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DECLARATION OF
THE CONDOMINIUMS AT MCCONNELL SUBDIVISION

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**TABLE OF CONTENTS
TO
DECLARATION OF THE CONDOMINIUMS AT MCCONNELL SUBDIVISION**

	<u>Page</u>
RECITALS	1
ARTICLE I - DEFINITIONS	2
ARTICLE II - SUBMISSION BY DECLARANT OF THE PROPERTY TO THE ACT	
2.1 Submission	5
2.2 Name of Condominium	5
2.3 Name of Association	5
2.4 General Description of the Real Estate	5
2.5 Division of Property into Separately Owned Units	5
2.6 Alterations of Units	6
2.7 Description of Units	6
2.8 Use of Common Elements	6
2.9 Limited Common Elements	6
2.10 Allocated Interests	6
2.11 Title Exceptions	7
2.12 Nature of Interest in Units	7
2.13 Separate Tax Listings	7
2.14 Unit Owner's Rights and Duties	7
ARTICLE III - RESERVATION OF SPECIAL DECLARANT RIGHTS AND THE RIGHT TO ADD ADDITIONAL PROPERTY	
3.1 Reservation of Special Declarant Rights	7
3.2 Transfer of Special Declarant Rights	8
3.3 Declarant's Right to Add Additional Property	8
3.4 Maximum Number of Additional Units; Units Restricted to Residential Use ...	8
3.5 Compatability of Style	8
3.6 Applicability of Restrictions	8
3.7 Other Improvements and Common Elements	8
3.8 Applicability of Assurances if Additional Property Not Added	8
3.9 Allocation of Interest	8
ARTICLE IV - GRANT AND RESERVATION OF EASEMENTS AND LICENSES	
4.1 Encroachments	9
4.2 Easements Through Walls	9
4.3 Easements to Repair, Maintain, Restore and Reconstruct	9
4.4 Easements for Utilities	9

4.5	Declarant's Easements	10
4.6	Easements Benefitting Units	10
4.7	Easements across the Common Elements	10
4.8	Easements to Run With Land	11

ARTICLE V - RESTRICTIONS, CONDITIONS AND COVENANTS

5.1	Compliance with Declaration, Bylaws and Rules and Regulations	11
5.2	Administration of Condominium	11
5.3	Restrictions on Use, Occupancy and Alienation	11
5.4	Use by Declarant	14
5.5	Hazardous Use and Waste	14
5.6	Prohibitions on Use of Common Elements	14
5.7	Nuisances	15
5.8	Lawful Use	15
5.9	Rules and Regulations	15
5.10	Restrictions, Conditions and Covenants to Run With Land	15
5.11	Enforcement	15
5.12	Liens	15

ARTICLE VI - ASSESSMENTS FOR COMMON EXPENSES

6.1	Assessment Liens	16
6.2	Personal Liability of Transferees; Statement; Liability of First Mortgage	16
6.3	Prohibition of Exemption from Liability for Contribution Toward Common Expenses	17
6.4	Date of Commencement of Annual Assessments	17
6.5	Working Capital Fund	17
6.6	Limitations on use of Assessments	17

ARTICLE VII - MANAGEMENT, MAINTENANCE, REPAIRS, REPLACEMENTS, ALTERATIONS AND IMPROVEMENTS TO THE CONDOMINIUM

7.1	Common Elements	17
7.2	Common Expenses Associated with Limited Common Elements or Benefitting Less Than All Units	18
7.3	Units	18
7.4	Waiver of Claims	18
7.5	Right of Entry	19
7.6	Architectural Control	19

ARTICLE VIII - INSURANCE

8.1	General	19
8.2	Responsibility for Obtaining Coverage	20
8.3	Types of Coverage	20

8.4	Premiums to be Common Expense	21
8.5	Policy Provisions	21
8.6	Insurance Trustees	21
8.7	Insurance Unavailable	21
8.8	Individual Policy for Unit Owners	21

ARTICLE IX - CASUALTY DAMAGE

9.1	Duty to Repair	22
9.2	Disposition of Insurance Proceeds in the Event Casualty Damage Not Repaired	22

ARTICLE X - TERMINATION OF THE CONDOMINIUM; CONDEMNATION; AMENDMENT OF THE DECLARATION

10.1	Termination	23
10.2	Condemnation	23
10.3	Amendment	23

ARTICLE XI - MORTGAGEE PROTECTION

11.1	Introduction	23
11.2	Notice of Actions	23
11.3	Consent Required	24
11.4	Notice	26
11.5	Inspection of Books	26
11.6	Enforcement	26

ARTICLE XII - PROVISIONS RELATING TO THE ASSOCIATION

12.1	Creation of Association	26
12.2	Bylaws	26
12.3	All Units Bound	27
12.4	Duties and Powers	27
12.5	Declarant Control Period	27

ARTICLE XIII - GENERAL PROVISIONS

13.1	Conflict with the Act	27
13.2	Interpretation of Declaration	27
13.3	Captions	27
13.4	Exhibits	27
13.5	Invalidity	27
13.6	Waiver	27
13.7	Law Controlling	27

DECLARATION OF

THE CONDOMINIUMS AT MCCONNELL SUBDIVISION

THIS DECLARATION, made this day of , 2002, by MULVANEY HOMES, INC., a North Carolina corporation (hereinafter referred to as the "Declarant"), for itself, its successors and assigns, pursuant to the provisions of Chapter 47C of the North Carolina General Statutes, entitled the North Carolina Condominium Act ("Act").

RECITALS

Declarant is the owner in fee simple of certain real property situated in the County of Forsyth, and State of North Carolina, more particularly described on **Exhibit A** attached hereto and made a part hereof, together with all buildings and improvements now or hereafter constructed or located thereon, and all rights, privileges, easements and appurtenances belonging to or in any way pertaining to said real property; and

Declarant desires and intends, by the filing of this Declaration, to submit the above described property, the buildings located thereon and all other improvements constructed thereon, together with all appurtenances thereto, to the provisions of the North Carolina Condominium Act;

Declarant does hereby submit the property described in **Exhibit A** to the provisions of the Act, and does hereby publish and declare that all of the subsequently defined Property is held and shall be held, conveyed, hypothecated, encumbered, used, occupied and improved, subject to the following covenants, conditions, restrictions, uses, limitations and obligations, all of which are declared and agreed to be in furtherance of a plan for the improvement of said property and the division thereof into condominium units, and shall be deemed to run with the land, and shall be a burden and benefit to the Declarant, its successors and assigns, and any parties acquiring and owning an interest in the real property and improvements, their grantees, successors, heirs, executors, administrators, devisees and assigns.

Additionally, the Property is part of a larger parcel of real property upon which will be created a residential community of single family detached and attached residential dwellings to be known as McConnell Subdivision (the "Residential Subdivision"). The developer of the Residential Subdivision, Oakhurst of Kernersville, LLC, has deemed it desirable, for the efficient preservation, protection and enhancement of the values and amenities in the Residential Subdivision, to create a master residential association known as The McConnell Residential Association, Inc. ("Residential Association"), to which will be delegated and assigned the powers of maintaining and administering any common areas within the Residential Subdivision (not to include any Common Elements or Limited Common Elements, as defined below), administering and enforcing covenants and restrictions for the Residential Subdivision, and collecting and disbursing the assessments and charges set forth in the Master Declaration of Covenants, Conditions and Restrictions for McConnell Subdivision ("Residential Declaration") attached hereto as **Exhibit G**.

The Unit Owners within the Condominium created by this Declaration shall have certain easement rights, as further described herein, to the common areas of the Residential Subdivision, and, therefore, shall also share certain expense obligations with regards to the maintenance of said common areas. For that reason, Declarant intends for the Condominium to be subject not only to the terms and conditions of this Declaration, but also to the terms and conditions of the Residential Declaration. In the event of an indirect conflict between this Declaration and the Residential Declaration, this Declaration shall control. All Unit Owners shall be Members of the Residential Association for voting purposes. All dues or assessment obligations related to a Unit Owners' membership in the Residential Association shall be as set forth in this Declaration, which includes a charge for the obligations of the Unit Owners under the terms of the Residential Declaration.

ARTICLE I DEFINITIONS

In addition to the terms defined above, certain terms, as used in this Declaration and the exhibits attached hereto and made a part hereof, shall be defined as follows, unless the context clearly indicates a different meaning therefor:

1.1. **"Act" or "Condominium Act"** shall mean the North Carolina Condominium Act, Chapter 47C of the North Carolina General Statutes, as in effect as of the date of the filing of this Declaration.

1.2. **"Additional Property"** shall mean the property described in **Exhibit A-1**, together with all buildings and improvements now or hereafter constructed or located thereon, and all rights, privileges, easements, and appurtenances belonging to or in any way pertaining to said property.

1.3. **"Allocated Interests"** shall mean the undivided interests in the Common Elements, common expense liability, and the votes in the Association allocated to each Unit.

1.4. **"Articles of Incorporation"** shall mean the Articles of Incorporation of the Association attached as **Exhibit F**.

1.5. **"Association"** shall mean The Condominiums At McConnell Subdivision Owners Association, Inc., a nonprofit corporation organized under Section 47C-3-101 of the Act.

1.6. **"Assessment"** shall mean a share of the funds required for the payment of Common Expenses which from time to time is assessed against the Unit Owners, and such additional sums which may be assessed directly against one or more Unit Owners alone.

1.7. **"Board"** shall mean the Executive Board of the Association.

1.8. **"Building(s)"** shall mean the structure(s) erected upon the Property.

1.9. **"Bylaws"** shall mean the Bylaws of the Association attached as **Exhibit E**.

1.10. **"Common Elements"** shall mean all portions of the Condominium except the Units. All "Limited Common Elements" shall be part of the Common Elements.

1.11. **"Common Expense(s)"** shall mean expenditures made or liabilities incurred by or on behalf of the Association, together with any allocations to reserves.

1.12. **"Common Expense Liability"** shall mean the liability for common expenses allocated to each Unit pursuant to Section 47C-2-107 of the Act.

1.13. **"Condominium"** shall mean the condominium created by this Declaration.

1.14. **"Condominium Documents"** shall mean this Declaration and all of the exhibits hereto and the Articles of Incorporation for the Association, as the same shall from time to time be amended.

1.15. **"Declarant"** shall mean Mulvaney Homes, Inc., a North Carolina corporation, and (i) any other person who has executed this Declaration, or who hereafter executes an amendment to this Declaration to add Additional Property, except institutional lenders and except persons whose interests in the Property will not be conveyed to Unit Owners, and (ii) any person who succeeds to any Special Declarant Rights.

1.16. **"Declarant Control Period"** shall mean the period during which Declarant, or persons designated by it, may appoint and remove the officers and directors of the Board. The period of Declarant control shall commence with the filing date of this Declaration and continue until the earlier of the following five dates: (i) the date two years after Declarant has ceased to offer Units for sale in the ordinary course of business, (ii) the date upon which Declarant voluntarily, in writing, surrenders control of the Condominium, (iii) the date 120 days after the Declarant has conveyed 75% of the Units (including units which may be created pursuant to Special Declarant Rights) to Unit Owners other than a Declarant, (iv) the date two years after any development right to add new Units was last exercised by Declarant, or (v) seven years after the first Unit was conveyed to a Unit Owner.

1.17. **"Declaration"** shall mean this document and any amendments to this document.

1.18. **"Eligible Mortgage Holder"** shall mean each First Mortgagee who has requested the Association to notify it of any proposed action that requires the consent of a specified percentage of Eligible Mortgage Holders pursuant to Section 11.4 hereof.

1.19. **"First Mortgage"** shall mean a mortgage or deed of trust which has been recorded so as to give constructive notice thereof, and which is a first lien on the Units or Units described therein.

1.20. **"First Mortgagee"** shall mean a holder, from time to time, of a First Mortgage as shown by the records of the Office of the Register of Deeds for Forsyth County, North Carolina, in which the First Mortgage is recorded, and including a purchaser at foreclosure sale upon foreclosure of a First Mortgage until expiration of the mortgagor's period of redemption. If there shall be more

than one holder of a First Mortgage, they shall be considered as, and act as, one First Mortgagee for all purposes under this Declaration and the Bylaws.

1.21. "**HUD/VA/FNMA/FHLMC**" shall refer to the U.S. Department of Housing and Urban Development, and/or the Veterans Administration, and/or the Federal National Mortgage Association, and/or the Federal Home Loan Mortgage Corporation, any governmental authority which succeeds said organizations, and/or any other governmental or quasi-governmental authority which governs, regulates or administers the selling of residential dwellings or the issuing of mortgages on such dwellings.

1.22. "**Identifying Number**" shall mean the address which identifies each Unit in the Condominium.

1.23. "**Lessee**" shall mean the party entitled to present possession of a leased Unit whether lessee, sublessee, or assignee, together with their employees, agents, and invitees.

1.24. "**Limited Common Elements**" shall mean those portions of the Common Elements allocated by this Declaration or any amendments hereto, the Plans or by operation of Section 47C-2-102(2) or (4) of the Act for the exclusive use of one or more, but fewer than all, of the Units. That portion of the property upon which heating and air conditioning equipment serving a Unit is located shall constitute a Limited Common Element allocated specifically to the Unit served by such equipment.

1.25. "**Occupant**" shall mean any person or persons in possession of a Unit, including Unit Owners, Lessees, employees, agents, and invitees of such person or persons.

1.26. "**Person**" shall mean a natural person, corporation, business trust, estate, trust, partnership, association, joint venture, limited liability company, government, governmental subdivision or agency or other legal or commercial entity.

1.27. "**Plans**" shall mean the plans of the Condominium recorded with, and by the Act made a part of, this Declaration, as the same may hereafter be amended, and described on **Exhibit C**.

1.28. "**Plat**" shall mean the survey plat depicting the Condominium and the location of the Buildings on the Property recorded with, and by the Act made a part of, this Declaration, as the same may later be amended, and described on **Exhibit C**.

1.29. "**Property**" shall mean the real property described on **Exhibit A**, together with the buildings and improvements now or hereafter constructed or located thereon, and all rights, privileges, easements and appurtenances belonging to or in any way pertaining thereto, and all articles of personal property intended for common use in connection therewith.

1.30. "**Residence**" shall mean Unit.

1.31. **"Residential Purposes"** means use for dwelling purposes.

1.32. **"Rules and Regulations"** shall mean the rules and regulations of the Condominium as promulgated by the Board from time to time.

1.33. **"Special Declarant Rights"** shall mean rights reserved for the benefit of the Declarant herein pursuant to the provisions of Section 47C-2-105(a)(8) of the Act, including but not limited to the following: to complete the improvements indicated on the Plans; to exercise any development right, including the right to add additional property or withdraw portions of property from the Condominium, as defined in Section 47C-2-110 of the Act; to maintain, pursuant to Section 47C-2-115 of the Act, sales offices, management's offices, signs advertising the Condominium, and models; to use, pursuant to Section 47C-2-116 of the Act, easements through the Common Elements for the purpose of making improvements within the Condominium; to make, pursuant to Section 47C-2-121 of the Act, the Condominium a part of a larger condominium; or to appoint or remove pursuant to Section 47C-3-103(d) of the Act, any officer or director of the Association or any Board Member during any period of Declarant control.

1.34. **"Unit"** shall mean a portion of the Condominium designated for separate ownership or occupancy, whether or not contained solely or partially within a Building, together with its percentage of undivided interest in the Common Elements as set forth on **Exhibit D**. Each Unit is designated and delineated on the Plans.

1.35. **"Unit Owner"** or **"Owner"** shall mean the Person or Persons, including the Declarant, owning a Unit in fee simple. A Person having an interest in a Unit solely as security for an obligation shall not be considered a Unit Owner.

ARTICLE II SUBMISSION BY DECLARANT OF THE PROPERTY TO THE ACT

2.1 Submission. Declarant hereby submits the Property to the Act.

2.2 Name of Condominium. The Property shall hereafter be known as The Condominiums At McConnell Subdivision.

2.3. Name of Association. The name of the association of Unit Owners shall be known as "The Condominiums At McConnell Subdivision Owners Association, Inc."

2.4. General Description of the Real Estate. The real estate included in the Condominium is described and identified on **Exhibit A**, attached hereto and made a part hereof.

