addition, any such Additional Covenants may provide that, at the request of the Association, in the sole discretion of its Executive Board, the Secondary Association may

enforce the lien of the Association securing the Associations' assessments; provided, however, no such Additional Covenants shall in any way modify, diminish, annul or cancel the personal liability of any Owner for the payment of assessments hereunder or the Association's lien against each Lot which secures such payment.

ARTICLE VI

EASEMENTS

SECTION 1. UTILITY AND DRAINAGE EASEMENTS. Easements for installation and maintenance of utilities (including cable television service) and drainage facilities are reserved as indicated on recorded plats. 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 Master Common Elements as may be reasonably necessary for the setting, removal and reading of water meters, and the maintenance and replacement of water, sewer and drainage facilities and for the fighting of fires and collection of garbage. The Association shall have the power and the authority to grant and establish upon, over and across the Master Common Elements such additional easements as are necessary or desirable for the providing of service or utilities to the Master Common Elements or Lots.

SECTION 2. SIGN EASEMENTS. Declarant and the Association shall each have the right to erect within the Master Common Elements subdivision signs and landscaping and lighting surrounding same. In addition, easements for the maintenance of subdivision signs and landscaping and lighting surrounding same are reserved as indicated on recorded plats. Declarant hereby reserves unto itself and grants, gives and conveys to the Association a perpetual, non-exclusive easement over the portions of Lots designated as "sign easements" on the plats of the Properties, now or hereafter recorded, to place, maintain, repair and replace subdivision signs and the lighting fixtures and landscaping surrounding same. The Association shall be responsible for maintaining, repairing and replacing any such signs, landscaping and lighting and the costs of such maintenance, repair and replacement shall be part of the common expenses of the Association, payable by the Owners as set out in Article IV hereof. In addition, Declarant, for so long as Declarant owns any lot shown on the Master Plan as that plan is from time to time amended and approved, shall have the right to erect and maintain within the Master Common Elements and on those portions of any Lot designated "sign easement (M.A.)" signs advertising and promoting the sale of lots and dwellings within the Properties. As to the easements reserved and granted above with respect to those portions of Lots designated "sign easement (M.A.)," Declarant hereby reserves unto itself and gives, grants and conveys to the Association the right of ingress, egress and regress over other portions of such Lots as shall be reasonably necessary to effectuate the purposes stated above. The easements hereby granted shall run with the land in perpetuity and be binding upon and inure to the benefit of all persons and entities now owning or subsequently acquiring all or a part of the Property.

SECTION 3. EASEMENT RESERVED BY DECLARANT. Declarant hereby reserves such easements on, across and over the Master Common Elements as shall be reasonably necessary for (i) the exercise by Declarant 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, its successors or assigns, of the Additional Property, should Declarant elect 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 utility lines, fixtures and/or their connections located within the Master Common Elements for the purpose of providing water, light, power, telephone, sewage and sanitary service to the Additional Property.

SECTION 4. ADDITIONAL DRAINAGE EASEMENTS. In order to implement effective and adequate erosion control, the Association shall have the right to enter upon any portion of the Properties before and after improvements have been constructed thereon for the purpose of performing any grading or constructing and maintaining erosion prevention devices; provided, however, no such activities shall interfere with any permanent improvements constructed on the Properties.

SECTION 5. ENCROACHMENTS. In the event that any improvements on a Lot shall encroach upon any Master Common Elements or upon any other Lot as a result of the initial 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 Master Common Elements or other Lot for so long as such encroachment shall naturally exist; and, in the event that any portion of the Master Common Elements shall encroach upon any Lot, then an easement shall exist for the continuance of such encroachment of the Master Common Elements into any such Lot for so long as such encroachment shall naturally exist.

