

Drawn By and mail to: Samuel M. Booth, 156 Mayfield Road, Winston Salem, N C 27104

**SECOND TIER DECLARATION OF  
COVENANTS, CONDITIONS AND RESTRICTIONS  
FOR  
ARROWWOOD TOWNHOMES**

THIS DECLARATION is made on the date hereinafter set forth by **SHUGART ENTERPRISES, LLC**, a North Carolina limited liability company having an office in Forsyth 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 that is more particularly described as follows:

Being Known and Designated as **Lots H-31, H-32, H-54, H-55, H-56, H-57, H-58, H-59, H-60, H-61, H-62, H-63, H-64, H-65, H-66, H-67, H-68, H-69, H-70, H-71, H-72, H-73 and H-74**, as shown on the plat entitled **REEDY FORK RANCH, ARROWWOOD - PHASE 2** as recorded in **Plat Book 154** at pages 116 and 117, 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, Conditions and Restrictions. The above described property is a part of Reedy Fork Ranch and is also subject to the Declaration of Covenants, Conditions and Restrictions for Reedy Fork Ranch which is recorded in Book 5580 page 518 in the Guilford County Registry.

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

ARTICLE I  
DEFINITIONS

SECTION 1. ASSOCIATION. "Association" shall mean and refer to Arrowood Townhome HOA, Inc., its successors and assigns.

SECTION 2. "MASTER COMMON AREA" OR "MASTER COMMON ELEMENTS". "Master Common Area" or "Master Common Elements" shall mean all real property owned by the Master Association .

SECTION 3. DECLARANT. "Declarant" shall mean and refer to Shugart Enterprises, LLC, 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, architectural review, easement and development rights, shall be assignable and may be apportioned on a lot-by-lot basis.

SECTION 4. "FHA" shall mean and refer to the Federal Housing Administration of the Department of Housing and Urban Development.

SECTION 5. 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 townhome purposes and shall include any improvements constructed thereon and "Lots" shall refer to all such lots collectively. Declarant, with the approval of the Master Association, hereby reserves the right to reconfigure, from time to time and without consent of the Owners or the Members of the Association, the boundaries of any Lot or Lots owned by Declarant, provided, however, in no event shall the Properties contain a greater number of Lots than the number from time to time permitted by the appropriate governmental authority(ies). If Declarant elects to exercise its right to revise the boundaries of one or more Lots owned by Declarant and such action is approved as required by the Master Declaration, it shall record a revised plat of the affected Lot or Lots. Upon 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 6. PLAN. "Plan" shall mean and refer to the plan(s) for the Properties.

SECTION 7. MEMBER. "Member" shall mean and refer to every person or entity who holds Membership with voting rights in the Association.

SECTION 8. OWNER. "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 9. 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 in which the land lays and continuing until the earlier of: (i) seven

(7) years from the date this Declaration is recorded; or (ii) such time as Declarant, together with all affiliated entities, with limitation, Shugart Management, Inc. or Shugart Enterprises, LLC, shall cease to own at least twenty-five percent (25%) or more of the lots shown on the Plan which are intended for residential townhome purposes.

SECTION 10. PROPERTIES. "Properties" means and refers to that certain real property hereinabove described, and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

SECTION 11. VA. "VA" means and refers to the Department of Veteran Affairs.

SECTION 12. BOARD, EXECUTIVE BOARD, OR BOARD OF DIRECTORS means those persons elected or appointed to the Board of Directors of the Association.

SECTION 13. MASTER ASSOCIATION. Reedy Fork Ranch Owners Association, Inc. is the Master Association and Arrowwood Townhome HOA, Inc. is a second tier association as defined in the Master Declaration of Covenants, Conditions and Restrictions for Reedy Fork Ranch recorded in Book 5580 page 518, Guilford County Registry. Arrowwood Phase 2, was annexed into Reedy Fork Ranch in Book 6106 page 192, Guilford County Registry.

SECTION 14. MASTER DECLARATION. means that Declaration of Covenants, Conditions and Restrictions for Reedy Fork Ranch recorded in Book 5580 page 518 in the Guilford County Registry.

## ARTICLE II PROPERTY RIGHTS

A Lot Owner by virtue of being a Member of the Reedy Fork Owners Association, Inc. has those rights and obligations with regard to the Common Elements of the Master Association as set forth in the Master Declaration. The Board of Directors of this Association may request the Master Association to suspend certain of the Members rights to use some of the common elements over a period of time for failure to pay assessments to the Association or for violation of the requirements of this Declaration.