2.5. Division of Property into Separately Owned Units. Declarant, pursuant to the Act, and to establish a plan of condominium ownership for the Condominium, does hereby divide the Property into Units and does hereby designate all such Units for separate ownership, subject however, to the provisions of Section 2.6 relating to alteration of Units.

2.6. Alterations of Units. Subject to the provisions of the Bylaws, a Unit may be altered pursuant to the provisions of Sections 47C-2-111 and 47C-2-112 of the Act.

2.7. Description of Units. The Plat showing the location of the Buildings on the Property and the Plans describing the particular details of the Buildings, are attached hereto and made a part hereof as **Exhibit C**, which Plat and Plans depict all the relevant particulars of the Condominium, including the layout, the number of Units, the location of each Unit and its Identifying Number, dimensions, ceiling and floor elevations and the locations of the Limited and general Common Elements appurtenant to and affording access to each Unit.

(a) The Identifying Number of each Condominium Unit and other data concerning its proper identification are set forth in **Exhibit D**, attached hereto and made a part hereof.

(b) Each Unit shall constitute a single freehold estate and shall consist of all of the space within the living quarters bounded by the undecorated and/or unfinished interior surfaces of its perimeter walls, exterior doors and exterior windows facing the interior of the Units, the undecorated surfaces of the ceiling facing the interior of the Unit, and the topmost surfaces of the subflooring. Each Unit includes those portions of the Building within such boundaries, and the space so encompassed, including without limitation, the decorated surfaces, including paint, lacquer, varnish, wallpaper, paneling, tile, carpeting and any other furnishing or decorative materials applied to interior walls, doors, floors and ceilings, and interior surfaces of permanent walls, windows, doors, floors and ceilings, except that no part of the Common Elements shall be considered part of a Unit. Each Unit shall include those portions of the heating and air conditioning system for the Unit which are located within the perimeter walls of the Unit and which exclusively serve the Unit, wherever situated.

2.8. Use of Common Elements. Each Unit Owner shall have the right to use the Common Elements, with the exception of the limitations set forth in Section 2.9, in accordance with the purposes for which they are intended, and for all purposes incident to the use and occupancy of the Unit Owner's Unit, including unrestricted ingress and egress to and from the Owner's Unit, and such right shall be appurtenant to and run with the Unit; provided, however, that no person shall use the Common Elements or any part thereof in such a manner as to interfere with or restrict or impede their use by others entitled to their use, or in any manner contrary to or not in accordance with this Declaration, Bylaws, and the Rules and Regulations.

2.9. Limited Common Elements. The Limited Common Elements, as defined above in Article I, and in Sections 47C-2-102(2) and 47C-2-102(4) of the Act, serving or designed to serve a particular Unit are hereby allocated solely and exclusively to each such Unit.

2.10. Allocated Interests. The allocations to each Unit of a percentage of undivided interest in the Common Elements and of a percentage of Common Expenses are as stated on **Exhibit D**. The allocation of the undivided interests in the Common Elements and of the Common Expenses has been determined by a ratio formulated upon the relation that the square foot area of each Unit bears

to the then aggregate square foot area of all Units. The votes are equally allocated to all Units with each Unit Owner having one (1) vote for each Unit owned.

2.11. Title Exceptions. The liens, defects and encumbrances affecting the Property to which the rights of Unit Owners and Occupants are hereby made subject are set out on **Exhibit B**.

2.12. Nature of Interest in Units. Every Condominium Unit, together with its undivided Allocated Interest in the Common Elements, shall for all purposes be, and it is hereby declared to be and to constitute, a separate parcel of real property, and the Unit Owner shall be entitled to the exclusive ownership in fee simple and possession of the Unit Owner's Unit, subject only to the covenants, restrictions, easements, Bylaws, resolutions and decisions adopted pursuant hereto, and as may be contained herein and in the accompanying Rules and Regulations. The percentage of undivided interest in the Common Elements of each Unit shall not be separated from the Unit to which it appertains, and shall be deemed to be transferred with the Unit, even if such interest is not expressly mentioned or described in the conveyance, encumbrance, release or other instrument transferring such Unit. Any conveyance, encumbrance, judicial sale, or other transfer (voluntary or involuntary) of an Owner's percentage interest in the Common Elements shall be void unless the Unit to which that interest is allocated is also transferred.

2.13. Separate Tax Listings. Every Unit, together with its undivided interest in the Common Elements, shall be separately assessed and taxed by each assessing unit for all types of taxes authorized by law. Each Unit Owner shall be liable solely for the amount of taxes against his individual Unit.

2.14. Unit Owner's Rights and Duties. Each Unit Owner shall be subject to all the rights and duties assigned to Unit Owners under the terms of this Declaration and the Bylaws. When there are unsold units in the Condominium, the Declarant also enjoys the same rights and assumes the same duties as they relate to each individual unsold Unit.

ARTICLE III RESERVATION OF SPECIAL DECLARANT RIGHTS AND THE RIGHT TO ADD ADDITIONAL PROPERTY

3.1. Reservation of Special Declarant Rights. Declarant hereby reserves all Special Declarant Rights as defined in Section 1.33 and as provided in Section 47C-2-105(a)(8) including but not limited to the following: to complete the improvements indicated on the Plans; to exercise any development right, including the right to add additional property or withdraw portions of property from the Condominium, as defined in Section 47C-2-110 of the Act; to maintain, pursuant to Section 47C-2-115 of the Act, sales offices, management offices, signs advertising the Condominium, and models; to use, pursuant to Section 47C-2-116 of the Act, easements through the Common Elements for the purpose of making improvements within the Condominium; to make, pursuant to Section 47C-2-121 of the Act, the Condominium a part of a larger condominium; or to appoint or remove pursuant to Section 47C-3-103(d) of the Act, any officer or director of the Association or any Board Member during any period of Declarant control. Each of such rights may

be exercised by Declarant within the ten year period immediately following the date of the recording of this Declaration, unless a shorter period of time is required by the Act.

3.2 Transfer of Special Declarant Rights. All Special Declarant Rights provided in the Condominium Documents are transferable pursuant to Section 47C-3-104 of the Act.

3.3 Declarant's Right to Add Additional Property. Declarant expressly reserves the right to add the Additional Property to the Condominium. All or part of the Additional Property identified and described on Exhibit A-1 may be added to the Condominium at different times, but no assurances are made in regard to the order in which such portions may be added. Declarant shall have no duty or obligation of any kind to add any or all of the Additional Property. The method of adding the Additional Property to the Condominium shall be pursuant to Section 47C-2-110 of the Act. Provided, however, that no Additional Property may be added to the Condominium without the prior written consent of HUD/VA/FNMA/FHLMC so long as HUD/VA/FNMA/FHLMC, or any one thereof, holds, insures or guarantees any mortgage on any Unit within the Condominium.

3.4 Maximum Number of Additional Units; Units Restricted to Residential Use. The maximum number of additional Units that may be created within the Additional Property is the difference between two hundred ninety-eight (298) total Units less the number of Units described in Exhibit A. All of such Units will be restricted exclusively to residential use.

3.5 Compatibility of Style. It is Declarant's present intent that any Buildings and Units that may be erected upon the Additional Property or a portion thereof will be compatible with the other Buildings in the Condominium in terms of architectural style, quality of construction, and size. However, Declarant expressly reserves the right to change the architectural style and size of any Buildings and Units that may be erected upon the Additional Property.

3.6 Applicability of Restrictions. All restrictions in this Declaration and the Bylaws affecting use, occupancy and alienation of Units will apply to any and all additional Units that may be created within the Additional Property.

3.7 Other Improvements and Common Elements. In addition to the Buildings and Units that may be erected upon the Additional Property or a portion thereof, the other improvements and Common Elements that may be made or created upon or within the Additional Property or any portion thereof which may be added to the Condominium will be generally similar in quality and quantity to the improvements and Common Elements located in the Condominium.

3.8 Applicability of Assurances if Additional Property Not Added. The assurances made in this Article III will not apply with respect to any Additional Property that is not added to the Condominium. In the event that Declarant shall not expand the Condominium by the use of any portion of the Additional Property, Declarant shall have the right to develop all or any portion of the Additional Property without restriction.

3.9 Allocation of Interest. If Declarant adds the Additional Property, or portions thereof, to the Condominium, the percentage interest of each Unit Owner in the Common Elements and the

Common Expenses will be determined by a ratio formulated upon the relation that the square foot area of each Unit bears to the then aggregate square foot area of all Units.

ARTICLE IV GRANT AND RESERVATION OF EASEMENTS AND LICENSES

4.1. Encroachments. To the extent that any Unit or Common Element encroaches on any other Unit or Common Element, whether as the result of construction, reconstruction, repair, shifting, settlement, or other movement of any portion of the improvements, or otherwise, a valid easement for the encroachment exists, which easement shall continue for so long as each such encroachment exists. The easement does not relieve a Unit Owner of liability in case of the Unit Owner's willful misconduct. No such easement shall arise if the encroachment materially interferes with the reasonable use and enjoyment of the Unit or Common Element so encroached upon.

4.2. Easements Through Walls. Easements are hereby declared and granted to the Association and to such persons as are authorized by the Association, to install, lay, maintain, repair, and replace any chutes, flues, ducts, vents, pipes, wires, conduits and other utility installations, and structural components running through the walls of the Units, whether or not such walls lie in whole or in part within the boundaries of any Unit.

4.3. Easements to Repair, Maintain, Restore and Reconstruct. Wherever in, and whenever by, this Declaration, the Bylaws or the Act, a Unit Owner, the Association, the Board, or any other person, is authorized to enter upon a Unit or the Common Elements to inspect, repair, maintain, restore, or reconstruct all or any part of a Unit or the Common Elements, such easements as are necessary for such entry and such repair, maintenance, restoration or reconstruction are hereby declared and granted. Damage occasioned by the exercise of such grant shall be promptly repaired at the expense of the party causing such damage.

4.4. Easements for Utilities. The Units and Common Elements shall be, and are hereby made, subject to easements in favor of the Declarant (until Declarant shall have satisfied all of its obligations under the Declaration and Bylaws and all commitments in favor of any Unit Owner and the Association), the Association, appropriate utility and service companies and governmental agencies or authorities for such utility and service lines and equipment as may be necessary or desirable to serve any portion of the Property. The easements so provided for shall include, without limitation, rights of Declarant, the Association, any providing utility, any service company, and any governmental agency or authority and any of them to install, lay, maintain, repair, relocate and replace gas lines, pipes and conduits, water mains and pipes, sewer and drain lines, telephone wires and equipment, television equipment and facilities (cable or otherwise), electrical wires, conduits and equipment and ducts and vents and any other appropriate equipment and facilities over, under, through, along and on the Units and Common Elements. Notwithstanding the foregoing provisions, unless approved in writing by the Unit Owner or Unit Owners affected thereby, any such easement through a Unit shall be located either in substantially the same location as such facilities or similar facilities existed at the time of first conveyance of the Unit by the Declarant to a grantee other than the Declarant or so as not to materially interfere with the use or occupancy of the Unit by its

Occupants. The Association shall have the authority to grant permits, licenses and easement over the Common Elements for the purposes recited above.

4.5 Declarant's Easement.

(a) Declarant hereby reserves such easements through the Common Elements as may be reasonably necessary for the purposes of discharging its obligations, exercising Special Declarant Rights, and completing the development and construction of the Condominium, which easements shall exist as long as reasonably necessary for such purpose. In addition to the easement in the foregoing sentence and the easements reserved elsewhere in this Article IV, Declarant hereby reserves an easement for vehicular and pedestrian ingress, egress, and regress, and for utility purposes, for the benefit of land adjoining the Condominium. The use of these easement rights shall be limited to the development of such adjoining tracts, the construction of improvements thereon, and the sale of such property as improved. Such rights shall expire after the accomplishment of such purposes and, in all events, after seven years from the filing of this Declaration.

(b) Declarant, and its successors and assigns owning the Additional Property, or any portion thereof, shall have and does hereby reserve a perpetual nonexclusive right and easement of use of those portions of the Common Elements of the Condominium used as streets or driveways and of use of any and all water lines, sewer lines, storm water detention ponds, drainage easements, storm drains, electric, telephone, or cable television wires or conduits, gas lines, or similar utilities facilities that are a part of the Common Elements, to the extent reasonably necessary for Declarant, or such other owner of Additional Property, or a portion thereof, to have ingress and egress to and from the Additional Property over the Common Elements, and to provide, if necessary, drainage facilities and utility services including sewer lines and the use of any storm water detention ponds, drainage easements, storm drains and other drainage facilities to the Additional Property. Provided, however, the owner of the Additional Property exercising such rights and easements shall contribute a reasonable pro-rata share of the cost of the operation and maintenance of the utility facilities and other portions of the Common Elements so utilized. These easements and rights may not be changed without the prior written consent of all parties entitled to the exercise of such easements and rights.

4.6 Easements Benefitting Units. Pursuant to Section 4.5 of the Residential Declaration, all Unit Owners shall have an easement across, on, over and to the Common Area (as defined in the Residential Declaration) of the Residential Subdivision for the benefit and enjoyment of the Unit Owners. Unit Owners shall be entitled to use and enjoy the Common Area, subject to the rules and regulations set forth in the Residential Declaration. By way of example, but not limitation, ownership of a Unit shall entitle that Unit Owner to use the Amenity Area and Recreational Facilities as more particularly defined in the Residential Declaration. Provided, however, that such rights shall only be extended to Unit Owners in good standing with the Association.

4.7 Easements across the Common Elements. The general Common Elements (not to include any Limited Common Elements) shall be, and are hereby made, subject to easements in favor of all Owners (all as defined in the Residential Declaration). Such owners shall be entitled to use and enjoy the general Common Elements, subject to this Declaration, the Bylaws and any Rules and

Regulations. Provided, however, that such rights shall only be extended to members in good standing with the Residential Association.

4.8. Easements to Run With Land. All easements and rights described in this Article IV are appurtenant easements running with the land, and except as otherwise expressly provided in this Article IV shall be perpetually in full force and effect, and shall inure to the benefit of and be binding upon Declarant, the Association, Unit Owners, Occupants, First Mortgagees and any other person having any interest in the Condominium or any part thereof. The Condominium and every part thereof shall be conveyed and encumbered subject to and together with all easements and rights described in this Article IV, whether or not specifically mentioned in any such conveyance or encumbrance.

ARTICLE V RESTRICTIONS, CONDITIONS AND COVENANTS

5.1. Compliance with Declaration, Bylaws and Rules and Regulations. Each Unit Owner and Occupant shall comply with all applicable provisions of the Act, this Declaration, the Bylaws, the Articles of Incorporation of the Association, and the Rules and Regulations, as amended. Failure to comply shall be grounds for an action by the Association, an aggrieved Unit Owner, or any person adversely affected, for recovery of damages, injunction or other relief. The acceptance of a deed of conveyance or the entering into of a lease or the entering into occupancy of any Unit shall constitute an agreement that the provisions of this Declaration, the Bylaws and the Rules and Regulations are accepted and ratified by such Unit Owner or Occupant.

5.2. Administration of Condominium. The Condominium shall be administered in accordance with the provisions of the Act, this Declaration and the Bylaws.

5.3. Restrictions on Use, Occupancy and Alienation. The Units, Common Elements and Limited Common Elements shall be occupied and used as follows:

(a) Except as may be otherwise expressly provided in this Declaration, each Unit shall be used for Residential Purposes only. No trade or business of any kind may be conducted. Lease or rental of a Unit for residential purposes shall not be considered to be a violation of this Covenant so long as the lease is in compliance with the provisions of this Declaration, the Bylaws and reasonable Rules and Regulations adopted by the Board.

(b) There shall be no obstruction of the Common Elements, and the Association shall have the right to limit the number of guests of Unit Owners who may use any of the Common Elements.

(c) Nothing shall be done or kept in any Unit or in the Common Elements which will increase the rate of insurance on the Common Elements without the prior written consent of the Board. No Owner shall permit anything to be done or kept in his Unit or in the Common Elements which would result in the cancellation of insurance on any Unit or any part of the Common

Elements, or which would be in violation of any law or for any immoral or improper purpose. No waste will be committed to the Common Elements.