ARTICLE VII

RIGHTS RESERVED UNTO INSTITUTIONAL LENDERS

SECTION 1. ENTITIES CONSTITUTING INSTITUTIONAL LENDERS. "Institutional Lender" as the term is 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, 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 By-Laws 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 Master 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 have the right to approve of any alienation, release, transfer, hypothecation or other encumbrance of the Master 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 Article, 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 VIII

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 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 and charges now or hereafter imposed by the provisions of this Declaration, the Bylaws of the Association 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 of the Association, or which may be adopted pursuant thereto, shall be grounds for relief, including without limitation, an action to recover sums due for damages, injunctive relief, foreclosure of lien, 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) In accordance with Section 47F-3-107.1 of the Planned Community Act, 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 or the Association's published rules and regulations by such Owner, 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 occurs. 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 therefore, 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 a reasonable opportunity to be heard, shall have the right to suspend privileges or services provided by the Association (except rights of access to Lots) for reasonable periods for violations of this Declaration or the Bylaws, Articles or rules and regulations of the Association. If it is decided that a suspension of privileges 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 Master 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. The Association shall also be liable for any losses to the Owner. 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 Statutes 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 Master 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 Statutes 7A-210. When such claim exceeds the jurisdictional amount established for small claims by North Carolina General Statutes 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

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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.

(f) The failure of the Association or any Owner to enforce any right, provision, covenant or condition 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 Declarant to enforce any right, privilege, covenant or condition which may be granted to it by this Declaration or other above mentioned document shall not constitute a waiver of the right of Declarant to thereafter 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 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 terminated or amended as hereinafter provided. This Declaration may be amended with the consent of the Owners entitled to cast at least sixty-seven percent (67%) of the votes of the Association and may be terminated with the consent of the Owners entitled to cast at least eighty percent (80%) of the votes of the Association; provided, however, this Declaration may not be amended or terminated without Declarant's consent during Declarant's Development Period, 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 approval has been obtained and is evidenced by written acknowledgment(s) 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 Office of the Register of

Deeds, Guilford County, North Carolina. For the purpose 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, 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 pro rata share of the cost of the maintenance of all permanent retention or detention ponds. Notwithstanding the foregoing, Declarant may at anytime unilaterally amend this Declaration to terminate or restrict any right reserved hereunder by Declarant and Declarant, during Declarant's Development Period, may amend this Declaration to make any changes required by the VA, the Department of Housing and Urban Development ("HUD"), the Federal National Mortgage Association ("FNMA") or the Federal Home Loan Mortgage Corporation ("FHLMC") in order to obtain the approvals necessary for purchasers of Lots to obtain VA, HUD, FNMA or FHLMC financing.

SECTION 4. ANNEXATION.

(a) Except as provided in Subsection (b) of this Section 4, additional residential property and Master 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 the Association who are voting in person or by proxy at a meeting duly called for such purpose; provided, however, during the Period of Declarant Control, Declarant must also consent to such action:

(b) Additional land within the area described in the metes and bounds description attached hereto as Schedule "C" and incorporated herein by reference, together with any other property located adjacent to the Properties (collectively, the "Additional Property") may be annexed by the Declarant without the consent of Members within fifteen (15) 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. For the purpose of determining whether property is adjacent to the Properties, the rights of way of public roads and utilities, as well as rivers and streams, shall be deemed not to separate otherwise adjacent property. 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, Declarant reserves the right, 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 as Declarant may deem necessary or convenient; provided, however, such additions and/or modifications shall not modify this Declaration with respect to the Properties previously subjected thereto, and, in the event FHA or VA insured loans have been obtained to purchase Lots, FHA and VA determine that any such complimentary additions and/or modifications are in accord with the general plan from time to time approved by them. 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 the Period of Declarant Control, the following actions will require the prior approval of the Federal Housing Administration or the Department of Veterans Affairs provided that FHA or VA loans have been obtained to purchase Lots: annexation of additional properties, dedication of Master Common Elements and amendment of this Declaration of Covenants, Conditions and Restrictions or the Articles of Incorporation or the Bylaws of the Association.