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 and the Master Declaration and rules and regulations of both and that any failure by the lessee to comply with the requirements of such documents shall be a default under the terms of the lease. All leases of Lots shall be in writing and shall have a term of at least on (1) month. Other than the foregoing there is no restriction on the right of any Owner to lease his Lot.

SECTION 4. RULES AND REGULATIONS. The Board of the Association may establish reasonable rules and regulations concerning the use of the Lots. Such rules and regulations may include rules concerning pet ownership and may restrict the number, type and size of domestic pets. The Association may impose reasonable monetary fines and other sanctions shall be assessed and collected pursuant to the provisions of Article XI hereof. The rules and regulations and the

amendments thereto shall be made available during reasonable business hours for examination by a member and a copy may be obtained for a reasonable cost. All such rules and regulations shall be binding upon the owner, their families, tenants, guests, invitees and agents until and unless such regulation, rule or requirement shall be specifically overruled, canceled, or modified by the Board of the Association or by the Members of the Association entitled to cast at least two-thirds (2/3) of the votes of the Association, who are voting, in person or by proxy, at a meeting duly called for such purpose; provided, however, during any Period of Declarant Control, Declarant must also consent to such action. Such rules and regulations shall not be deemed unenforceable due to the same not being adopted or in force at the time of the purchase of a lot or the same subsequently being changed or removed from time to time.

### 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. 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. DECLARANT RIGHT TO REPRESENTATION ON THE BOARD OF THE ASSOCIATION. During any Period of Declarant Control, Declarant shall have the right to designate and select all of the members of the Board of the Association. Whenever Declarant shall be entitled to designate and select any person or persons to serve on any Board of the Association Declarant will advise the Association of its appointments at the annual or special meetings of the Association, and Declarant shall have the right to remove any person or persons selected by it to act and serve on said 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 Board so removed for the remainder of the unexpired term of any member or members of the Board so removed. Any Board member designated and selected by Declarant need not be a resident of the Properties. Except as otherwise provided in the By-Laws with respect to the filling of vacancies, any members of the Board which Declarant is not entitled to designate or select shall be elected by the Members of the Association.

### ARTICLE IV MEMBERSHIP IN MASTER ASSOCIATION AND THIS ASSOCIATION; PAYMENT OF ASSESSMENTS AND CHARGES

SECTION 1. MEMBERSHIP. The Owners of Lots, in addition to being Members of the Association, also are Class A Members of the Master Association; and as Class A Members of the Master Association are entitled to all of the rights and privileges (including voting rights) and are subject to all of the obligations (including the payment of Assessments and Charges) of a Class A Member of the Master Association.

SECTION 2. PAYMENT OF ASSESSMENTS AND CHARGES TO MASTER ASSOCIATION. As provided in the Master Declaration, the Owner of each Lot is obligated to pay to the Master Association General Assessments and Special General Assessments (as therein defined), and all other charges levied by the Master Association, (herein referred to as "Assessments"). In addition, it is provided in the Master Declaration that if the Master Association shall fail to pay to the appropriate governmental taxing or assessing authority any ad valorem taxes levied against the Common Elements or assessments for public improvements to and for the benefit of the Common Elements, and such failure continues for a period of six (6) months, each Owner of a Lot or Development Tract (as defined in the Master Declaration) shall become personally obligated to pay to the taxing or assessing authority a portion of the taxes or assessments in an amount determined by dividing the total taxes and/or assessments due to the taxing or assessing authority by the total number of Lots and Development Tracts subject to Assessments by the Master Association. All of such pro rata charges are referred to herein as "Charges". If the Charges are not paid by the Owner within thirty (30) days following receipt of notice of the amount due, the Charges shall become a continuing lien on the property of the Owner, his heirs, devisees, personal representatives, successors and assigns. The taxing or assessing authority may either bring an action at law against the Owner personally obligated to pay the same, or may elect to foreclose the lien against the property of the Owner constituting a Lot. The Owner of each Lot, by acceptance of a deed therefor, whether or not it shall be expressed in any such deed or other instrument of conveyance, shall be deemed to covenant to pay the amount of the Assessments and Charges levied against such Lot. Although the Assessments herein described are owed by each Lot Owner to the Master Association, instead of each Lot Owner paying its share of the Assessments to the Master Association, each Owner shall pay its share of the Assessments monthly to the Association, which shall remit all such payments received to the Master Association. The Association shall pay monthly to the Master Association the total amount of all such Assessments owed by all Lot Owners to the Master Association whether or not the Association collects from any or all of the Owners of the Lots. The foregoing covenant shall be both a continuing affirmative covenant, personal to each Owner, and a continuing covenant running with the land. When a Lot is owned by two or more persons, the personal obligation for the payment of Assessments and other sums to be received by the Master Association shall be the joint and several obligation of each Owner. Such personal obligation shall be binding upon each Owner's successors, assigns, heirs, devisees, and personal representatives, as the case may be.