(d) No sign of any kind shall be displayed to the public view from any Unit or from the Common Elements or Limited Common Elements without the prior written consent of the Board; provided, however, that the Declarant shall be exempt from this restriction. Provided, further, that "For Sale" or other similar type sign (excluding "For Rent" signs) may be displayed in front of a Unit for a reasonable time, such sign not to exceed 3 feet by 2 feet in size.

(e) No noxious or offensive activity shall be carried on in any Unit, or in the Common Elements, nor shall anything be done therein which will be an annoyance or nuisance to other Unit Owners or Occupants.

(f) No animal shall be kept in or on the Property, except for generally accepted household pets. Such pets may not be kept or bred for any commercial purpose and shall have such care and restraint as is necessary to prevent them from being or becoming obnoxious or offensive on account of noise, odor, unsanitary conditions or other nuisance. Without limiting the generality of the foregoing, Unit Owners and Occupants shall promptly clean up and properly dispose of animal waste deposits left by their pets outside the Units. No more than two pets may be housed within a Unit without written permission of the Board. No pets may be permitted to run loose upon the Common Elements or Limited Common Elements, and any Unit Owner who causes or permits any animal to be brought or kept upon the Property shall indemnify and hold the Association harmless for and from any loss, damage or liability which it sustains as a result of the presence of such animal on the Property, regardless of whether the Association or the Board has given its permission therefor.

(g) Unit Owners shall have the right to lease their respective Units, subject to the following limitations:

(i) Said lease shall be made subject to this Declaration and the Bylaws, and a failure by the Lessee to comply with the terms of these documents shall be made a default under the lease;

(ii) A Unit Owner shall be liable for the defaults of his Lessee under this Declaration and Bylaws;

(iii) All leases shall be in writing and the Unit Owner shall promptly provide the Association with a copy of any lease of a Unit;

(iv) All leases shall have a minimum initial term of six (6) months.

Furthermore, pursuant to Article XI of the Residential Declaration, in order for the Residential Subdivision to comply at all times with the regulations promulgated by HUD/VA/FNMA/FHLMC which limit the number and/or percentage of rental properties (i.e. non-owner occupied), the following special limitations on leasing shall apply:

(i) No Unit may be offered for rent or lease without the express written approval of the Association, the Residential Association, and the Declarant, for so long as the Declarant owns any Unit or Oakhurst of Kernersville, LLC (the declarant under the Residential Declaration) owns any other lot or dwelling unit in the Residential Subdivision. Unit Owners desiring to lease their Units shall submit to the Association a summary of the proposed lease terms and a copy of the proposed lease at least sixty (60) days prior to the proposed commencement date of such lease. Failure by the Association, the Residential Association and/or the Declarant to approve or deny such lease within thirty (30) days of receipt shall constitute an approval of said lease.

(ii) Approval or denial of any proposed lease may be made by the Association, the Residential Association and/or the Declarant in their absolute discretion. The foregoing notwithstanding, all leases shall be denied in the event they would contribute to any of the following:

(A) Causing the total number of rental Units within the Condominium to exceed twenty percent (20%) of the total number of Units within the Condominium;

(B) Causing the total number of rental properties within the Residential Subdivision to exceed twenty percent (20%) of the combined number of Dwellings (as defined in the Residential Declaration) and Units in the Residential Subdivision; or

(C) Causing the total number of rental properties (or rental Units) to exceed any limitation established by HUD/VA/FNMA/FHLMC.

Each Unit Owner, by taking title to his Unit, acknowledges that the foregoing limitation on alienability of real property is reasonable under the circumstances and serves to benefit the common scheme of the Condominium and the Residential Subdivision, as well as the common well being of all Unit Owners.

(h) Nothing shall be altered or constructed in or removed from the Common Elements, including the Limited Common Elements, except upon the written consent of the Board. Without limiting the generality of the foregoing, and subject only to such federal, state, and local laws and ordinances as may lawfully impose limitations on this provision, no television, radio, or other telecommunications antenna, dish, or similar device may be installed except in accordance with the Rules and Regulations, and in such fashion as to be the least visually intrusive to the other Residence and to neighboring properties.

(i) The Board is authorized to adopt the Rules and Regulations for the use of the Condominium, said rules to be furnished in writing to the Owners and to be enforced pursuant to the provisions of the Bylaws.

(j) No part of the Common Elements may be subject to a lease between one or more Unit Owners (or the Association) and another party.

(k) Vehicular parking is prohibited anywhere within the Condominium except for the designated areas within the Condominium. No vehicle maintenance activities shall be conducted upon any of the Common Elements, including the designated parking areas, except routine cleaning, washing and waxing.

(l) All receptacles for trash, recyclables, and garbage shall be kept out of sight except for the designated trash pickup day. It shall be the responsibility of the Unit Owners to dispose of all garbage, trash and other refuse in the trash compactors located within the Residential Subdivision and designated for such use.

5.4. Use by Declarant.

(a) The provisions of this Article or any other provision of this Declaration or the Bylaws notwithstanding, Declarant shall have an easement to maintain sales offices and models for sales of Units throughout the Condominium. Declarant shall have the right to relocate, from time to time, and to discontinue and reestablish, from time to time, within the Condominium, until all of the Units have been conveyed to a Unit Owner other than a Declarant, any one or more of such offices or models. Declarant also shall have the right to change the use or combination of uses of such offices or models, provided that such offices or models shall be used only for sales offices or models. The total number of such offices or models maintained at any time by a Declarant shall not exceed three (3) and the size of any such relocated or reestablished office or model shall not exceed the size of the largest Unit in the Condominium.

(b) Declarant shall also have an easement to maintain signs on the Common Elements advertising the Condominium until all of the Units have been conveyed to Unit Owners other than a Declarant. Declarant shall remove all such signs not later than 30 days after all of the Units have been conveyed to Unit Owners other than Declarant and shall repair or pay for the repair of all damage done by removal of such signs.

5.5 Hazardous Use and Waste. Nothing shall be done to or kept in any Units or the Common Elements that will increase any rate of insurance maintained with respect to the Condominium without the prior written consent of the Board. No Unit Owner or Occupant shall permit anything to be done to or kept in his Unit or the Common Elements that will result in the cancellation of insurance maintained with respect to the Condominium, or that would be a violation of any law, or that will result in the commitment of waste (damage, abuse, or destruction) to or in his Unit or the Common Elements.

5.6 Prohibitions on Use of Common Elements. No Unit Owner or Occupant, except Declarant during the Declarant Control Period, shall alter, construct anything upon, or remove anything from, the Common Elements, or paint, decorate, landscape or adorn any portion of the Common Elements, without the prior written consent of the Board. Each Unit Owner shall maintain

any outdoor area designated as a Limited Common Element appurtenant to such Owner's Unit, in a good, clean, and well kept condition. No part of any such area visible from any location outside such area may be used for temporary or permanent storage of any type of material, except for such items as are routinely used in the enjoyment of such areas, such as lawn furniture, and like items. No Common Element or Limited Common Element shall be used in any way for the drying or airing of clothing, rugs or other fabrics. Entrances, sidewalks, yards, driveways, parking area and stairways shall not be obstructed in any way, other than normal usage by a Unit Owner. No "garage sales" or "yard sales" shall be permitted outside of a Unit.

5.7 Nuisances. No nuisances shall be allowed upon the Property and no person shall engage in any use, practice or activity upon the Property which is noxious, offensive or a source of annoyance to Unit Owners or Occupants or which unreasonably interferes with the peaceful possession and proper use of the Condominium Property by any Unit Owner or Occupant. All parts of the Condominium shall be kept in a clean and sanitary condition, and no rubbish, refuse or garbage shall be allowed to accumulate and no fire hazard shall be allowed to exist in any Unit, or upon any of the Common Elements. Any Unit Owner or Occupant who shall dump or place any trash or debris upon any portion of the Condominium shall be liable to the Association for the actual cost of removal thereof.

5.8 Lawful Use. No improper or unlawful use shall be made of the Condominium Property or any part thereof. All valid laws, zoning ordinances and regulations of governmental bodies having jurisdiction thereof shall be observed.

5.9 Rules and Regulations. In addition to the foregoing restrictions, conditions and covenants concerning the use of the Condominium, reasonable rules and regulations not in conflict therewith and supplementary thereto may be promulgated and amended from time to time by the Board or the Association, as more fully provided in the Bylaws.

5.10 Restrictions, Conditions and Covenants to Run With Land. Each Unit Owner and Occupant shall be subject to all restrictions, conditions, and covenants of this Declaration, and all such restrictions, conditions, and covenants shall be deemed to be covenants running with the land, and shall bind every person having any interest in the Property, and shall inure to the benefit of every Unit Owner.

5.11 Enforcement. Each Unit Owner shall comply strictly with the provisions of this Declaration, the Bylaws and the Rules and Regulations, and decisions issued pursuant thereto, and as the same may be lawfully amended from time to time. Failure to do so shall be grounds for establishment and enforcement of liens on one individual Unit, an action to recover sums due for damages, injunctive relief, foreclosure of lien, or a combination of remedies, maintainable by the Board or managing agent on behalf of the Association, or, in a proper case, by an aggrieved Unit Owner, all as more particularly described in the Bylaws.

5.12 Liens. While the Property remains subject to this Declaration and the provisions of the Act, no liens of any nature shall arise or be created against the Common Elements, except as approved by persons entitled to cast at least eighty percent (80%) of the votes in the Association,

including eighty percent (80%) of the votes allocated to Units not owned by the Declarant, except for (i) such liens as may arise or be created against the Units and their respective Allocated Interests under the provisions of the Act, and, (ii) with respect to Units and their respective Allocated Interests, title to which has not been conveyed, or which have not been leased by Declarant, the lien of any mortgage given by Declarant to secure financing for the Buildings and other improvements on the Property.

ARTICLE VI ASSESSMENTS FOR COMMON EXPENSES

6.1. Assessment Liens. The Board has the power to levy Assessments against the Units for Common Expenses. Such assessments, together with interest, costs, and reasonable attorney's fees, shall be a lien on the Units against which they are assessed, and if any payment thereof becomes delinquent, the lien may be foreclosed and the Unit sold, or a money judgment obtained against the persons liable therefor, all as set forth in the Bylaws. The lien will be subordinate to any First Mortgage on a Unit if such Mortgage was recorded prior to the docketing of such item in the Office of the Clerk of Court. The lien will not be affected by the sale or transfer of a Unit unless a foreclosure of a First Mortgage is involved, in which case the foreclosure will extinguish the lien for any assessments that were payable before the foreclosure sale, but will not relieve any subsequent Unit Owner from paying further assessments. The Board has the power to establish two (2) levels of assessments to provide for the payment of Limited Common Elements unique to certain Units.

6.2. Personal Liability of Transferees; Statement; Liability of First Mortgagee.

(a) The personal obligation for assessments which are delinquent at the time of transfer of a Unit shall not pass to the transferee of said Unit unless said delinquent assessments are expressly assumed by said transferee.

(b) Any transferee referred to in (a) above shall be entitled to a statement from the Board, pursuant to the Bylaws, and such transferee's Unit shall not be subject to a lien for any unpaid assessments against such Unit in excess of the amount therein set forth.

(c) Where a First Mortgagee, or other person claiming through such First Mortgagee, pursuant to the remedies provided in a mortgage or deed of trust, or by foreclosure or by deed, or assignment, in lieu of foreclosure, obtains title to a Unit, the liability of such First Mortgagee or such other person for assessments shall be only for the assessments, or installments thereof, that would become delinquent, if not paid, after acquisition of title. For purposes hereof, title to a Unit shall be deemed acquired by foreclosure upon expiration of the applicable period of redemption.

(d) Without releasing the transferor from any liability therefor, any unpaid portion of assessments which is not a lien under (b) above or, resulting, as provided in (c) above, from the exercise of remedies in a First Mortgage, or by foreclosure thereof or by deed, or assignment, in lieu of such foreclosure, shall be a Common Expense collectible from all Unit Owners, including the transferee under (b) above and the Institutional Lender or such other person under (c) above who acquires ownership by foreclosure or by deed, or assignment, in lieu of foreclosure.

6.3. Prohibition of Exemption from Liability for Contribution Toward Common Expenses. No Unit Owner may exempt himself from liability for his share of the Common Expenses assessed by the Association by waiver of the use or enjoyment of any of the Common Elements or by abandonment of his Unit or otherwise.

6.4. Date of Commencement of Annual Assessments. After commencement of the annual assessments provided for herein shall be due in full on January 1 of each calendar year (other than the first year in which such assessments are levied, in which case they are due immediately upon assessment), and shall be payable on a monthly basis on the first business day of each calendar month, with the monthly assessment for the month of a closing of a Unit by a buyer being prorated and the assessment for the remainder of the month of the closing being collected from said buyer at closing. The first annual assessment shall be adjusted according to the number of months then remaining in that fiscal year. The initial annual assessment for the first calendar year shall not exceed \$_____ per year.

6.5. Working Capital Fund. A working capital fund shall be established to meet unforeseen expenditures or to purchase any additional equipment, supplies or services. Upon acquisition of record title to a Unit by an Owner other than Declarant, each Owner shall contribute to the working capital of the Association an amount equal to two months of the monthly assessment for that Unit. Such initial contributions shall not be considered as advance payments of regular assessments and shall not be refunded to a Unit Owner upon the subsequent resale of a Unit. The Declarant may not use any of the fund to defray any of its expenses, reserve contributions, or construction costs or to make up any budget deficits while it is in control of the Association (except that the Declarant will reimburse itself for funds it paid for an unsold Unit's share of the working capital funds by using funds collected from the purchaser at closing when the Unit is sold). The working capital fund shall be transferred to the Association for deposit to a segregated fund when control of the Association is transferred to the Unit Owners.

6.6. Limitations on use of Assessments. No assessment of any kind may be used for the purpose of filing or pursuing any legal action of any sort whatsoever (including but not limited to lawsuits, arbitrations, administrative proceedings, and mediations) unless such use is approved by an affirmative vote of two-thirds of the votes entitled to be cast. Such limitation shall not apply, however, and assessments may be used, for the bringing of any action to collect dues or to enforce the use restrictions set forth in this Declaration or in the Rules and Regulations promulgated by the Board, or for the defense of any action brought against the Association.

ARTICLE VII

MANAGEMENT, MAINTENANCE, REPAIRS, REPLACEMENTS, ALTERATIONS AND IMPROVEMENTS TO THE CONDOMINIUM

7.1. Common Elements.

(a) By the Association. Except as otherwise set forth in the Declaration or the Act, the management, replacement, maintenance, repair, alteration, and improvement of the

Common Elements shall be the responsibility of the Association, and, subject to the provisions of Section 7.2 hereof, the cost thereof shall be a Common Expense to the extent not paid by Unit Owners pursuant to Section 7.1 (b) hereof. All damage caused to a Unit by any work on or to the Common Elements done by or for the Association shall be repaired by the Association, and the cost thereof shall be a Common Expense.

(b) By Unit Owners. Each Unit Owner shall pay all costs to repair and replace all portions of the Common Elements that may become damaged or destroyed by reason of his intentional acts or the intentional acts of any Occupant of his Unit. Such payment shall be made upon demand made by the Association.

7.2. Common Expenses Associated with Limited Common Elements or Benefitting Less Than All Units.

(a) Any Common Expense associated with the maintenance, repair, or replacement of a Limited Common Element shall be assessed against the Unit, or in equal shares to the Units, to which such Limited Common Element was allocated at the time the expense was incurred.

(b) In addition, the Association may assess any Common Expense benefitting less than all of the Units against the Units benefitted in proportion to their Common Expense Liability.

7.3. Units. Each Unit Owner shall maintain his Unit at all times in a good and clean condition, and repair and replace, at his expense, all portions of his Unit; perform his responsibilities in such manner as not to unreasonably disturb other Occupants; promptly report to the Board, or its agents, any defect or need for repairs; and, to the extent that such expense is not covered by the proceeds of insurance carried by the Association, pay all costs to repair and replace any portion of another Unit that has become damaged or destroyed by reason of his own acts or omissions, or the acts or omissions of any Occupant of his Unit. Such payment shall be made upon demand by the Unit Owners of such other Unit. Nothing herein contained shall modify any waiver by insurance companies of rights of subrogation.