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.

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 12th day of DECEMBER, 2003.

ARCON, INC.,
a North Carolina corporation

BY: James Arnold (SEAL)

President

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STATE OF NORTH CAROLINA

COUNTY OF GUILFORD

I, DESIREE' VONCANNON, the undersigned, a Notary Public of said County and State, do hereby certify that STEVE ARNOLD personally appeared before me this day and acknowledged that he/she is the _____ President of ARCON, INC., a North Carolina corporation, and that he/she, as _____ President, being authorized to do so, executed the foregoing instrument on behalf of the corporation.

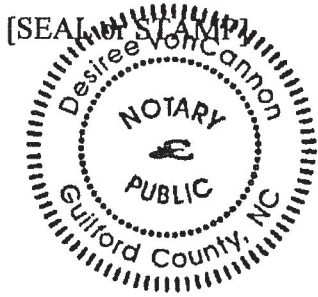
WITNESS my hand and official seal this the 12th day of DECEMBER, 2003.

Desiree' VonCannon
Notary Public

My Commission Expires:

9-25 2005

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SCHEDULE "A"

BEING ALL of that property located in Rock Creek Township, Guilford County, North Carolina, and being described as follows:

Tract 1

BEING all of the property shown and depicted on a Final Plat of Brightwood Farm Phase One, Section Two, Map One, which plat is recorded in Plat Book 152, Page 123, in the Office of the Register of Deeds of Guilford County, North Carolina, including, by way of illustration and not by way of limitation, Lots 62, 63, Lots 70-77 (inclusive), Lots 123-130 (inclusive), "Preakness Parkway," "Championship Drive," "Pimlico Drive," "Winners Drive" and any common areas.

Tract 2

BEING all of "Preakness Parkway" as shown and depicted on a Final Plat of Brightwood Farm Phase One, Section One, Map One-A, which plat is recorded in Plat Book 152, Page 122, in the Office of the Register of Deeds of Guilford County, North Carolina.

Tract 3

BEING all of the 30' Sanitary Sewer Easement, the 20' Access Easement and "Preakness Parkway" as shown and depicted on a Final Plat of Brightwood Farm Phase One, Section One, Map One-B, which plat is recorded in Plat Book 152, Page 124, in the Office of the Register of Deeds of Guilford County, North Carolina.

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Schedule B

AGREEMENT

This Agreement is entered into between the City of Burlington, North Carolina and Arcon, Inc. of High Point, North Carolina.

WITNESSETH:

WHEREAS, the City of Burlington ("Burlington") plans to construct a twenty-four inch (24") water main to provide for a connection with the water system of the City of Greensboro ("Greensboro"); and

WHEREAS, Burlington desires to use this same line to provide water to potential residential and non-residential customers that are currently located outside of Burlington's corporate limits; and

WHEREAS, the cities of Burlington and Greensboro have jointly adopted an Annexation Agreement that delineates the utility service areas for each municipality in eastern Guilford County; and

WHEREAS, Arcon, Inc. ("Arcon") has purchased one hundred three (103) acres of property (development Phase I) and entered into a contract to later acquire and develop four hundred nine (409) acres (development Phases II through V) for a mixed use development for residential and non-residential use (hereinafter referred to as "Brightwood Farm") along U.S. Highway 70 within the newly created utility service area of Burlington, which development would not be possible without adequate public water and sewer services; and

WHEREAS, Burlington will own sewer lines on the east side of the annexation line that connect to Greensboro's sewer lines on the western side of the annexation line; and

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WHEREAS, the Annexation Agreement between Greensboro and Burlington allows Burlington to transport sewage to Greensboro's sewer system for an agreed number of years; and

WHEREAS, Burlington has agreed to provide water service to Brightwood Farm by accelerating the construction of a 24 inch water main and elevated water tank-and to provide sewer service to Brightwood Farm in consideration for the payment by Arcon to Burlington as described hereafter.