SECTION 3. CREATION OF THE LIEN AND PERSONAL OBLIGATION OF ASSESSMENTS. Each Owner for any Lot, by acceptance of a deed therefore, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay: (a) to the Association: (i) annual 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 (iii) assessments and charges that are due the Master Association. 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 of the county in which the land lays. Each such assessment, together with interest, any late fees, costs and reasonable attorney's

fees, shall also be the joint and several personal obligation of each Owner of a Lot, and be binding on such Owner(s) heirs, executors, devisees and/or personal representatives, as the case may be.

#### SECTION 4. 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 related to the use and enjoyment of that portion of the Master Common Area that the Association is to maintain and the Lots, including but not limited to, the costs of repairs, replacements and additions, the cost of labor, equipment, materials, management and supervision, the procurement and maintenance of liability insurance; payment of assessments imposed by the Master Association under the Master Declaration, the maintenance of landscaping and common lighting, if any, cost of operating, maintaining and repairing any street lights erected by the Association or the Declarant, if any, which are not maintained by the Master Association or a governmental authority, in the rights-of-way of streets (whether public or private) or in any other easement provided therefore within the Properties; the maintenance of the Lots and the exterior of dwellings located thereon as herein provided; maintenance and replacement of common fencing or retaining walls, if any; the employment of attorneys and other agents to represent the Association when necessary; the provision of adequate reserves for the replacement of dwelling improvements which the Association is responsible for replacement of as herein stated; and any other major expense for which the Association is responsible; obtaining and maintaining such liability and casualty insurance the Association deems necessary or desirable and such other common 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 Properties which the Association is 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 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 5. 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 Board shall establish an annual budget and fix the amount of the annual assessments in advance for the following year. The Board shall have the right to increase the existing annual assessment without the consent of the Owners by five percent (5%) upon approval of a majority of the members of the Board. Any increase in excess of five percent per annum will be subject to the following procedure. Within thirty (30) days of the adoption of any proposed budget that exceeds the prior year assessment by five percent, the 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 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 15 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 present reject the budget. In the event the proposed budget is rejected, the periodic budget existing or last ratified by the Owners shall be continued until such time as the Owners ratify a subsequent budget proposed by the Board, provided any assessment made by and/or any increase in the Master Association assessment may be added to and collected upon the effective date by this Association without any approval of this second tier Association. The Board with the same procedure may call a special meeting to consider an increase in assessments in the event funds are not sufficient to handle the affairs of the Association.

(b) Until December 31 of the year of the conveyance of the first Lot to an Owner, the maximum annual assessment shall be Thirteen Hundred Twenty and No/100 Dollars (\$1,320.00) per lot (which amount includes the Master Association assessment) , and may be collected in monthly installments of One Hundred Ten and 00/100s Dollars (\$110.00) per Lot.

SECTION 6. NOTICE FOR ANY ACTION AUTHORIZED UNDER SECTION 5 .  
Written notice of any meeting called for the purpose of taking any action authorized under Section 5, 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.

SECTION 7. RATE OF ANNUAL ASSESSMENT. Both annual and special assessments must be fixed at a uniform rate for all Lots and may be collected on a monthly, quarterly or annual basis; provided, however, that so long as the dwelling on any Lot owned by Declarant or any affiliated entity, 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 occupied improved Lot. Until the initial improvement of the lot with a dwelling no assessment shall be due, provided if assessments are due from such owner of a Lot to the Master Association then the owner of such lot shall pay to the Association the amount of the Master Association assessments for payment to the Master Association.

SECTION 8. 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. 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 9. DUE DATE OF ASSESSMENTS. The assessments authorized above shall be due in advance unless the due date is otherwise stated or approved by the Board or Association.

SECTION 10. 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, 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. After notice and an opportunity to be heard, the Association may suspend privileges or services provided by the Association (except the 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 and/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, 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 Master 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 11. SUBORDINATION OF THE LIEN FOR ASSESSMENTS TO THE LIEN OF FIRST MORTGAGES. When the holder of a first mortgage of 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 assessment thereafter becoming due or from the lien thereof. Such sale or transfer shall not extinguish the former Owner's personal obligation for prior unpaid assessments.