7.4. Waiver of Claims. Except only as provided in Section 7.5(a) and (b), the Association agrees that it shall make no claim against a Unit Owner or Occupant, and each Unit Owner and Occupant agrees that he shall make no claim against the Association, or employees or agents thereof, or against any manager retained by the Board, or his or its officers, directors, employees or agents, for any loss or damage to any of the Property, or to a Unit or personal property therein, even if caused by the omission or neglect of any one or more of such persons and all such claims are hereby waived and released; provided, however, that this waiver shall not apply to any such loss or damage due to intentional acts.

7.5. Right of Entry.

(a) By the Association. The Association, and any person authorized by the Association, may enter any Unit or any of the Limited Common Elements in case of any emergency or dangerous conditions or situation originating in or threatening that Unit or any of the Limited Common Elements or the Common Elements. The Association, and any person authorized by the Association, after reasonable notice to a Unit Owner or Occupant, may enter that Unit or any of the Limited Common Elements for the purposes of performing any of the Association's powers under the Act, this Declaration or the Bylaws with respect to that or any other Unit, any Limited Common Elements, or the Common Elements. Notwithstanding Section 7.4, the Association shall be responsible for the repair of any damage caused by the Association or its authorized person to the entered Unit, and the cost thereof shall be a Common Expense. All such entries shall be made and done so as to cause as little inconvenience as possible to the Unit Owner and Occupant of the entered Unit or any portion of the Limited Common Elements allocated to the Unit Owner.

(b) By Unit Owners. Each Unit Owner and Occupant shall allow other Unit owners and Occupants, and their representatives, to enter his Unit, or Limited Common Elements allocated to his Unit, when reasonably necessary for the purpose of altering, maintaining, repairing or replacing the Unit, or performing the duties and obligations under the Act, this Declaration or the Bylaws, of the Unit Owner or Occupant making such entry, provided that requests for entry are made in advance and that such entry is at a time convenient to the Unit Owner or Occupant whose Unit or Limited Common Element is to be entered. In case of an emergency or dangerous condition or situation, such right of entry shall be immediate. Notwithstanding Section 7.4, the person making such entry shall be responsible for repair of any damage caused by such person to the entered Unit or Limited Common Element.

7.6. Architectural Control. No building, fence, or other structure shall be commenced or maintained upon the Common Elements, including the Limited Common Elements, nor shall any exterior addition, change or alteration therein be made until plans and specifications showing the nature, kind, shape, height, materials, and location of same shall have been submitted to and approved in writing as to harmony of external design and location in relation to the surrounding structures by the Association or by any architectural committee appointed by the Association. All structures shall be of standard design employed by Declarant in the original construction of such amenities in the Condominium project. In the event the Association or its designated committee fails to approve or disapprove such design and location within 30 days after said plans and specifications and have been submitted to it, approval will not be required, and this Article shall be deemed to have been fully complied with. Provided, however, that nothing herein contained shall be construed to permit the interference with the development of the Property by the Declarant.

ARTICLE VIII INSURANCE

8.1. General. The Board shall obtain and maintain at all times, insurance of the type and kind provided in this Declaration and the Bylaws, and including insurance for such other risks, of a similar or dissimilar nature, as are or shall hereafter customarily be covered with respect to other

condominium properties similar in construction, design and use, all in not less than the amounts provided in this Declaration and the Bylaws.

8.2. Responsibility For Obtaining Coverage. The Board shall have the authority to obtain, and shall obtain, insurance policies upon the Property in the name of the Association for the benefit of the Unit Owners and their First Mortgagees as their interests may appear, and provision shall be made for the issuance of the renewals thereof. Certificates of insurance and/or policies shall be furnished to each Unit Owner and his First Mortgagee upon request.

8.3. Types of Coverage. The Board shall make every effort to secure insurance policies that will provide the following minimum coverages:

(a) Casualty Insurance. The Association shall maintain, to the extent available, casualty insurance upon the Buildings and Common Elements. Such insurance shall be in an amount equal to not less than one hundred percent (100%) of the full insurable value of the Property to the unfinished walls of a Unit, but including any fixtures, appliances, improvements and alterations that are a part of the Building, on a replacement cost basis exclusive of land, excavation, foundations and other items normally excluded from property policies, and shall insure against such risks and contain such provisions as the Board from time to time shall determine, but at a minimum shall conform in all respects to the requirements of the Act, and shall provide that, notwithstanding any provision thereof that gives the insurer an election to restore damage in lieu of making a cash settlement, such option shall not be exercisable if such restoration is prohibited pursuant to Section 47C-3-113(h) of the Act.

(b) Public Liability. The Association shall maintain to the extent obtainable, public liability insurance in such limits as the Board may from time to time determine, which shall not be less than One Million Dollars (\$1,000,000.00) per occurrence for death, bodily injury and property damage, covering the Association, each member of the Board, the managing agent, if any, and each Unit Owner, with respect to his liability arising out of the ownership, maintenance, repair, or use of the Common Elements.

The coverage obtained by the Board must provide for at least 30 days written notice to the Association and to any holder of a First Mortgage on an individual Unit before the insurer can cancel or substantially modify it.

(c) Fidelity Coverage. Fidelity insurance shall be maintained for all officers, directors, employees, and/or the managing agent of the Association and all other persons handling, or responsible for, funds of, or administered by, the Association. Such fidelity bonds shall name the Association as an obligee and shall be in an amount not less than a sum equal to one and one half times estimated annual operating expenses and reserves. The bonds shall contain waivers by the issuers of the bonds of all defenses based upon the exclusion of persons serving without compensation from the definition of "employees" or similar terms or expressions.

(d) Other. The Board shall obtain such other insurance coverages, as the Board shall determine from time to time to be desirable.

8.4. Premiums To Be Common Expense. Premiums upon insurance policies purchased by the Board shall be paid for by the Board and charged as a Common Expense.

8.5. Policy Provisions. The Board shall use its best efforts to secure insurance policies from a carrier authorized to transact business in North Carolina and which is generally acceptable to private institutional mortgage investors for projects similar in construction, location and use, which will provide for the following:

(a) The master policy on the Property cannot be canceled, invalidated or suspended on account of the conduct of any one or more of the individual Owners or Occupants.

(b) The master policy on the Property cannot be canceled, invalidated or suspended on account of the conduct of any officer or employee of the Association, or managing agent, without prior demand in writing that the Board or managing agent cure the defect.

(c) Any "no other insurance" clause in the master policy on the Property excludes individual Unit Owners' policies from consideration.

(d) Such policies may not be canceled or substantially modified without at least 30 days prior written notice to all insureds (including the Association and all Unit Owners), and to First Mortgagees.

(e) A waiver of subrogation by the insurer as to any claims against the Association, any officer, director, agent or employee of the Association, Unit Owners and members of their household and their employees, agents, tenants and invitees.

(f) A provision that, notwithstanding any provision thereof that gives the insurer an election to restore damage in lieu of making a cash settlement, such option shall not be exercisable if such restoration is prohibited pursuant to Section 47C-3- 113(h) of the Act.

8.6. Insurance Trustee. The Board may engage and pay as a Common Expense, any appropriate person to act as an insurance trustee to receive and disburse insurance proceeds upon such terms as the Board shall determine, consistent with the provisions of the Act and this Declaration.

8.7. Insurance Unavailable. If the insurance described in Section 8.3 is not reasonably available, the Association shall promptly cause notice of such fact to be hand-delivered or sent prepaid by United States mail to all Unit Owners.

8.8. Individual Policy for Unit Owners. Each Unit Owner shall obtain insurance, at his own expense, affording personal property, additional living expense, condominium assessment, personal liability, and any other coverage obtainable, to the extent and in the amounts such Unit Owner deems necessary to protect his own interests; provided that such policy shall insure one hundred percent (100%) of the cost of the improvements and betterments of the Unit, including, but not limited to

the wall coverings, paint, carpet, appliances, cabinets, plumbing fixtures and heating and air conditioning systems. Provided further that any such insurance shall contain waivers pursuant to Section 7.4 and shall provide that it is without contribution as against the insurance purchased by the Association. If a casualty loss is sustained and there is a reduction in the amount of the proceeds that would otherwise be payable on the insurance purchased by the Association due to the proration of insurance purchased by a Unit Owner under this Section, such Unit Owner shall be liable to the Association to the extent of such reduction and shall pay the amount of such reduction to the Association upon demand, and assign the proceeds of his insurance, to the extent of such reduction, to the Association.

ARTICLE IX CASUALTY DAMAGE

9.1. Duty to Repair. Except as provided in Section 9.2, in the event of damage to or destruction of any Building and/or the Common Elements as a result of fire or other casualty, the Board shall arrange for the prompt repair and restoration of the Buildings and/or the Common Elements (including any damaged Unit, but not including any decoration or coverings for walls, ceilings or floors, or other furniture, finishing, fixtures or equipment in the Unit, or a Unit Owner's or Occupants personal property, furniture, fixtures, or equipment), and the Board shall disburse the proceeds of all insurance policies to the contractors engaged in such repair and restoration in appropriate progress payments. Any cost for such repair and restoration in excess of the insurance proceeds shall constitute a Common Expense. Any surplus insurance proceeds remaining after repairs have been completed shall be treated as a common surplus. All proceeds of insurance shall be used and applied in accordance with the provisions of Section 47C-3-113(e) and (h) of the Act. Any reconstruction or repair shall be in accordance with the plans and specifications of the original Buildings and/or Common Elements or according to plans and specifications approved by the Board.

9.2. Disposition of Insurance Proceeds in the Event Casualty Damage Not Repaired. The provisions of Section 9.1 shall apply to any portion of the Condominium for which insurance is required under Article VIII and Section 47C-3-113 of the Act unless (i) the Condominium is terminated, (ii) repair or replacement would be illegal under any State or local health or safety statute or ordinance, or (iii) the Unit Owners decide not to rebuild by an 80% vote, including 100% approval of Unit Owners whose Units are not to be rebuilt or Unit Owners of Units to which are allocated Limited Common Elements not to be rebuilt. The cost of repair or replacement in excess of insurance proceeds and reserves is a Common Expense. If the entire Condominium is not repaired or replaced, (i) the insurance proceeds attributable to the damaged Common Elements should be used to restore the damaged area to a condition compatible with the remainder of the Condominium, (ii) the insurance proceeds attributable to Units and Limited Common Elements which are not rebuilt shall be distributed to the Owners of those Units and the Owners of the Units to which those Limited Common Elements were allocated or to lien holders, as their interest may appear, and (iii) the remainder of the proceeds shall be distributed to all the Unit Owners or lien holders as their interest may appear, in proportion to their Allocated Interests. If the Unit Owners vote not to rebuild any Unit, that Unit's Allocated Interests are automatically reallocated upon the vote as if the Unit had been condemned under Section 47C-1-107(a) of the Act, and the Association promptly shall prepare, execute and record an amendment to this Declaration reflecting the reallocations. Notwithstanding

the provisions of this Section 9.2, Section 47C-2-118 of the Act shall govern the distribution of insurance proceeds if the Condominium is terminated.

**ARTICLE X
TERMINATION OF THE CONDOMINIUM;
CONDEMNATION; AMENDMENT OF THE DECLARATION**

10.1. Termination. The Condominium may be terminated only in strict compliance with Section 47C-2-118 of the Act.

10.2. Condemnation. In the event of a taking by eminent domain, or by a conveyance in lieu thereof, of all or any part of the Property, the awards paid on account thereof shall be applied in accordance with Section 47C-1-107 of the Act.

10.3. Amendment. This Declaration may be amended only in compliance with the Act, including, without limitation, Sections 47C-2-105 and 47C-2-117 of the Act, except that no amendment altering or impairing Special Declarant Rights may be made without the written consent of Declarant.

**ARTICLE XI
MORTGAGEE PROTECTION**

11. 1. Introduction. This Article establishes certain standards and covenants which are for the benefit of the holders, insurers and guarantors of certain mortgages and others as identified in this Article XI. In the event of conflict between the provisions of this Article and provisions of any other portion of the Condominium Documents, this Article will control. In the event that the Act shall for any given act or consent contain a greater or more stringent requirement, the Act will control.

11.2. Notice of Actions. The Association will give timely written notice by registered or certified mail, return receipt requested, to each Eligible Mortgage Holder, and each Unit Owner hereby consents to and authorizes such notice of:

(a) Any condemnation loss or any casualty loss which affects a material portion of the Condominium or any Unit in which there is a First Mortgage held by such Eligible First Mortgagee.

(b) Any delinquency in the payment of Assessments owed by an Owner whose Unit is subject to a First Mortgage held by such Eligible First Mortgagee, which remains uncured for a period of 60 days;

(c) Any lapse, cancellation, or material modification of any insurance policy or fidelity bond maintained by the Association;

(d) Any proposed action which would require the consent of a specified percentage of Eligible First Mortgagees as specified in Section 11.3, which notice shall be sent by registered or certified mail, return receipt requested; and

(e) Any judgment rendered against the Association.

11.3 Consent Required. This section 11.3 shall be effective only if, at the time this Section would apply, at least one Unit is subject to mortgage financing.

(a) Document Changes. Notwithstanding any lower requirement permitted by the Declaration or the Act, no amendment of the Declaration or Bylaws by the Association which materially changes any of the following may be effected without the vote of at least 67% of the Unit Owners (or any greater Unit Owner Vote required in the Act), unless such rights are reserved to the Declarant as Special Declarant Rights in the Condominium Documents, and until approved in writing by Eligible Mortgage Holders representing at least 51% of the votes allocated to Units subject to First Mortgages held by Eligible Mortgage Holders:

- (i) Voting rights;
- (ii) Assessments, assessment liens or subordination of such liens;
- (iii) Reserves for maintenance, repair and replacement of Common Elements;
- (iv) Responsibility for maintenance and repair of the Condominium;
- (v) Reallocation of interests in the Common Elements or Limited Common Elements, or rights to their use;
- (vi) Redefinition of any Unit boundaries;
- (vii) Convertibility of Units into Common Elements or vice versa;
- (viii) Expansion or contraction of the Condominium or the addition, annexation or withdrawal of property to or from the Condominium, except as provided elsewhere;
- (ix) Hazard or fidelity insurance requirements;
- (x) Imposition of any restrictions on the leasing of Units;
- (xi) Imposition of any restrictions on a Unit Owner's right to sell or transfer his or her Unit;
- (xii) A decision by the Association to establish selfmanagement if

professional management had been required previously by the Condominium Documents or by an Eligible Mortgage Holder;

(xiii) Restoration or repair of the Condominium (after damage or partial condemnation) in a manner other than that specified in the Condominium Documents;

(xiv) Any action to terminate the legal status of the Condominium after substantial destruction or condemnation occurs; or

(xv) Any provisions that expressly benefit first mortgage holders, or insurers or guarantors of first mortgages.

An addition or amendment to the Declaration or Bylaws shall not be considered material if it is for the purpose of correcting technical or typographical errors, or for clarification only.

(b) Actions. Notwithstanding any lower requirement permitted by the Declaration or the Act, the Association may not take any of the following actions, other than rights reserved to the Declarant as Special Declarant Rights, without the approval of at least 51 % of the Votes of the Eligible Mortgagees of Units that are subject to mortgages of the Eligible mortgagees or such higher percentage as set forth herein:

(i) An amendment to the Declaration which authorizes the conveyance or encumbrance of the Common Elements or any portion thereof (as to which a 67% Eligible Mortgage Holder approval is required). (The granting of easement for public utilities or for other public purposes consistent with the intended use of the Common Elements by the Condominium will not be deemed a conveyance or encumbrance within the meaning of this clause);

(ii) The establishment of self-management when professional management had been required previously by the documents or by an Eligible Mortgagee;

(iii) The restoration or repair of the Property (after a hazard damage or partial condemnation) in a manner other than that specified in the Condominium Documents;

(ix) Termination of the Condominium for reasons other than substantial destruction or termination (as to which a 67% Eligible Mortgage Holder approval is required);

(v) The alteration of any partition or creation of any aperture between adjoining Units (when Unit boundaries are not otherwise being affected), in which case only the owners of Units affected and Eligible Mortgage Holders of those Units need approve the action;

(vii) Any action taken not to repair or replace the Property;

(c) The Association may not change the period for collection of regularly budgeted Common Expense Assessments to other than monthly without the consent of all Eligible Mortgage Holders.