NOW, THEREFORE, for and in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Burlington and Arcon hereby agree as follows:

1. Burlington agrees to construct, at its expense (including but not limited to engineering, right-of-way acquisition, materials and labor), a twenty-four inch (24") water main from Frissell Drive along U.S. Highway 70 to the terminus of the water line owned by the City of Greensboro in the vicinity of Rock Creek.

2. Burlington agrees to make sanitary sewer service available to the Brightwood Farm property under the applicable provisions outlined in Burlington's agreement with the City of Greensboro dated May 29, 2002. Acquisition of necessary sanitary sewer easements to facilitate such service shall be in accordance with current Burlington policy.

3. Brightwood Farm's residents will become customers of Burlington and all water and sewer lines and facilities within Brightwood Farm shall be constructed in conformity with Burlington's standards. Upon completion of construction, all water and sewer improvements shall become the property of the City of Burlington.

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4. Arcon agrees to make a contribution to Burlington ("Arcon's Contribution") toward the construction of the aforementioned water and sewer improvements as follows:

A. After approval of Brightwood Farm's rezoning and planned unit development by Guilford County, Arcon shall make a cash payment in the amount of five hundred twelve thousand dollars (\$512,000) (the "Initial Payment") to the City of Burlington. This payment shall be received by Burlington prior to final approval of construction drawings. One hundred three thousand dollars (\$103,000) of the Initial Payment shall be credited to acreage fees for the 103 acres in Phase I. The remaining four hundred nine thousand dollars (\$409,000) may be invested, allocated, spent or applied immediately for any lawful purpose as determined by the City of Burlington acting in its sole discretion. However, the aforementioned \$409,000 shall be deemed to be Arcon's security to the City of Burlington for its performance under this Agreement. If Arcon fails to close on acreage for Brightwood Farm Phase II within two years from the date of this Agreement, then Arcon shall be deemed to be in default under this Agreement and shall forfeit all rights to the use or application of the aforementioned \$409,000.

Upon initiation of Phase II, Arcon shall be credited \$1,000 per acre from the Initial Payment for each acre in Phase II as Arcon's acreage fee assessment. The remaining and uncredited amount of the Initial Payment shall continue to be deemed security for Arcon's further performance under this Agreement. (By way of example only, if Arcon purchases 100 acres for development of Phase II, then \$100,000 of the Initial Payment shall be credited as acreage fees and the remaining \$309,000 shall remain

as security for Arcon's obligations.)

If Arcon fails to initiate Phase III within four years from the date of this agreement, then Arcon shall forfeit all rights to the use and application of the remaining portion of the aforementioned security. The application of acreage fees and the determination of forfeiture shall continue in this manner for Phase IV within six (6) years from this agreement, and Phase V within eight (8) years from this agreement until the entire amount of the Initial Payment has been credited or applied.

Arcon's successors or assigns shall not be granted credit for Arcon's forfeited funds and will be liable for and required to pay the full amount of the remaining acreage fees for Brightwood Farm. Assignment to a company wholly owned or controlled by Stephen G. Arnold or Arcon, Inc. would not be deemed an assignment under this provision, provided, however, any such assignment shall be subject to the prior approval of the City Council of the City of Burlington which approval shall not be unreasonably withheld.

B. In addition to the Initial Payment, and beginning with Phase I, Arcon shall make cash payments to Burlington in the amount of \$900 per single-family dwelling (including townhomes), \$2,000 per multi-family building, \$2,000 per commercial building, and \$2,000 for the Club House. Payment will be made at the time of final plat recordation in the event of single family or townhome lots and at the time of issuing a building permit in the event of multifamily projects, commercial buildings and the Club House.