SECTION 12. 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 improvements devoted to dwelling use shall be exempt from said assessments.

ARTICLE V  
ARCHITECTURAL CONTROL

SECTION 1. IMPROVEMENTS. The Lots are subject to the Master Association's Architectural Review as set forth in Article VI of the Master Declaration and are subject to Architectural Review of this Association. No improvements, additions, alteration, repair, reconstruction, change in paint color, excavation, change in grade, planting, landscaping, exterior decoration (including, without limitation, yard ornaments, figurines, statues, bird baths, houses and feeders, flags and similar items) or other work which in any way alters the exterior of any Lot or the improvements located thereon from their natural or improved state existing on the date such Lot was first conveyed in fee by the Declarant 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 placed, commenced, erected, maintained, improved, altered reconstructed or removed, until the plans and specifications showing the nature, kind, shape, height, materials and location of the same shall have been submitted to and approved in writing as to harmony of external design and location in relation to surrounding structures and topography by the Executive Board of the Association or by an architectural committee composed of three (3) or more representatives appointed by the Board (the "Architectural Control Committee"). Temporary seasonal exterior decorations shall not require the prior approval of the Board or the Architectural Control Committee, but if any such decorations are determined, in the sole discretion of the Executive Board or the Architectural Control Committee, to be distasteful or otherwise disruptive of the aesthetics or visual harmony of the community, the Board or the Architectural Control Committee may require that such decorations promptly and permanently be removed. In the event that an Owner neglects or fails to remove any such decorations at the request of the Board or the Architectural Control Committee, the Association may provide such removal. In order to enable the Association to accomplish the foregoing, there is hereby reserved to the Association the right to unobstructed access over and upon each Lot at all reasonable times 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 appropriate governmental authority(ies) having jurisdiction or as the same may be amended. 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. Declarant shall have the right to appoint the members of the Architectural Control Committee until all the lots it owns in the development have been built upon. 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(b), Article XI hereof, 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 comply with the general scheme of development approved by the appropriate governmental authority(ies) having jurisdiction as the same may be amended from time to time. Such approval by Declarant or its affiliate shall operate and have the same effect as approval by the Board or the Architectural Control Committee. Upon approval or approval with modification of the plans as submitted, by this Association's Board or Committee, the approving Board or Committee shall forward the matter with its recommendations to the Master Association's Architectural Review for its approval, modification or rejection.

## SECTION 2. PROCEDURES.

(a) Any person desiring to make any improvement, addition, alteration, restoration or change described in Section 1 above shall submit the plans and specifications therefore, showing the nature, kind, shape, height, materials and location of the same, to the Board of the Association or the Architectural Control Committee which shall evaluate such plans and specifications in light of the purposes of this Article.

(b) Upon approval or approval with modification by the Board or Architectural Control Committee of any plans and specifications submitted pursuant to this Declaration, the Committee shall forward for the Owner a copy of the application and such plans and specification, as approved, to the Master Association's Review Committee for any action it desires and a copy of the approval(s) or denial(s) shall be deposited for permanent record with the Architectural Control Committee and a copy of such plans and specification bearing such approval or denial, in writing, shall be returned to the applicant submitting the same. Approval for use in connection with any Lot of any plans and specification shall not be deemed a waiver of the Architectural Control Committee's right, in its discretion, to disapprove similar plans and specifications or any of the features or elements included herein if such plans, specifications, features or elements subsequently submitted for use in connection with any other Lot. Approval of any such plans and specifications relating to any Lot, however, shall be final as to that Lot and such approval may not be reviewed or rescinded thereafter, provided that there has been adherence to, and compliance with, such plans and specification, as approved, and any conditions attached to any such approval. As a condition to the granting of approval of any request made under this Article, the Association may require that the Owner(s) requesting such change be liable for any cost of maintaining, repairing and insuring such alteration shall be a part of the annual assessment or charge set forth herein, and subject to the lien rights described herein. If the Architectural Control Committee does not respond within 30 days of the delivery of the request (a written receipt to be obtained from the committee member or a return receipt if forwarded by certified or registered mail) then such request shall be deemed approved by this Association, provided if additional information is requested by the Committee then such time shall be extended to 30 days following the receipt of the additional information requested by the Committee. Failure to approve or disapprove by any application shall not remove the requirement for the matter to be submitted to the Master Association as required by the Master Declaration.