(d) The Association shall provide notice, including the text of the proposed action, mailed by certified or registered mail, by return receipt required, to an Eligible Mortgage Holder. Failure to respond within 30 days of receipt of notice of the action shall be deemed consent given under this subsection.

11.4 Notice. Each First Mortgagee and each insurer or guarantor of a First Mortgage, upon written request stating its name and address and describing the Unit encumbered by the First Mortgage, held, insured or guaranteed, shall be entitled to timely written notification by the Association of (i) any proposed action which requires consent of a specified percentage of Eligible Mortgage Holders, (ii) any condemnation or casualty loss that affects either a material portion of the Condominium or the Unit securing its First Mortgage, (iii) any 60 day delinquency in the payment of assessments or charges owed by the Unit Owner of the Unit on which the First Mortgagee holds a First Mortgage; or (iv) any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association. Each First Mortgagee who has requested the Association to notify it of any proposed action that requires the consent of a specified percentage of Eligible Mortgage Holders shall be considered an "Eligible Mortgage Holder."

11.5. Inspection of Books. The Association must maintain current copies of the Declaration, Bylaws, Rules and Regulations, books, records and financial statements. The Association will permit any Eligible Mortgage Holder to inspect the books and records of the Association during normal business hours.

11.6. Enforcement. The provisions of this Article are for the benefit of Eligible Mortgage Holders and their successors, and may be enforced by any of them by any available means, at law or in equity.

ARTICLE XII PROVISIONS RELATING TO THE ASSOCIATION

12.1. Creation of Association. Except as otherwise provided for herein, in order to provide for the maintenance, repair, replacement, administration, and operation of the property, Declarant has created an association to be known as "The Condominiums at McConnell Subdivision Owners Association, Inc." Membership therein shall be composed of all of the Unit Owners of the Units of the Condominium. Each Unit Owner of a Unit shall be a member of the Association, but membership shall be automatically terminated when such Person ceases to be a Unit Owner, and will be transferred to the new Unit Owner.

12.2. Bylaws. The Association shall be governed in accordance with and as prescribed by the Bylaws, a true copy of which is attached hereto as **Exhibit E**.

12.3. All Units Bound. Declarant, by this Declaration, and all Unit Owners, by the acceptance of their deeds, covenant and agree to be bound by the conditions, restrictions and obligations contained in the Bylaws and the provisions of this Declaration.

12.4. Duties and Powers. The duties and powers of the Association shall be those set forth in this Declaration, and the Articles of Incorporation and Bylaws of the Association, including the power and authority to levy assessments as provided for in the Bylaws.

12.5 Declarant Control Period. The provisions of Article III of the Bylaws concerning the Declarant Control Period are made a part of this Declaration and are incorporated herein by reference as if fully set out herein.

ARTICLE XIII GENERAL PROVISIONS

13.1. Conflict with the Act. Should any of the terms, conditions, provisions, paragraphs, or clauses of this Declaration conflict with any provisions of the Act, the provisions of the Act shall control unless the Act permits the Declaration to vary the Act, in which event the Declaration shall control.

13.2. Interpretation of Declaration. Whenever appropriate singular may read as plural, plural may be read as singular, and the masculine gender may be read as the feminine or neuter gender. Compound words beginning with the prefix "here" shall refer to this entire Declaration and not merely to the part in which they appear.

13.3. Captions. The captions herein are only for convenience and reference and do not define, limit or describe the scope of this Declaration, or the intent of any provision.

13.4. Exhibits. The attached. Exhibits A, A-1, B, C, D, E, F and G are incorporated in their entirety into this Declaration by reference.

13.5. Invalidity. The invalidity of any provision of this Declaration shall not be deemed to impair or affect in any manner the validity or enforceability or effect of the remainder of this Declaration, and in such event, all of the other provisions of this Declaration shall continue in full force and effect as if such invalid provision had never been included herein.

13.6. Waiver. No provision of this Declaration shall be deemed to have been abrogated or waived by reason of any failure to enforce the same, irrespective of the number of violations or breaches which may occur.

13.7. Law Controlling. This Declaration shall be construed and controlled by and under the laws of the State of North Carolina.

IN WITNESS WHEREOF, Declarant hereby executes this Declaration by and through its authorized representatives on the day and year first above written.

MULVANEY HOMES, INC., a
North Carolina corporation

By: Paul J. [Signature] ASST VICE PRESIDENT
Its: AVR Land Development

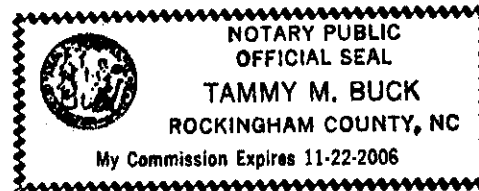
STATE OF NORTH CAROLINA

COUNTY OF MECKLENBURG

I, Tammy M. Buck, a Notary Public of the County and State aforesaid, certify that Gail Goss, personally came before me this day and acknowledged that he is AV President of Mulvaney Homes, Inc., a North Carolina corporation, and that he, as AV President, being authorized to do so, executed the foregoing on behalf of the corporation.

Witness my hand and official stamp or seal this 2 day of July, 2002.

Tammy M. Buck
Notary Public
My commission expires 11-22-06



STATE OF NC - FORSYTH CO

The foregoing certificate(s) of:

Tammy M. Buck NP(s)

is/are certified to be correct at the date of recordation shown on the first page thereof.

Dickie C. Wood, Register of Deeds by: [Signature] Deputy/Asst

**EXHIBIT A
TO DECLARATION OF CONDOMINIUM
FOR THE CONDOMINIUMS AT MCCONNELL SUBDIVISION**

**BEING all of Lots 101, 102 and 103 as shown on Final Plat for McConnell - Phase One
recorded in Plat Book 44 at Page 88 in the Forsyth County Public Registry.**

**EXHIBIT A-1
TO DECLARATION OF CONDOMINIUM
FOR THE CONDOMINIUMS AT MCCONNELL SUBDIVISION**

Additional Property to be Added to The Condominiums at McConnell Subdivision

EXHIBIT A-1

Legal Description

Lying and being in the Town of Kernersville, Kernersville Township, Forsyth County, North Carolina and being more particularly described as follows:

BEGINNING at an existing iron pin marking the intersection of the southwesterly margin of the right-of-way of Oakhurst Street and the southeasterly margin of the right-of-way of Lambeth Farm Lane and running thence from said Beginning Point with the aforesaid southeasterly margin of Lambeth Farm Lane, the following two (2) courses and distances: (1) South 47-00-24 West 149.97 feet to an existing iron pin and (2) South 46-56-16 West 207.41 feet to a point; thence with the property lines of the Charles M. Lambeth property as described in deeds recorded in Deed Book 2116 at Page 3236 and Deed Book 2044 at Page 1341 in the Forsyth County Public Registry, the following eleven (11) courses and distances: (1) South 05-52-44 East 192.10 feet to a point, (2) South 27-09-39 East 92.35 feet to an existing iron pin, (3) North 67-01-21 East 39.69 feet to an existing iron pin, (4) South 07-43-43 East 30.00 feet to an existing iron pin, (5) North 82-16-17 East 37.00 feet to an existing iron pin, (6) North 07-43-43 West 40.09 feet to an existing iron pin, (7) North 67-01-21 East 239.03 feet to an existing iron pin, (8) South 36-56-46 East 60.99 feet to an existing iron pin, (9) South 57-10-41 East 149.32 feet to an existing iron pin, (10) North 32-47-54 East 79.95 feet to an existing iron pin and (11) North 46-01-03 East 65.26 feet to an existing iron pin in the southwesterly margin of the right-of-way of Oakhurst Street; thence with the aforesaid southwesterly margin of the right-of-way of Oakhurst Street, South 47-22-39 East 39.75 feet to an existing iron pin; thence with the northwesterly property lines of the G. Nick Angel and Connie T. Angel, Trustees for Angel Associates, Inc. property (now or formerly) described in deed recorded in Deed Book 1800 at Page 1062 in the Forsyth County Public Registry, the following four (4) courses and distances: (1) South 45-36-09 West 62.78 feet to a bent existing iron pin, (2) South 45-27-15 East 52.17 feet to an existing iron pin, (3) South 39-57-11 West 97.98 feet to an existing iron pin and (4) South 31-21-04 West 89.11 feet to an existing iron pin; thence South 37-58-56 West 11.32 feet to an iron pipe set in the northeasterly property line of the Patricia B. Fetter property (now or formerly) as described in deed recorded in Deed Book 1727 at Page 456 in the Forsyth County Public Registry; thence with the northeasterly and northwesterly property lines of the aforesaid Patricia B. Fetter property, the following two (2) courses and distances: (1) North 52-01-04 West 40.46 feet to an existing iron pin and (2) South 32-47-28 West 166.52 feet to an existing iron pin; thence with the property lines of the Tanyard Court Villas, Inc. property (now or formerly) as described in deed recorded in Deed Book 1339 at Page 735 in the Forsyth County Public Registry, the following eight (8) courses and distances: (1) North 51-48-18 West 149.45 feet to an existing iron pin, (2) South 44-07-26 West 29.48 feet to a point, (3) South 44-25-28 West 295.17 feet to a point, (4) South 44-51-14 West 214.82 feet to a point, (5) South 44-37-56 West 89.43 feet to a point, (6) South 12-02-12 West 92.08 feet to a point, (7) South 68-52-12 West 89.05 feet to a point and (8) South 56-24-08 West 60.32 feet to a point in the northeasterly property line of the Cherrycove Apartments, Inc. property (now or formerly) as described in deed recorded in Deed Book 1674 at Page 757 in the Forsyth County Public Registry; thence with the northeasterly and northerly property lines of the aforesaid Cherrycove Apartments, Inc. property (now or formerly), the following five (5) courses and distances: (1) North 32-33-48 West 11.62 feet to a bent existing iron pin, (2) North 23-57-35 West 53.17 feet to an existing iron pin, (3) South 75-13-42 West 283.99 feet to an existing iron pin, (4) North 09-34-30 West 22.85 feet to an existing iron pin and (5) South 78-27-30 West 293.29 feet to an existing iron pin in the northeasterly property line of the Town of Kernersville property (now or formerly) as described in deed recorded in Deed Book 280 at Page 201 in the Forsyth County Public Registry; thence with the northeasterly property line of the aforesaid Town of Kernersville property, North 43-24-02 West 170.06 feet to a concrete monument; thence with the northerly property line of the Lawrence E. Pope and wife, Frances W. Pope property (now or formerly) as described in deed recorded in Deed Book 1419 at Page 667 in the Forsyth County Public Registry, North 74-17-41 West 655.35 feet to a concrete monument; thence with the easterly property lines of the John B. Davis, Jr.

and Brenda D. Pegram property (now or formerly) as described in deed recorded in Deed Book 1624 at Page 2970 in the Forsyth County Public Registry, the following three (3) courses and distances: (1) North 48-32-35 East 597.10 feet to a concrete monument, (2) North 59-02-17 West 254.38 feet to an existing iron pin and (3) North 28-27-19 East 268.12 feet to an existing iron pin; thence new lines the following two (2) courses and distances: (1) South 59-07-12 East 304.22 feet to a point and (2) North 30-52-48 East 473.67 feet to a point; thence South 52-14-54 East 29.44 feet to an existing iron pin; thence with the southwesterly property line of the Trustees of First Baptist Church of Kernersville property (now or formerly) as described in deed recorded in Deed Book 849 at Page 497 and Deed Book 1119 at Page 749 in the Forsyth County Public Registry, the following two (2) courses and distances: (1) South 57-31-02 East 428.99 feet to an existing iron pin and (2) South 57-34-06 East 197.96 feet to a controlled corner existing iron pin; thence with the northwesterly margin of the aforesaid right-of-way of Lambeth Farm Lane, the following two (2) courses and distances: (1) North 46-54-45 East 512.19 feet to an existing iron pin and (2) North 46-57-57 East 149.99 feet to an existing iron pin in the southwesterly margin of the right-of-way of Oakhurst Street; thence with the southwesterly margin of the right-of-way of Oakhurst Street, South 25-49-07 East 62.81 feet to the Point and Place of BEGINNING and being labeled "Area B (30.639 Acres) and Area C (5.332 Acres)" as shown on Preliminary Plan for McConnell Subdivision dated June 22, 1998 and revised October 24, 2001 by Triad Land Surveying, P.C. and shown on survey by Triad Land Surveying, P.C. dated October 24, 2001, to which survey reference is hereby made for a more particular description of the property.

LESS AND EXCEPT:

BEING all of Lots 101, 102 and 103 as shown on Final Plat for McConnell recorded in Map Book 44 at Page 88 in the Forsyth County Register of Deeds.

**EXHIBIT B
TO DECLARATION OF CONDOMINIUM
FOR THE CONDOMINIUMS AT MCCONNELL SUBDIVISION**

TITLE EXCEPTIONS

1. Ad valorem property taxes not yet due and payable.
2. Matters to be revealed on a current survey of the property.
3. All matters revealed on plat recorded in Map Book 41 at Pages 47 - 49 in the Forsyth County Public Registry.
4. Deed of Trust to Joseph M. Coltrane, Jr., Trustee for Independent Bank securing the sum of \$700,000.00 recorded in Book 2082 at Page 700 in the Forsyth County Public Registry.

**EXHIBIT C
TO DECLARATION OF
THE CONDOMINIUMS AT MCCONNELL SUBDIVISION
(PLATS AND PLANS)**

Please refer to plats and plans recorded as follows:

The plat of survey for THE CONDOMINIUMS AT MCCONNELL SUBDIVISION dated May 13, 2002, prepared by Triad Land Surveying, P.C., entitled "FINAL PLAT FOR THE CONDOMINIUMS AT MCCONNELL SUBDIVISION PHASE ONE, 3 QUADRAPLEX BLDGS." and consisting of one (1) sheet, which was attached to this Declaration at the time it was filed for record is duly filed in the Office of the Register of Deeds for Forsyth County, North Carolina in Condominium Unit Ownership File No. _____. Said survey is incorporated herein by reference as though fully set out herein. *Book 5 page 175-178*

EXHIBIT D

**TO DECLARATION OF
THE CONDOMINIUMS AT MCCONNELL SUBDIVISION**

Unit Number	Heated Square Footage (Based upon Initial Plans & rounded to the nearest whole foot)	Common Element Interest Percentage	Projected Monthly Assessment (Based upon preliminary operating budget estimate of \$1,308.00 per month)
101-901	1245	4.0081	110.00
101-903	1245	4.0081	110.00
101-905	1245	4.0081	110.00
101-907	1245	4.0081	110.00
102-1102	1337	4.3042	119.00
102-1104	1337	4.3042	119.00
102-1106	1337	4.3042	119.00
102-1108	1337	4.3042	119.00
103-1002	1102	3.5477	98.00
103-1004	1102	3.5477	98.00
103-1006	1102	3.5477	98.00
<u>103-1008</u>	<u>1102</u>	<u>3.5477</u>	<u>98.00</u>
TOTAL	14,736	100%	1,308.00

**EXHIBIT E
TO DECLARATION OF
THE CONDOMINIUMS AT MCCONNELL SUBDIVISION**

**BYLAWS
OF
THE CONDOMINIUMS AT MCCONNELL SUBDIVISION
OWNERS ASSOCIATION, INC.**

**ARTICLE I
PLAN OF CONDOMINIUM**

1.1. Unit Ownership. The property located in Forsyth County, State of North Carolina, and more particularly described in the Declaration of The Condominiums At McConnell Subdivision (the "Declaration"), has been submitted to the provisions of the North Carolina Condominium Act (the "Act") by instrument recorded in the Office of the Register of Deeds for Forsyth County, North Carolina, simultaneously herewith, and shall be known as The Condominiums At McConnell Subdivision (the "Condominium").

1.2. Applicability of Bylaws. The provisions of these Bylaws are applicable to the Property of the Condominium, and to the use and occupancy thereof including all additional phases which may be added thereto.