C. Arcon agrees to make the dwelling unit payments based on a guaranteed

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minimum of 1600 single-family residential units over a 10 year period. At the end of the 10 year period beginning from the date of this Agreement, should payments be for less than the 1600 guaranteed single-family residential unit minimum, Arcon shall make a cash payment to Burlington within thirty (30) days after the end of the ten (10) year period for the difference between 1600 units and the actual number of units where payments have been made.

D. The minimum total payments guaranteed by Arcon under this Agreement for items A-C above is \$1,960,000. This guarantee shall not be Arcon's personal guarantee unless Arcon continues as developer for all 512 acres. Arcon's successors or assigns, however, shall be bound to this guarantee. Should Arcon's successor or assign dispute its obligations under subparagraph D, then Burlington may withhold all permits and certificates of occupancy until the matter is resolved either by agreement or legal proceedings.

5. Burlington's water and sewer acreage fees are deemed to be included in the Arcon Contribution. The Contribution does not include payments of applicable connection fees or costs associated with the construction of water and/or sewer taps or meter installations.

6. Arcon agrees that it shall make no claims for reimbursement for any portion of the Arcon Contribution when other users connect to the US 70 water main installed pursuant to this Agreement, and to the extent that Arcon has such claims, such claims are hereby waived.

7. Arcon's obligations pursuant to this Agreement are subject to all governmental site plan and subdivision approvals, to the extent that approvals are necessary, so long as the site

plan submitted does not deviate materially from the Sketch Plan and Unified Development Plan originally approved by Guilford County.

8. Arcon agrees that any future attempts by Burlington to annex Brightwood Farm shall be a lawful and valid exercise of Burlington's authority under Article 14A of Chapter 160A of the N.C. Gen. Statutes or under any special legislation that may be passed. Arcon further agrees a) not to oppose such attempts by legal action or other means; b) to initiate or sign a petition for annexation for each phase as and when requested by the City of Burlington or to allow Burlington, in its discretion, to consider this Agreement to be a petition for annexation for each phase of development; and c) to incorporate into the Declaration of Covenants for each phase that Arcon, as developer, has consented to annexation of all phases of Brightwood Farm by the City of Burlington and that all owners are so informed and by their acquisition of title have themselves so consented

9. This Agreement shall only to the extent as hereinabove specifically set forth be binding upon each party's successors and assigns.

10. This Agreement was approved by the Burlington City Council on the 19th day of November, 2002.

11. This Agreement may be modified only in writing signed by both Arcon and the City of Burlington.

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This the 19 day of November, 2002.

ARCON, INC/

By: *Stephen G. Arnold*
Stephen G. Arnold
President

CITY OF BURLINGTON

By: *Joseph P. Barbour*
Joseph P. Barbour
Mayor

CITY OF BURLINGTON

By: *Shirley Jacobs*
Deputy City Clerk

[Seal of City of Burlington]

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SCHEDULE "C"

All of that property located in Rock Creek Township, Guilford County, North Carolina, and being described as follows:

BEING all of Section A (459.81 acres, more or less), Section B (37.41 acres, more or less), Section C (2.43 acres, more or less), Section D (8.81 acres, more or less) and Section E (3 acres, more or less) as shown and depicted on the Unified Development Sketch Plan of Brightwood Farm, a plat of which is recorded in Plat Book 148, Page 150, in the Office of the Register of Deeds of Guilford County, North Carolina.

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KATHERINE LEE PAYNE, REGISTER OF DEEDS
GUILFORD COUNTY
201 SOUTH EUGENE STREET
GREENSBORO, NC 27402

* * * * *

State of North Carolina, County of Guilford

The foregoing certificate of Denise Von Cammer

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A Notary (Notaries) Public is/are certified to be correct. This instrument and this certificate are duly registered at the date and time shown herein.

KATHERINE LEE PAYNE, REGISTER OF DEEDS

By: Debrah Johnson
Deputy - Assistant Register of Deeds

* * * * *

**This certification sheet is a vital part of your recorded document.
Please retain with original document and submit when re-recording.**