(c) Neither Declarant, nor any other member of the Master Association or this Association's Boards or Architectural Control Committees, shall be responsible or liable in any way for any defects in any plans or specification approved by them, nor for any structural defects in any work done according to such plans and specifications. Further, neither Declarant, nor any member of the Master Association or this Association's Boards or Architectural Control Committees, shall be liable in damages to anyone by reason of mistake in judgment, negligence, misfeasance or nonfeasance arising out of or in connection with the approval or disapproval or failure to approve or disapprove any such plans or specification or the exercise of any other power or right provided for in this Declaration. Every person who submits plans or specifications for approval agrees, by submission of such plans and specifications, and every owner of any Lot agrees, that he or she will not bring any action or suit against Declarant, or any member of the Master Association or this Association's Boards or Architectural Control Committees, to recover any such damage.

ARTICLE VI  
EXTERIOR MAINTENANCE

SECTION 1. EXTERIOR MAINTENANCE TO BE PERFORMED BY THE ASSOCIATION. The Association as a common expense shall maintain the landscaping located upon a portion of the Master Association Common Area described in Exhibit A, attached hereto 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 and the driveway and sidewalk located upon the Lot, 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 Lot on which the tree or shrub is located, replace dead or diseased trees or shrubs planted by the Declarant, Association or the Master Association upon the area to be maintained by this Association, and prune all trees or shrubs so planted. The Owner shall be responsible for the routine watering of grass and landscape plantings upon his Lot. In addition, the Association shall repair and replace the roofing materials and replace gutters on the dwellings. The Association shall replace the vinyl siding on each dwelling, however such obligation shall not include any maintenance or small repairs of same which will be the obligation of the owner(s). Such exterior repair, maintenance and replacement shall not include that 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 the 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. An Owner shall advise the Association in writing of any repairs and replacements needed that are the obligation of the Association. The Association shall perform the same within a reasonable time but shall not be liable or responsible for any resulting damage to the dwelling or the contents thereof if it performs within a reasonable time and manner under the circumstances. In the event of storm damage to the dwelling on a Lot the Owner will perform or cause to be performed temporary measures to restrain or minimize further damage.

SECTION 2. EXTERIOR 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 interior and exterior improvements located upon his lot, with the exception of those the Association is to perform set forth in Section 1, above, including any of the following that might encroach onto or be located within the public easements such as, not to the exclusion of other items, the routine watering of grass and other landscaping items upon his or her Lot, driveway and sidewalk servicing a Lot, all utility lines, fixtures and/or their connections required to provide water, light, power, telephone, sewerage and sanitary service to his Lot out to the mains and sewer outfalls. Owner shall do all necessary maintenance repair and replacement located within the enclosure of a privacy fence or wall; shall maintain and repair the gutters and vinyl siding on the dwelling with the Association being responsible only for the replacement of the siding and gutters due to deterioration over time; and all other exterior maintenance, repair and replacement not specifically set forth for the Association to perform. In the event that the Owner neglects or fails to maintain his or her Lot and/or the exterior of his or her dwelling in a manner consistent with other Lots and dwellings

within the Properties, the Association may provide such exterior maintenance and all cost incurred by the Association in providing such exterior maintenance shall be immediately due and be added to the annual assessment for such Lot and subject to the lien rights described in Article IV; provided, however, that the Association shall first give written notice to the Owner of the specific items of exterior maintenance or repair the Association intends to perform on behalf of the Owner and the Owner shall have twenty (20) days from the date of mailing of said notice within which to perform such exterior maintenance himself or herself or a longer period of time if such item cannot be done within twenty days, provided the performance thereof is being diligently pursued. The determination as to whether and Owner has neglected or failed to maintain his or her Lot and/or dwelling in a manner consistent with other Lots and dwellings within the Properties shall be made by the Board of the Association, in its sole discretion after giving the owner an opportunity for hearing.

SECTION 3. EASEMENT TO PERFORM EXTERIOR MAINTENANCE. 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 to perform maintenance and replacement as provided in this Article.

## ARTICLE VII RESTRICTIONS

SECTION 1. LAND USE. No Lot shall be used except for single-family residential purposes; provided, however, Declarant, or any affiliated entity may use any Lot owned or leased by Declarant or any affiliated entity as a temporary sales office and/or model for the purpose of carrying on business related to the development, improvement and sale of the Properties or the Additional Properties.