1.3. Persons Bound. All present and future Owners, mortgagees, Lessees and Occupants of Units and their employees, and any other persons who may use the facilities of the Property in any manner are subject to the Declaration, these Bylaws and any Rules and Regulations made pursuant hereto, and any amendment to these Bylaws or the Declaration upon the same being passed and recorded in the manner set forth in the Condominium Documents. The acceptance of a deed of conveyance or the entering into of a lease or the act of occupancy of a Unit shall constitute an agreement that these Bylaws (and any Rules and Regulations made pursuant hereto) and the provisions of the Declaration, as they may be amended from time to time, are accepted, ratified and will be complied with.

1.4. Definitions. The words, phrases and terms listed in these Bylaws shall have the meanings as set forth in the Declaration, to which these Bylaws are attached, unless the context clearly indicates a different meaning therefor.

**ARTICLE II
UNIT OWNERS**

2.1. Name and Nature of Association. The Condominiums At McConnell Subdivision Owners Association, Inc. (the "Association") shall be a nonprofit corporation, organized under the laws of the State of North Carolina, and the membership shall be comprised of all of the Unit Owners as herein provided, which Association shall be governed by the Board as herein provided.

2.2. Place of Meetings. All meetings of the Association shall be held at the Property, or at such other place, either within or without the State of North Carolina, as shall be designated in a notice of the meeting.

2.3. Annual. An annual meeting of the Unit Owners shall be held at 7:00 o'clock p.m. on the first Monday in May of each year, if not a legal holiday, and if a legal holiday, then at the same time on the next business day following the legal holiday, for the purpose of electing members of the Board and for the transaction of such other business as may be properly brought before the meeting.

2.4. Substitute Annual Meetings. If the annual meeting shall not be held on the day designated by the Bylaws, a substitute annual meeting may be called in accordance with the provisions of Section 2.5 of this Article. A meeting so called shall be designated and treated for all purposes as the annual meeting.

2.5. Special Meeting. Special meetings of the Unit Owners may be called at any time by the President, a majority of the Board, or upon the written request of the Unit Owners owning at least 20% in Allocated Interest in the Common Elements exclusive of those Units held by the Declarant.

2.6. Notice of Meetings. Written or printed notice stating the place, day and hour of any meeting shall be delivered or mailed not less than 10 days nor more than 50 days prior to the date thereof, either personally or by postage prepaid mail, at the direction of the Board, the President, or Unit Owners calling the meeting, to each person entitled to vote at such meeting, and, to all Eligible Mortgage Holders so requesting under the provisions of Article XI of the Declaration, who may request a representative to attend the meeting of Unit Owners.

The notice of any meeting must state the time and place of the meeting and the items on the agenda, including the general nature of any proposed amendment to the Declaration or these Bylaws, and budget changes, and any proposal to remove Board members or officers.

When a meeting is adjourned for less than 30 days in any one adjournment it is not necessary to give any notice of the adjourned meeting, other than by announcement at the meeting at which the adjournment is effective.

2.7. Quorum. The presence in person or by proxy at any meeting of the Voting Members (as defined in Section 2.8 of this Article) having 50% of the total votes which may be cast for election of the Board shall constitute a quorum. If there is no quorum at the opening of the meeting of Unit Owners, such meeting may be adjourned from time to time by the vote of a majority of the Voting Members present, either in person or by proxy; and at any adjourned meeting the quorum requirement shall be reduced by 50% of the original quorum requirement and if such quorum is present, any business may be transacted which might have been transacted at the original meeting.

The Voting Members at a meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Voting Members to leave less than a quorum.

2.8. Voting Rights. There shall be one person with respect to each Unit ownership who shall be entitled to vote at any meeting of the Unit Owners (the "Voting Member"). The Voting Member may be the Owner, or one of a group composed of all of the Owners of a Unit, or may be some other person designated by such Owner(s) to act as proxy on his or their behalf, and who need not be an Owner. Each Owner or group of Owners shall be entitled to one vote for each Unit owned. No votes allocated to a Unit or Units owned by the Association may be cast.

2.9. Majority Vote. The vote of a majority of the Voting Members present at a meeting at which a quorum shall be present shall be binding upon all Unit Owners for all purposes except where a higher percentage vote is required by the Declaration, these Bylaws or by law.

2.10. Proxies. The Voting Members may vote either in person or by agents duly authorized by written proxy executed by such Unit Owner or his duly authorized attorney in fact. A proxy shall be valid only for the particular meeting designated therein, unless the person executing it specifies therein the length of time for which it is to continue in force, which time shall not extend beyond one year from the date of its execution. Unless a proxy otherwise provides, any proxy holder may appoint in writing a substitute to act in his place. In order to be effective, all proxies must be dated and filed with the Secretary or duly acting Secretary of the Association, either during or prior to the meeting in question. A proxy is void if it is not dated.

2.11. Waiver of Notice. Any Voting Member may, at any time, waive notice of any meeting of the Association in writing, and such waiver shall be deemed to be equivalent to the giving of such notice. Attendance by a Voting Member at any meeting of the Association shall constitute a waiver of notice by him of the time and place thereof, except where a Voting Member attends a meeting for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called.

2.12. Informal Action by Unit Owners. Any action which may be taken at a meeting of the Association may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the Voting Members and filed with the Secretary of the Association to be kept in the Association's minute book.

ARTICLE III EXECUTIVE BOARD

3.1. Number. The business and property of the Condominium shall be managed and directed by the Executive Board (the "Board"), composed of three persons, or by such executive committees as the Board may establish pursuant to the Bylaws. The size of the Board may be increased or decreased from time to time upon the affirmative vote of three fourths of all Unit Owners, provided that said Board shall not be less than three in number.

3.2. Initial Members. The initial members of the Board (referred to as "Directors" herein) shall be selected by the Declarant, and need not be Unit Owners. Such initial directors shall serve at the election of the Declarant from the date upon which the Declaration is recorded in the Office

of the Register of Deeds for Forsyth County, until such time as their successors are duly elected and qualified.

The names and addresses of the persons who shall serve on the initial Board from the date upon which the Declaration is so recorded in the Forsyth County Public Registry until such time as their successors are duly elected and qualified, are as follows:

NAME	ADDRESS
Gail Goss	2401 Whitehall Park Drive, Suite 700 Charlotte, North Carolina 28273-3353
Ted Futrelle	2401 Whitehall Park Drive, Suite 700 Charlotte, North Carolina 28273-3353
David Noble	2401 Whitehall Park Drive, Suite 700 Charlotte, North Carolina 28273-3353

3.3. Election. Except as provided herein, the directors shall be elected at the annual meeting of the Association, and those persons who receive the highest number of votes shall be deemed to have been elected. Notwithstanding anything herein to the contrary, the Board shall consist of three Directors during the period that Declarant is entitled to appoint a majority of the Directors. The Declarant shall have the right to appoint or remove the Directors until the earlier of the following three dates: (a) within 120 days after the date by which 75% of the Units (including any Units which may be created pursuant to Special Declarant Rights) have been conveyed to Unit purchasers other than Declarant; (b) two years after all Declarants have ceased to offer Units for sale in the ordinary course of business, or (c) two years after any development right to add additional Units under the Act was last exercised.

The Declarant can turn over control of the Association to such Unit Owners other than the Declarant prior to such dates in its sole discretion by causing all or part of its appointed Directors to resign, whereupon it shall be the affirmative obligation of Unit Owners other than the Declarant to elect Directors and assume control of the Association. Provided at least 30 days notice of Declarant's decision to cause its appointees to resign is given to Unit Owners, neither the Declarant, nor such appointees, shall be liable in any manner in connection with such resignations even if the Unit Owners other than the Declarant refuse or fail to assume control.

Within 60 days after conveyance of 25% of the Units (including Units which may be created pursuant to Special Declarant Rights) to Unit Owners other than the Declarant, at least one Director and not less than 25% of the directors of the Board shall be elected by Unit Owners other than the Declarant. Within 60 days after conveyance of 50% of the Units (including Units which may be created pursuant to Special Declarant Rights) to Unit Owners other than the Declarant, not less than 33% of the Directors of the Board shall be elected by Unit Owners other than the Declarant.

Within 60 days after the Unit Owners other than the Declarant are entitled to elect such Director or Directors, or sooner if the Declarant has elected to accelerate such event as aforesaid, the Association shall call, and give not less than 10 days nor more than 50 days notice of a meeting of the Unit Owners to elect such Director or Directors of the Board. The meeting may be called and the notice given by any Unit Owner if the Association fails to do so.

3.4. Term and Qualification. Each Director shall hold office for the term for which he was elected, or until his death, resignation, retirement, removal, disqualification or until his successor is elected and qualified. Each such Director shall serve for a one year term. Nothing herein contained shall be construed to prevent the election of a Director to succeed himself. Each Director, except those selected by the Declarant pursuant to the Bylaws, shall be one of the Unit Owners or co-owners, provided, however, that in the event a Unit Owner is a corporation, partnership, trust or other legal entity other than a natural person or persons, then an officer or director of such corporation, partner of such partnership, beneficiary of such trust or manager of such other legal entity, shall be eligible to serve as a Director.

3.5. Removal. Directors may be removed from office with or without cause by the affirmative vote of at least 67% of the Voting Members. If any Directors are so removed, new Board members may be elected at the same meeting; provided, however, that the person(s) selected by Declarant cannot be removed without the prior written consent of Declarant.

3.6. Vacancies. A vacancy occurring in the Board may be filled by a majority of the remaining Directors, though less than a quorum, or by the sole remaining director, but a vacancy created by an increase in the authorized number of Directors shall be filled only by election at an annual meeting or a special meeting of Unit Owners called for that purpose. The Voting Members may elect a Director at any time to fill any vacancy not filled by the Board.

In the event that Declarant, in accordance with the rights herein established, selects any person to serve on the Board, Declarant shall have the absolute right at any time, in its sole discretion, to replace such person with another person to serve on the Board. Replacement of any person designated by Declarant to serve on the Board shall be made by written instrument delivered to any officer of the Association, which instrument shall specify the name of the person to be replaced and the name of the person designated as successor to the person so removed from the Board. The removal of any such Board member and the designation of his successor shall be effective immediately upon delivery of such written instrument by Declarant to any officer of the Association.

3.7. Compensation. The Board shall receive no compensation for their services unless expressly allowed by the Board at the direction of the Unit Owners other than the Declarant having two thirds of the total votes.

3.8. Executive Committees. The Board may, by resolution adopted by a majority of the number of Directors fixed by these Bylaws, designate two or more of its members to constitute an executive committee, which committee, to the extent provided in such resolution, shall have and may exercise all of the authority of the Board in the management of the Condominium.

The Board may, in like manner, create such other committees as it deems necessary and appropriate in aiding the Board to carry out its duties and responsibilities with respect to the management of the Condominium.

3.9. Powers and Duties. The Board shall have the powers and duties necessary for the administration of the affairs of the Condominium, and may do all such acts and things, except such acts as by law or the Declaration or by these Bylaws may not be delegated to the Board. Such powers and duties of the Board shall include, but shall not be limited to, the following:

(a) Determining the Common Expenses required for the affairs of the Condominium, including, without limitation, the operation and maintenance of the Property.

(b) Collecting the Common Expenses from the Unit Owners.

(c) Supervising the operation, care, upkeep and maintenance of the Common Elements.

(d) Employing and dismissing the personnel necessary for the maintenance and operation of the Common Elements.

(e) Adopting and amending such reasonable rules and regulations as it may deem advisable for the maintenance, conservation, and beautification of the Property, and for the health, comfort, safety, and general welfare of the owners and occupants of the Property. Written notice of such rules and regulations shall be given to all Unit Owners and occupants, and the entire Property shall at all times be maintained subject to such rules and regulations.

(f) Opening bank accounts on behalf of the Condominium and designating the signatories required therefor,

(g) Selling, mortgaging, voting the votes appurtenant to, or otherwise dealing with Units acquired by the Association, or its designee, corporate or otherwise, on behalf of all Unit Owners, subject to the Declaration and other applicable restrictions, and organizing corporations to act as designees of the Board in acquiring title to Units on behalf of all Unit Owners.

(h) Maintaining and repairing any Unit, if such maintenance or repair is necessary in the discretion of the Board or by operation of applicable restrictions to protect the Common Elements or any other portion of the Property, and a Unit Owner has failed or refused to perform such maintenance or repair within a reasonable time after written notice of the necessity of said maintenance or repair has been delivered or mailed by the Board to said Unit Owner; provided, however, that the Board shall levy a specific assessment against such Unit Owner for the costs of said maintenance or repair, including a reasonable amount for supervision.

(i) Entering any Unit when necessary in connection with any maintenance or construction for which the Board is responsible; provided that, except in the event of emergencies, such entry shall be made during reasonable hours with as little inconvenience to the Unit Owner as

practical, and any damage caused thereby shall be repaired by the Board, with such expenses being treated as a Common Expense.

(j) Signing all agreements, contracts, deeds, and vouchers for the payment of expenditures and other instruments in such manner as from time to time shall be determined by written resolution of the Board. Provided, however, that any contracts or leases executed on behalf of the Association prior to the passage of control of the Board to the Association must be terminable by the Association without penalty on not less than 90 days written notice. In the absence of such determination by the Board, such document shall be signed by the Treasurer and countersigned by the President.

(k) Obtaining insurance for the Property, including the Units, pursuant to the applicable provisions of the Declaration.

(l) Making or contracting for repairs, additions, and improvements to, or alterations or restorations of, the Property in accordance with the other provisions of these Bylaws and the Declaration, after damage or destruction by fire or other casualty, or as a result of condemnation or eminent domain proceeding.

(m) Contracting for all goods, services and insurance, payment for which is to be made from the Common Expense fund.

(n) Instituting, defending, or intervening in litigation or administrative proceedings in the name of or on behalf of the Association or two or more Unit Owners on matters affecting the Condominium.

(o) Borrowing money on behalf of the Condominium, when required in connection with the operation, care, upkeep, and maintenance of the Common Elements; provided, however, that the consent of the Unit Owners of at least two thirds of the Units represented at a meeting at which a quorum has been attained in accordance with the provisions of these Bylaws shall be required for the borrowing of any sum in excess of \$10,000.

(p) Imposing charges for late payment of assessments and, after notice and an opportunity to be heard, levying reasonable fines for violations of the Declaration, the Bylaws, or rules and regulations established by the Association, all in accordance with Sections 47C-3-107 and 47C-3-107.1 of the Act.

(q) At its discretion, authorizing Unit Owners or other persons to use portions of the Common Elements for private parties and gatherings and imposing reasonable charges for such private use.

(r) Exercising (i) all powers specifically set forth in the Declaration, the Articles of Incorporation, these Bylaws and in the Act, (ii) all powers incidental thereto, and (iii) all other powers of a nonprofit North Carolina corporation.

(s) Suspending the right of any Unit Owner to vote as long as said Unit Owner is delinquent in the payment of Common Expenses or is otherwise in violation of the Declaration or any exhibits thereto or applicable rules and regulations.

3.10. Managing Agent. The Board may engage the services of any person, firm, or corporation to act as managing agent at a compensation established by the Board, to perform such duties and services as the Board shall authorize, other than the powers set forth in subdivisions (a), (e), (g), (h), (i), (p) and (q) of Section 3.9 of this Article III. Any management agreement for the Condominium shall be terminable by either party without cause and without payment of a termination fee or penalty upon 90 days or more written notice thereof and the terms of such agreement may not exceed one year, renewable by agreement of the parties for successive one year periods. Any management agreement shall be terminable by either party for cause upon the giving of not less than 30 days written notice. When professional management has been previously utilized, any decision to establish self management by the Association shall require the prior consent of 67 percent of the Unit Owners and the approval of 51 percent of the Eligible Mortgage Holders, counting one vote for each First Mortgage owned.

The initial managing agent of the Association shall be Oakhurst of Kernersville, LLC (the "Residential Association"). Provided, however, and subject to the restrictions in this Section, the Residential Association shall have the right to assign its management obligations to a professional management association at any time.

3.11. Duties of Declarant. Within a reasonable time after Unit Owners other than the Declarant elect a majority of the members of the Board (but not more than 60 days after such event), the Declarant shall deliver control of the Association and shall deliver to the Association all property of the Unit Owners and of the Association held or controlled by the Declarant, including, if applicable:

(a) The original or a photocopy of the recorded Declaration of Condominium, and all amendments thereto. If a photocopy is provided, the Declarant must certify by affidavit that it is a complete copy of the actual recorded Declaration.

(b) A copy of the Articles of Incorporation of the Association.

(c) A copy of the Bylaws of the Association.

(d) The minute books, including all minutes, and other books and records of the Association.

(e) Any rules and regulations which have been adopted.

(f) Resignations of resigning officers and Board members.

(g) Association funds or the control thereof.

(h) A Copy of the plans and specifications utilized in the construction or remodeling of improvements on the Property and the supplying of equipment, and for the construction and installation of all mechanical components servicing the improvements and the Condominium, with a certificate, in affidavit form, of an officer of the Declarant or an architect or engineer authorized to practice in North Carolina, that such plans and specifications represent, to the best of their knowledge and belief, the actual plans and specifications utilized in the construction and improvement of the Condominium and the construction and installation of the mechanical components serving the Improvements and the Property.

(i) Insurance policies.

(j) Copies of any Certificates of Occupancy which may have been issued for the Condominium.

(k) Any other permits issued by governmental bodies applicable to the Condominium in force or issued within one year prior to the date the Unit Owners take control of the Association.

(l) All written warranties of contractors, subcontractors, suppliers and manufacturers, if any, that are still effective.

(m) A roster of Unit Owners and their addresses and telephone numbers, if known, as shown on the Declarant's records.

(n) Employment contracts or service contracts in which the Association is one of the contracting parties, or service contracts in which the Association or Unit Owners have an obligation or responsibility, directly or indirectly, to pay some or all of the fee or charge of the person or persons performing the service.

(o) All other contracts to which the Association is a party.

ARTICLE IV MEETINGS OF DIRECTORS

4.1. Organizational Meeting. The first meeting of the initial Board designated in these Bylaws shall be held at such time as the Declarant shall determine, but in no event later than one year from the date of incorporation of the Association. The first meeting of the first Board elected at that point after which Unit Owners other than the Declarant are entitled to elect a majority of the directors shall be held within 15 days following the meeting of the Unit Owners at which the Board was elected. No notice shall be necessary to the newly elected members of the Board in order to legally constitute such meeting, provided that a quorum is present.

4.2. Regular Meeting. A regular meeting of the Board shall be held immediately after, and at the same place as, the annual meeting or substitute annual meeting of the Unit Owners. In

addition, the Board may provide by resolution the time and place, either within or without the State of North Carolina, for the holding of a regular meeting of the Board.

4.3. Special Meetings. Special meetings of the Board may be called by the President, or by any two Directors. Such meetings may be held either within or without the State of North Carolina.

4.4. Notice of Meetings. Regular meetings of the Board may be held without notice. The person(s) who called a special meeting of directors shall, at least two days prior to said meeting, give notice thereof by any usual means of communication. Such notice need not specify the purpose for which the meeting is called.

4.5. Waiver of Notice. Any member of the Board may at any time waive notice of any meeting of the Board in writing, and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Director at any meeting of the Board shall constitute a waiver of notice of such meeting except where a member attends the meeting for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called and he does so object.

4.6. Quorum. A majority of the number of Directors fixed by these Bylaws shall be required for and constitute a quorum for the transaction of business at any meeting of the Board. The Directors at a meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Directors to leave less than a quorum.

4.7. Manner of Acting. Except as otherwise provided in this Article, the act of the majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board. A vote of a majority of the number of Directors fixed by these Bylaws shall be required to adopt a resolution constituting an executive committee.

4.8. Organization. Each meeting of the Board shall be presided over by the President, and in the absence of the President, by any person selected to preside by vote of the majority of the Board members present. The Secretary, or in his absence, an Assistant Secretary, or in the absence of both the Secretary and the Assistant Secretary, any person designated by the President of the meeting shall act as secretary of the meeting,

4.9. Informal Action of Board. Action taken by a majority of the Directors without a meeting is nevertheless Board action if written consent to the action in question is signed by all of the Directors and filed with the minutes of the proceedings of the Board, whether done before or after the action so taken.

4.10. Minutes. The Board shall keep minutes of its proceedings, which shall be available for inspection by the Unit Owners during reasonable business hours.

4.11. Liability of the Board and Officers. The Directors and the officers provided for in Article V hereof shall not be liable to the Unit Owners for any mistake of judgment, negligence, or otherwise, except for their own individual willful misconduct or bad faith. The Unit Owners shall

indemnify and hold harmless each of the Directors and the officers against all contractual liability to others arising out of contracts made by the Board or the officers on behalf of the Condominium, unless any such contract shall have been made in bad faith or contrary to the provisions of the Declaration or these Bylaws. It is intended that the Directors or any officer shall have no personal liability. With respect to any contract made by them on behalf of the Condominium, except to the extent that they are Unit Owners and have liability as such. It is also intended that the liability of any Unit Owner arising out of any contract made by the Board or the officers, or out of the aforesaid indemnity in favor of the directors or the officers, shall be limited to such proportion of the total liability thereunder as his interest in the Common Elements bears to the interests of all the Unit Owners in the Common Elements. Every agreement made by the Board, by the managing agent or by the officers on behalf of the Condominium shall provide that the members of the Board, the managing agent or the officers, as the case may be, are acting only as agents for the Unit Owners, and shall have no personal liability thereunder.

4.12. Attendance of Unit Owners. Regular meetings of the Board shall not be open to Unit Owners; provided, however, Unit Owners may request to attend meetings of the Board for a specific purpose as stated in a written request to the Board, which request shall be considered by the Board in its sole and absolute discretion.

ARTICLE V OFFICERS

5.1. Number. The principal officers of the Condominium shall consist of a President, a Secretary, a Treasurer, and such Vice Presidents, Assistant Secretaries, Assistant Treasurers and other officers as the Board may from time to time elect. Any two or more offices may be held by the same person, except the offices of President and Secretary.

5.2. Election and Term. The officers of the Condominium shall be elected by the Board. The President, Vice President, Secretary and Treasurer shall be elected from among the Board, and all other officers, if any, need only be a Unit Owner. The officers elected by the initial Board are not required to be Unit Owners. The election of the officers may be held at the regular annual meeting of the Board.

Each officer shall hold office for a period of one year, or until his death, resignation, retirement, removal, disqualification, or until his successor is elected and qualifies.

5.3. Removal. Any officer or agent elected or appointed by the Board may be removed by the Board, with or without cause.

5.4. Compensation. No officer shall receive any compensation from the Condominium for acting as such.

5.5. President. The President shall be the principal executive officer of the Condominium, and, subject to the control of the Board, shall supervise and control the management of the Condominium. The President shall, when present, preside at all meetings of the Board and of the

Unit Owners and, in general, shall perform all duties incident to the office of President, including the preparation, execution, certification, and recordation, with the Secretary, of amendments to the Declaration on behalf of the Association, and such other duties as may be prescribed from time to time by the Board.

5.6. Vice President. The Vice President, and if there be more than one, the Vice Presidents, designated by the Board, shall, in the absence or disability of the President, have the powers and perform the duties of said office. In addition, each Vice President shall perform such other duties and have such other powers as shall be prescribed by the President or by the Board.

5.7. Secretary. The Secretary shall keep accurate records of the acts and proceedings of all meetings of Unit Owners and directors. He shall give, or cause to be given, all notices required by law and by these Bylaws. He shall have general charge of the minute books and records of both the Association and the Board. He shall sign such instruments as may require his signature, and, in general, shall perform all duties incident to the office of secretary, including the preparation, execution, certification, and recordation, with the President, of amendments to the Declaration on behalf of the Association, and such other duties as may be assigned him from time to time by the President of the Board or by the Board.

5.8. Treasurer. The treasurer shall receive and deposit in appropriate bank accounts all Condominium funds and securities, and shall receive, deposit or disburse the same under the direction of the Board. He shall keep full and accurate accounts of the finances of the Condominium in books especially provided for that purpose. He shall cause a true statement of its assets and liabilities as of the close of each fiscal year, and of the results of its operations and changes in surplus for each fiscal year, all in reasonable detail, to be prepared and distributed to all Unit Owners and members of the Board on or before the 15th day of the second month following the close of each fiscal year. The statement so filed shall be kept available for inspection by any Unit Owner for a period of three years. The Treasurer shall also prepare and file all reports and returns required by federal, state or local law, and shall perform all other duties as may be assigned to him from time to time by the President of the Board or by the Board.

5.9. Assistant Secretaries and Treasurers. The Assistant Secretaries and Assistant Treasurers, if any, shall, in the absence of the Secretary and Treasurer, respectively, have all the powers and perform all of the duties of those officers, and they shall perform such other duties as shall be assigned to them by the Secretary or the Treasurer, respectively, or by the President or by the Board.

ARTICLE VI OPERATION OF THE PROPERTY

6.1. Assessment and Determination of Common Expense. The Board shall from time to time, and at least annually, prepare a budget for the Condominium, for the purpose of determining the amount of the Annual Assessments to be collected from the Unit Owners in order to provide for the Common Expenses of the Condominium, and allocate and assess such Common Expenses among the Unit Owners, according to their Percentage of Interest in the Common Elements as set

forth in the Declaration, taking into consideration any expected income and any surplus from the prior year's operations. The Common Expenses shall include, without limitation: the expenses, costs and charges incurred in connection with the administration, operation and management of the Condominium property; the cost of maintenance, repair, replacement and restoration of the Common Elements, or any part thereof; the cost of all insurance premiums on all policies of insurance required to be or which have been obtained by the Board pursuant to the provisions of the Declaration; such amounts as the Board may deem proper for the convenience, comfort and well being of the Unit Owners, and for the operation, management and maintenance of the Property, including, without limitation, an amount for working capital of the Condominium, for a general operating reserve, for a reserve fund for replacement or improvement to the Common Elements and those Limited Common Elements the Association is obligated to maintain, and to make up any deficit in the Common Expenses for any prior year; in proper cases, the cost of administration and of maintenance and repair of the Limited Common Elements; and any other expenses lawfully agreed upon.

In establishing a reserve fund for replacements, the Board shall take into account the number and nature of replaceable assets, the expected life of each asset and the expected repair or replacement cost. The Board shall then set the required capital contribution in an amount sufficient to permit meeting by equal annual installments over the applicable period the projected capital needs of the Association with respect to both amount and timing.

Within 30 days after adoption by the Board of any proposed budget for the Condominium, the Board shall provide a summary of the budget to all Unit Owners and shall give notice of a date for a meeting of the Unit Owners to consider ratification of the budget not less than 14 nor more than 30 days after mailing of the summary and notice. Notwithstanding Section 4.6 of these Bylaws, a quorum need not be present at the meeting. The budget is ratified unless at the meeting a majority of all the Unit Owners (whether or not present at the meeting) votes to reject the budget. In the event the proposed budget is rejected, the periodic budget last ratified shall be continued until such time as the Unit Owners ratify a subsequent budget proposed by the Board.

6.2. Payment of Assessments. All Unit Owners shall be obligated to pay (a) Annual Assessments of Common Expenses assessed by the Board pursuant to the provisions of Section 6.1; (b) special assessments to be established and collected as provided herein, and (c) specific assessments against any Unit which are established pursuant to the terms of these Bylaws. Annual Assessments shall be due and payable in monthly installments on the first day of every month. A late payment charge in an amount to be determined by the Board shall be assessed for any installment not paid by the tenth of the month. Any installment not paid during the month in which it is due shall be subject to the late payment charge and shall accrue interest as provided in Section 6.5, and shall constitute a lien on the Unit as provided in Section 6.6.

No Unit owner shall be liable for the payment of any part of the Common Expenses assessed against his Unit subsequent to a sale, transfer or other conveyance by him (made in accordance with the provisions of the Declaration and applicable restrictions of record) of such Unit, together with his interest in the Common Elements (and Limited Common Elements, if any). A purchaser of a Unit shall be jointly and severally liable with the seller for the payment of Assessments assessed against such Unit prior to the acquisition by the purchaser of such Unit only if the purchaser expressly

assumes such obligation in writing; provided, however the lien assessed against such Unit shall remain in full force and effect. Any such purchaser shall be entitled to a statement from the Board setting forth the amount of the unpaid Assessments against the seller, and the Unit conveyed shall not be subject to a lien for any unpaid assessments in excess of the amount shown on the statement. Provided, however, that an Institutional Lender or other purchaser of a Unit at a foreclosure sale of such Unit or an Institutional Lender who takes a deed in lieu of foreclosure shall not be liable for, and such Unit shall not be subject to, a lien for the payment of Common Expenses assessed prior to the foreclosure sale or deed in lieu of foreclosure. Such unpaid Common Expenses shall be deemed to be Common Expenses collectible from all of the Unit Owners, including such purchaser, his successors and assigns.

6.3. Special Assessments. The Association may levy Special Assessments for Common Expenses not covered by the Annual Assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Elements, including fixtures and personal property related thereto, provided that any such Assessment shall have the assent of two thirds of the Voting Members at a meeting duly called for this purpose. Such Special Assessments shall be charged to the Units according to their Allocated Interests in the Common Elements. In addition, the Board may levy Special Assessments against one or more, but less than all, of the Units to cover repairs or maintenance for which such Unit Owner or Unit Owners are responsible and which they have failed to make, or for repairs or maintenance required of a Unit Owner or Unit Owners which impair the value of the Common Elements or the Unit or Units, or expenses which are incurred in the abatement of or as a result of a violation by a Unit Owner or Owners of the provisions of the Declaration, the Bylaws or the Rules and Regulations, or for fines levied for said violations, or where the Board has purchased a Unit on behalf of one or more Unit Owners. The period of assessment and manner of payment of such assessment shall be determined by the Board.

6.4. Collection of Assessments. The Board shall determine Common Expenses against the Unit Owners from time to time, at least annually, and may, as the Board shall determine, take prompt action to collect any Assessments due from any Unit Owner which remain unpaid for more than 30 days from their due date.

The Board shall notify Eligible Mortgage Holders pursuant to the provisions of the Declaration of any amount assessed pursuant to these Bylaws which remains unpaid for more than 60 days from its due date, and in any other case where the Unit Owner of such Unit is in default with respect to the performance of any obligation hereunder for a period in excess of 60 days.

6.5. Default in Payment of Assessment. In the event of default by any Unit Owner in paying to the Board any amounts assessed by the Board, such Unit Owner shall be obligated to pay a late payment charge as established by the Board from time to time, and interest at the rate of 18% on such amounts from their due date; together with all expenses, including attorneys' fees (as permitted by law), incurred by the Board in collecting such unpaid sums. If a Unit Owner shall be in default in payment of an installment of an Assessment, including but not limited to, the monthly installment based on the annual budget, the Board may accelerate the remaining installments upon

ten days' written notice to such Unit Owner, whereupon the entire unpaid balance of such Assessment shall become due upon the date stated in such notice.

The Board may appoint an Adjudicatory Panel composed of five (5) Unit Owners, which may include members of the Board. The Adjudicatory Panel shall have the authority to levy fines not to exceed One Hundred and Fifty (\$150.00) per violation for a violation of the Declaration, these Bylaws, or any Rules and Regulations enacted by the Board. Prior to the imposition of any such fine, the Adjudicatory Panel shall send to the defaulting Unit Owner written notice of the proposed fine and notice of the date, time and location for a hearing before the Adjudicatory Panel at which time the defaulting Unit Owner and the panel may present evidence. The notice of hearing shall be delivered personally or sent by certified mail before the hearing date. The Adjudicatory Panel shall provide the defaulting Unit Owner written notice of its decision once it is reached. The fine shall be an assessment secured by a lien under Section 47C-3-116 of the Act.

6.6. Lien and Personal Obligation. Each Assessment provided for in this Article, together with late payment charges, interest and expenses, including attorneys' fees (as permitted by law), shall be a charge on and a continuing lien upon the Unit against which the Assessment is made when a notice of such lien has been filed of record in the office of the Clerk of Superior Court of Forsyth County, North Carolina, in the manner provided by Article 8, Chapter 44, of the North Carolina General Statutes, provided such notice of lien shall not be recorded until such sums assessed remain unpaid for a period of 30 days after the same shall become due. Said notice of lien shall also secure all Assessments against the Unit becoming due thereafter until the lien has been satisfied. Said lien may be foreclosed in the manner as a deed of trust on real property. In addition, each Unit Owner shall be personally liable for any Assessment against his Unit becoming due and payable while he is the Owner of such Unit.