SECTION 2. DWELLING SPECIFICATIONS. No dwelling or other improvements shall be altered or reconstructed on any lot, that would result in the dwelling being of a different exterior design and/or containing less square footage space than as originally constructed by the Declarant unless and until the plan is approved by the Master and this Association's Architectural Control Committee .

SECTION 3. NUISANCE. No noxious or offensive activity shall be conducted upon any Lot or the Common Area nor shall anything be done thereon which may be or may become an annoyance or nuisance to the neighborhood. No Lot or other area within Properties shall be used as a dumping ground for rubbish or as a site for the accumulation of unsightly materials of any kind, including, without limitation, broken or rusty equipment and discarded appliances and furniture. No outdoor clotheslines shall be permitted.

SECTION 4. ANIMALS No animals, livestock or poultry of any kind shall be kept or maintained on any Lot or in any dwelling except that dogs, cats or other household pets may be kept or maintained provided that they are not kept or maintained for commercial purposes and further provided that they are kept and maintained in compliance with (i) all laws and ordinances of the State of North Carolina, the county and/or city where the land lays relating thereto; and (ii) such rules and regulations pertaining thereto as the Board may adopt from time to time. (iii) requirements of the Master Declaration and rules and regulations. In addition pets shall be on a

leash held by the owner or caretaker when outside of the dwelling. The owner shall clean up all pet droppings immediately. Pets roaming without the owner being present and caring for is deemed a nuisance as well as continued barking or other animal noises.

SECTION 5. OUTSIDE ANTENNAS. No outside antennas or disks for reception or transmission of signals and no free standing transmission or receiving towers or satellite dishes or disks shall be erected on the Common Area or on any Lot or dwelling within the Properties without the prior written permission for the same has been granted by the Board of the Association or the Architectural Control Committee and as required by the Master Declaration. Any approval will require the device to be to the rear of the dwelling.

SECTION 6. PARKING. No boats, trailers, recreational vehicles, campers or other similar equipment or vehicles, excluding specifically operative automobiles, non-commercial trucks and passenger vehicle vans and mini-vans, shall be parked or stored on any Lot unless completely enclosed within a garage. No recreational vehicles, campers or other like equipment or vehicles shall be located or installed on any Lot to be used as a residence. Commercial vehicles shall not be parked or stored on any Lot; provided, however, the foregoing shall not be construed to prevent the temporary, non-recurrent parking of such vehicle on a Lot for a period not to exceed 24 hours or during any period the Lot is being serviced by such vehicle and excluding vehicles parked during the period of construction of dwellings and common improvements.

SECTION 7. SUBDIVISION OF LOTS. No Lot shall be subdivided into a lot smaller than or different from the Lot shown on the recorded plat. Declarant reserves the right to subdivide lots, replat the same, until full development and sale of all the lots improved with dwellings.

SECTION 8. SIGNS. No sign shall be placed or allowed to remain on any Lot except for ONE (1) "For Sale" sign, or one other temporary sign to advertise a temporary activity on the Lot and such other temporary sign shall not be permitted to remain on any Lot for more than SEVENTY TWO (72) consecutive hours. No sign deemed by the Association, the Architectural Control Committee or Declarant to be a nuisance or a detriment to the Properties shall be permitted to be erected or to remain on any Lot. Notwithstanding the foregoing, for so long as the Declarant or any affiliated entity owns any townhome lot Declarant and any affiliate shall have the right to erect and maintain signs within the Common Area or on any Lot owned or leased by Declarant or any affiliate for the purpose of advertising and promoting the sale of such lots and the development.

SECTION 9. MOBILE HOMES, MANUFACTURED HOMES, ETC. No mobile home, manufactured home, modular home, trailer, or other like structure shall be located or installed on any Lot. Notwithstanding the foregoing, Declarant, builders or contractors may maintain temporary improvements (such as a sales office and/or construction trailer) on any Lot or the common areas, with permission of the Declarant, during the construction and development period.

## ARTICLE VIII EASEMENTS

SECTION 1. UTILITIES. Easements for installation and maintenance of utilities (including cable television and data service) and drainage facilities are reserved as indicated on recorded plats and as have been granted by the Master Association Declarant or Declarant some of which may be

exclusive for a period of time and cover wiring and outlets installed within the walls of the dwelling. The lot is conveyed subject to such easements. 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.

SECTION 2. SIGNS. The Association shall maintain subdivision signs and landscaping and lighting surrounding same associated with the townhomes now or hereafter erected by the Declarant or the Association, if any. The costs of all such maintenance, repair and replacement of such signs, landscaping and lighting shall be part of the common expenses of the Association, payable by the Owners as set out in Article IV hereof.

SECTION 3. EASEMENT RESERVED BY DECLARANT. Declarant hereby reserves such easements on, across and over the Lots as shall be reasonably necessary for the exercise by Declarant or any affiliated entity of any right herein reserved.

SECTION 4. ENCROACHMENTS. In the event that any improvements on a Lot shall encroach 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 other Lot for so long as such encroachment shall naturally exist.

#### ARTICLE IX RIGHTS RESERVED UNTO INSTITUTIONAL LENDERS

SECTION 1. ENTITIES CONSTITUTING INSTITUTIONAL LENDERS. "Institutional Lender" as the term 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 such Institutional Lender shall have the following rights provided such lender has requested the information and has furnished a current address to the Association:

(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 if requested in writing.

(b) To receive notice of any condemnation of casualty loss affecting the Common Area or any portion thereof.

(c) To be notified of any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association.

(d) 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.

## ARTICLE X PARTY WALLS

SECTION 1. GENERAL RULES OF LAW TO APPLY. Each wall which is built as a part of the original construction of the homes upon the Properties and placed on the dividing line between Lots or is the dividing wall between dwellings shall constitute a party wall, and, to the extent not inconsistent with the provisions of this Article, the general rules of law regarding party walls and liability for property damage due to negligence, or willful acts or omissions shall apply thereto.

SECTION 2. REPAIR AND MAINTENANCE. The cost of reasonable repair and maintenance of a party wall shall be shared by the Owners who make the use of the wall in proportion to such use.

SECTION 3. DESTRUCTION BY FIRE OR OTHER CASUALTY. If a party wall is destroyed or damaged by fire or other casualty, any Owner who has used the wall may restore it, and if the other Owners thereafter make use of the wall, they shall contribute to the cost of restoration thereof in proportion to such use without prejudice, however, to the right of any such Owner to call for a larger contribution from the others under any rule of law regarding liability for negligent or willful acts or omissions.

SECTION 4. WEATHERPROOFING: Notwithstanding any other provision of this Article, an Owner who by his negligent or willful act causes the party wall to be exposed to the elements shall bear the whole cost of furnishing the necessary protection against such elements and repairing any damage resulting from such exposure.

SECTION 5. RIGHT TO CONTRIBUTION RUNS WITH LAND. The right of any Owner to contribution from any other Owner under this Article shall be appurtenant to the land and shall pass to such Owner's successors in title.

SECTION 6. ARBITRATION. In the event of any dispute arising concerning a party wall, or under the provisions of this Article, each party shall choose one arbitrator, and such arbitrators shall choose one additional arbitrator, and the decision shall be by a majority of all the arbitrators.

## ARTICLE XI GENERAL PROVISIONS

SECTION 1. ENFORCEMENT. The Owner(s) of each Lot shall be governed by and shall comply with the provisions of the Master Declaration, this Declaration, the Bylaws of the Master Association and this Association and all rules and regulations of the Master Association and this 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, if the Association is not pursuing, 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, health, public safety and animal control officers come on the Properties to facilitate the enforcement of the laws, codes and ordinances of any governmental authority.

(b) The Association, after notice to the Owner and a reasonable opportunity to be heard, shall have the right to assess reasonable fines against an Owner for violations of this Declaration the Bylaws of the Association 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 collected 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 and this Association may request the Master Association to take such action as it deems appropriate under the Master Declaration.

(d) If damage is inflicted on any Lot by an agent of the Association in the scope of the agent's activities as such agent, the Association is liable to repair such damage or to reimburse the Owner for the cost of repairing such damages. When any such claim for damages against the Association is less than or equal to the jurisdictional amount established for small claims by North Carolina General Statute 7A-210, any aggrieved party may request that a hearing be held before an ad judicatory panel appointed by the Board of the Association to determine if the Association is responsible for damages to any Lot. If the Board fails to appoint an ad judicatory panel to hear such matters, such hearings shall be held before the 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 the Association not in excess of the jurisdictional amount established for small claims by North Carolina General Statute 7A-210. When such claim exceeds the jurisdictional amount established for small claims by North Carolina General Statute 7A-210, liability of the Association shall be determined as otherwise provided by law. Liabilities of the Association determined by ad judicatory 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 illegal default by Owner, the Association, if successful, shall be entitled to recover the costs of the proceeding and such reasonable attorney's 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 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. These 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 as hereinafter provided. Subject to approval required by the Master Declaration 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 so long as Declarant or any affiliated entity owns any Lot this Declaration may not be amended or terminated without Declarant's consent; no amendment purporting to revoke or curtail any right herein conferred to Declarant shall be effective unless executed by Declarant; and no amendment relating to the participation in the maintenance or ownership of any permanent detention or retention pond, if any, 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 evidence by written acknowledgement(s) signed by the Owners approving the amendment and made a part of the Minute Book of the Association; (3) be properly recorded in the Office of the Register of Deeds where the land lays and (4) Be approved in accordance with the Master Declaration, if required. The Declarant reserves the right without the joinder of the Association or its Members to amend this Declaration and any other Association document in order to comply with any requirements of the FHA to meet guaranty standards or

requirements, to further the development of the land owned by Declarant and to make additions, deletions, corrections and clarifications of the content of the documents as Declarant deems necessary or desirable.

SECTION 4. ANNEXATION. Additional residential property 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 any Period of Declarant Control, Declarant must also consent to such action.

SECTION 5. FHA/VA APPROVAL. During and Period of Declarant Control, the following actions will require the prior approval of the Federal Housing Administration of the Department of Veterans Affairs provided that FHA or VA loans have been obtained to purchase a Lot(s) and remain outstanding: annexation of additional properties, dedication of Common Area and amendment of this Declaration of Covenant, Conditions and Restrictions of the Articles of Incorporation or the Bylaws for the Association.

SECTION 6. INSURANCE: Each Lot Owner shall obtain and maintain a hazard insurance policy with extended coverage with a replacement cost endorsement so that the improvements upon the lot will be covered in the event of loss or damage. Failure of the Owner to so maintain such coverage shall allow, but not obligate, the Association to obtain coverage file lien for such cost and collect the costs in the same manner as other assessments.

SECTION 7. 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 or Declarant set forth in this Declaration.

Declarant intends that the provisions of the Master Declaration, then this Declaration, and the Articles of Incorporation and Bylaws of the Association be interpreted, construed, and applied to avoid inconsistencies or conflicting results. If such conflict necessarily results, however, Declarant intends that the provisions of the Master Declaration control, then this Declaration control anything contained in the Articles of Incorporation or Bylaws of the Association. The declaration is not intended to conflict with the Master Declaration and should a conflict appear the Master Declaration shall control, and this declaration is not intended to conflict with the North Carolina Planned Community Act and should a conflict appear the Act shall control.

Signatures appear on the following page

IN WITNESS WHEREOF, the managing member of the Declarant herein, has caused this instrument to be executed in its name as of the \_\_\_\_\_ day of \_\_\_\_\_, 2005.

**SHUGART ENTERPRISES, LLC**

(Seal)

By: \_\_\_\_\_  
Grover Shugart, Jr., Manager

APPROVED AND CONSENTED TO FOR RECORDATION:

**REEDY FORK EAST LLC,**

A North Carolina limited liability company

By: FRIENDLY ASSOCIATES XX LLLP, a  
North Carolina limited liability partnership  
Its Member and Manager

By: Starmount Company, a N C corporation  
Its General Partner

By:   
Ronald L. Wilson, Its Vice President

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**NORTH CAROLINA - FORSYTH COUNTY**

I, a Notary Public of the County of \_\_\_\_\_ and State aforesaid, certify that Grover Shugart, Jr. who, being by me duly sworn says that he is the a Manager of SHUGART ENTERPRISES, LLC, a North Carolina limited liability company, and that the foregoing instrument was duly executed by him for an on behalf of said limited liability company.

WITNESS my hand and official stamp or seal, this \_\_\_\_ day of \_\_\_\_\_, 2005.

My commission expires: \_\_\_\_\_  
Notary Public

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NORTH CAROLINA - GUILFORD COUNTY

I, a Notary Public of the County of Guilford and State aforesaid, certify that Ronald L. Wilson, personally appeared before me this day and acknowledged that he is a Vice President of Starmount Company, a North Carolina corporation, the sole General Partner of Friendly Associates XX, LLLP, a North Carolina limited liability partnership ("FAXX"), one of two Members and Managers of Reedy Fork East LLC, a North Carolina limited liability company ("RFE"), and that by authority duly given and as the act of Starmount Company for and on behalf of FAXX, for and on behalf of RFE, the foregoing instrument was signed in its name by such Member and Manager.

WITNESS my hand and official stamp or seal, this 17th day of March, 2005.

My commission expires: Aug 29, 2008 Elizabeth A. Robinson  
Notary Public