6.7. Priority of Assessment Lien. The lien of the Assessments provided for in this Article shall be prior and superior to all other liens except (a) ad valorem taxes and (b) all sums unpaid on deeds of trust, mortgages or other encumbrances against the Unit prior to the docketing of the Assessment lien. The sale or transfer of any Unit shall not affect the Assessment lien against such Unit. Provided, however, the sale of a Unit pursuant to the foreclosure sale or execution sale instituted by a superior lien holder or conveyance to Mortgagees by deed in lieu of foreclosure shall extinguish the inferior Assessment lien against the subject Unit but no such sale or transfer shall relieve each Unit from liability for any Assessments thereafter becoming due or for any future lien in connection therewith. The Association shall share in the excess, if any, realized by the sale of any Unit pursuant to a foreclosure or action instituted by a superior lien holder, to the extent of its lien.

6.8. Owners Non-Use. No Unit Owner may exempt himself from liability for Assessments and his other obligations to the Association by waiver of the use or enjoyment of any portion of the Common Elements or by the abandonment or sale of his Unit.

6.9. Foreclosure of Liens for Unpaid Assessments. The Board, acting on behalf of the Association, or on behalf of any one or more individual Unit Owners, if so instructed, shall have the power to purchase such Unit at the foreclosure sale and to acquire, hold, lease, mortgage, vote the votes appurtenant to, convey or otherwise deal with the same, subject, however, to applicable

restrictions of record. A suit to recover a money judgment for unpaid Assessments shall be maintainable without foreclosure or waiver of the Assessment lien. Where an institutional lender or the purchaser of a Unit obtains title to the Unit as a result of foreclosure of a mortgage, such purchaser, its successors and assigns, shall not be liable for the share of the Common Expenses or Assessments by the Board chargeable to such Unit which became due prior to the acquisition of title to such Unit by such purchaser. Such unpaid share of Common Expenses or Assessments shall be deemed to be a Common Expense collectible from all Unit Owners, including such purchaser, its successors and assigns.

6.10. Statement of Common Expense. The Board shall promptly provide to any Unit Owner so requesting in writing a written statement of all unpaid charges due from such Unit Owner, for which it may impose a reasonable charge at its discretion.

6.11. Abatement and Enjoinment of Violations by Unit Owners. The violation of any rule or regulation adopted by the Board, the breach of any Bylaw contained herein, or the breach of any provision of the Declaration, shall give the Board the right, in addition to any other rights set forth in these Bylaws: (a) to enter the Unit in which, or as to which, such violation or breach exists, and to make any repairs, and to summarily abate and remove, at the expense of the defaulting Unit Owner, any structure, thing, or condition which may exist therein contrary to the intent and meaning of the provisions hereof, and the Board shall not thereby be deemed guilty in any manner of trespass, but no items of construction shall be altered or demolished pursuant to this authority before judicial proceedings are instituted; (b) to enjoin, abate, or remedy by appropriate legal proceedings, either at law or in equity, at the expense of the defaulting Unit Owner, the continuance of any such breach; (c) in any case of flagrant or repeated violation by a Unit Owner, to require such Unit Owner to give sufficient sureties for his future compliance with such Condominium documents; or (d) after notice and an opportunity to be heard, to levy reasonable assessments and fines in accordance with Sections 47C-3-107 and 47C-3-107.1 of the Act for such violations. The failure of the Board or Adjudicatory Panel to so act with respect to any such violation or breach shall not be deemed a waiver of the Board's or Adjudicatory Panel's right to act with respect to the same or any other breach.

6.12. Maintenance and Repair.

(a) Each Unit Owner shall maintain, repair, and replace, at his sole cost and expense, all portions of his Unit which may become in need of maintenance, repair, or replacement, including the components of the heating and air conditioning system within and appurtenant to each Unit, if any, all bathroom and kitchen fixtures and appliances, light fixtures, interior, non-loadbearing walls, doors, floors, ceilings, carpeting, drapes and other items within the Unit, whether structural or nonstructural, ordinary or extraordinary (other than maintenance of and repairs to any Common Elements not specifically set forth herein contained therein and not necessitated by the negligence, misuse or neglect of the Unit Owner, his employees, guests, agents, servants, lessees, invitees or contractors). Each Unit Owner shall clean the Limited Common Elements appurtenant to his Unit and replace all light bulbs in fixtures (if any) located in such Limited Common Elements. Each Unit Owner shall be responsible for replacing all heating and air conditioning filters, if any, required in his Unit. Each Unit Owner shall further be responsible for all damages to any and all other Units and/or to the Common Elements which his failure to undertake his maintenance

responsibility may cause. All damages to the Common Elements or other Units intentionally or negligently caused by the Unit Owner, his employees, guests, agents, servants, lessees, invitees or contractors shall be promptly repaired by the Unit Owner at his sole cost and expense; provided that there is excluded from the provisions contained in this section such repairs necessitated by casualties insured against by the Association to the extent the Association receives insurance proceeds for such repairs. The Unit Owner shall be in said instance required to pay such portion of the costs of such maintenance, repair and replacement as shall exceed the amount of the applicable insurance proceeds. If the Unit Owner does not make those repairs to be made by him within 30 days from written demand by the Board, the same may be repaired by the Board, and the cost thereof shall be assessed against the Unit owned by the subject Unit Owner.

(b) The Association, through its Board, shall maintain, repair and replace all portions of the Common Elements and Limited Common Elements (except as provided in Section 6.12(a) above or in the Declaration) which shall require same, whether located inside or outside of the Units (unless necessitated by the negligence, misuse or neglect of a Unit Owner, his employees, guests, agents, servants, lessees, invitees or contractors, in which case such expense shall be charged to such Unit Owner, or unless herein provided to the contrary), and the cost thereof shall be charged to all the Unit Owners as a Common Expense.

6.13. Restrictions on Unit Owners. No Unit Owner shall perform or cause to be performed any maintenance, repair or replacement work which disturbs the rights of the other Unit Owners, jeopardizes the soundness or the safety of the Condominium property, or reduces the value thereof. Each Unit Owner shall cause any work so performed or being performed on the Unit, which, in the sole opinion of the Board, violates the terms of this section, to be immediately corrected, and he shall refrain from recommencing or continuing any such work without written consent of the Board.

6.14. Duty to Report. Each Unit Owner shall promptly report to the Board or its agent any defect or need for repairs or replacement the responsibility for which is that of the Association.

6.15. Additions, Alterations or Improvements by the Association. Whenever in the judgment of the Board, the Common Elements shall require additions, alterations or improvements, the Board shall proceed with such additions, alterations or improvements, and shall assess all Unit Owners for the costs thereof, as a Common Expense, subject, however, to the provisions of Sections 6.1 and 6.3.

6.16. Additions or Improvements by Unit Owners. No Unit Owner shall make any addition, alteration or improvement in or to his Unit which impairs the structural integrity or mechanical systems or lessens the support of any part of the Condominium. No Unit Owner shall make any addition, alteration or improvement which affects the exterior portion or outward appearance of such Unit, without the prior written consent thereto of the Board. The Board shall have the obligation to answer any Written request by a Unit Owner for approval of a proposed addition, alteration or improvement in or to such Unit Owner's Unit within 30 days after such request, and failure to do so within the stipulated time shall constitute a consent by the Board to the proposed addition, alteration or improvement.

6.17. Use of Common Elements and Facilities. A Unit Owner shall not interfere with the use of the Common Elements by the remaining Unit Owners and their employees, guests, agents, servants, lessees, invitees, or contractors.

6.18. Conveyance or Encumbrance of Common Elements. All or portions of the Common Elements may be conveyed or subjected to a security interest by the Association in accordance with the provision of Section 47C-3-112 of the Act.

6.19. Right of Access. Unit Owner shall grant a right of access to his Unit to the managing agent and/or any other person authorized by the Board or the managing agent, for the purpose of making inspections or for the purpose of correcting any condition originating in his Unit and threatening another Unit or a Common Element, or for the purpose of performing installations, alterations or repairs to the mechanical or electrical services or other Common Elements in his Unit or elsewhere in the Buildings, or to correct any condition which violates the provisions of any mortgage covering another Unit, provided that requests for entry are made in advance, and that any such entry is at a time reasonably convenient to the Unit Owner. In the case of an emergency, such right of entry shall be immediate, whether or not the Unit Owner is present at the time such request for entry is made, and whether or not such entry is at a time reasonably convenient to the Unit Owner.

6.20. Rules of Conduct. Rules and Regulations concerning the use of the Units and the Common Elements may be promulgated and amended by the Board. Such Rules and Regulations shall be equally applicable to all Unit Owners and shall be uniform in their application and effect. Copies of such Rules and Regulations shall be furnished by the Board to each Unit Owner prior to their effective date.

6.21. Remedies Cumulative. All rights, remedies and privileges granted to the Association or the Owner or Owners of a Unit pursuant to any terms, provisions, covenants or conditions of the Condominium Documents shall be cumulative, and the exercise of any one or more shall not 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.

6.2.2. Nonwaiver of Remedies.

(a) The failure of the Association or any Unit Owner to enforce any right, provision, covenant or condition which may be granted by the Condominium Documents shall not constitute a waiver of the right of the Association or the Unit Owner to enforce such right, provision, covenant or condition in the future.

(b) The failure of Declarant to enforce any right, privilege, covenant or condition which may be granted to it by the Condominium Documents shall not constitute a waiver of the right of Declarant to thereafter enforce such right provision, covenant or condition in the future.

(c) The failure of a mortgagee to enforce any right, provision, privilege, covenant or condition which may be granted to it or them by the Condominium Documents shall not constitute a waiver of the right of said party or parties to thereafter enforce such right, privilege, covenant or condition in the future.

ARTICLE VII RECORDS AND AUDITS

7.1. Reports. The Board shall keep detailed records of the actions of the Board and the managing agent minutes of the meetings of the Board, minutes of the meetings of the Association, and financing records and books of account of the Condominium, including a chronological listing of receipts and expenditures, as well as a separate account for each Unit which, among other things, shall, contain the amount of each Assessment against each Unit, the date when due, the amounts paid and the balance remaining unpaid. A current copy of the Declaration, Articles of Incorporation of the Association, these Bylaws, any currently effective Rules and Regulations, and the Association's books, records and financial statements shall be available for examination by all Unit Owners, their duly authorized agents or attorneys, and all holders, guarantors, or insurers of First Mortgages secured by Units, their attorneys and authorized agents, at convenient hours during normal business hours that shall be set and announced for general knowledge. A written annual summary of all receipts and expenditures of the Condominium shall be rendered by the Board to all Unit Owners on or before the 15th day of the second month following the close of each fiscal year. In addition, an annual report of the receipts and expenditures of the Condominium shall be rendered by the Board to all Unit Owners and to all Eligible Mortgage Holders who have requested the same, promptly after the end of each fiscal year.

7.2. Common Expense Funds. All sums collected by the Association, either as Assessments for the Common Expenses or as Special Assessments may be commingled in a single fund, but they shall be held for the Unit Owners for the purposes for which they are paid, and shall, subject to the right of withdrawal or refund provided herein, be credited to accounts from which shall be paid the charges for which the Assessments are made. Such accounts shall include the following, or such other and further accounts as the Board from time to time shall determine:

(a) General Common Expense Account to which shall be credited collection of that portion of the Common Expense Assessments received for defraying the costs of operating the Condominium on a day to day basis, including normal maintenance and repairs, insurance and related charges; and

(b) Capital Reserve Account to which shall be credited, all sums collected which are to be allocated for capital expenditures for the reconstruction, repair and replacement of Common Elements at a future date.

All sums collected by the Association during the fiscal year, either as assessments of the Common Expenses or as special assessments, and allocated to the General Common Expense Account or to any other account from which noncapital expenditures may be made, in excess of expenditures during such fiscal year made from or chargeable to said account or accounts shall be

deemed contributions to capital at the end of said fiscal year, and shall be transferred to the Capital Reserve Account. All amounts credited to said Capital Reserve Account shall be contributions to capital, and shall be held in trust by the Association for future expenditures of a capital nature, and shall serve to reduce the Assessments required for said capital expenditures.

7.3. Audits. All books of account and financial records shall be kept in accordance with good and acceptable accounting practices. The Board shall have an audit of the books of account and financial records of the Association made by an independent certified public accountant immediately following the close of each fiscal year and the report of such accountant shall be received by the Board and made available for inspection by all Unit Owners and all Eligible Mortgage Holders on or before the 15th day of the second month following the close of each fiscal year.

ARTICLE VIII AMENDMENTS TO BYLAWS

8.1. Notice. Notice of the subject matter of a proposed amendment shall be included in the notice of a meeting at which a proposed amendment is to be considered.

8.2. Adoption. A resolution for the adoption of a proposed amendment may be proposed either by a majority of the Board or by not less than one third of the members of the Association. Directors and members of the Association not present in person or by proxy at the meeting considering the amendment may express their approval in writing provided that such approval is delivered to the Secretary at or prior to the meeting. The approval must be by not less than a majority of the votes of members of the Association represented at a meeting at which a quorum has been attained.

8.3. Limitation. No amendment may be adopted which would eliminate, modify, prejudice, abridge, or otherwise adversely affect any rights, benefits, privileges or priorities granted or reserved to the Declarant or Eligible Mortgage Holders without the consent of said Declarant and Eligible Mortgage Holder in each instance. No amendment shall be made that is in conflict with the Articles of Incorporation of the Association or Declaration without satisfaction of the requirements therein contained. So long as the Declarant controls the Association and the Federal Housing Administration (FHA) holds or insures any First Mortgage on a Unit, the Federal Housing Administration (FHA) shall have the right to veto any amendment to the Bylaws. No amendment to this Section shall be valid.

8.4. Execution and Recording. A copy of each amendment shall be attached to a certificate certifying that the amendment was duly adopted as an amendment to the Declaration and Bylaws, which certificate shall be executed by the President or Vice President and attested by the Secretary or Assistant Secretary of the Association with the formalities of a deed, or by the Declarant alone if the amendment has been adopted consistent with the provisions of the Declaration allowing such action by the Declarant. The amendment shall be effective when the certificate and a copy of amendment is recorded in the Office of the Register of Deeds for Forsyth County, North Carolina.

ARTICLE IX CONDEMNATION

9.1. General. Whenever all or any part of the Condominium Property shall be taken by any authority having the power of condemnation or eminent domain, each Unit Owner and all Eligible Mortgage Holders shall be entitled to notice thereof and to participate in the proceedings incident thereto unless otherwise prohibited by law. The award made for such taking shall be payable to the Association. Unless otherwise provided by law at the time of such taking, any award made therefor shall be disbursed by the Association as provided in this Article IX

9.2. Common Elements. If the taking is confined to the Common Elements (general or limited) on which improvements shall have been constructed, and at least 80% of the total vote of the members of the Association entitled to vote shall vote within 60 days after such taking to replace the improvements, or any part thereof, on the remaining land included in the Common Elements (general or limited) and according to the plans therefor first approved by the Association, then the Board shall arrange for such replacement and the Association shall disburse the proceeds of such award in the same manner as they are required to disburse insurance proceeds where damage or destruction to the Common Elements (general or limited) is to be repaired or reconstructed as provided for herein; subject, however, to the right hereby reserved to the Association to provide by a majority vote of the Voting Members, for the disbursement by the Association of the remaining proceeds held by it (after the payment of all costs incident to such replacement) to the Unit Owners, or to any one or more of them or to their institutional lenders as their interests may appear in amounts disproportionate to their percentages of undivided interest in the Common Elements (general or limited) established herein, which disproportionate amounts shall correspond with the disproportionate damage sustained by the Unit Owners or any one or more of them as the Association may determine. If at least 80% of the Voting Members shall not decide within 60 days after such taking to replace said improvements, or if the taking is confined to the Common Elements (general or limited) on which no improvements shall have been constructed, then the Association shall disburse the proceeds of the award provided for the disbursement of the remaining proceeds of an award after payment of all costs incident to replacement of improvements taken has been made, including the right reserved to the Association to provide for the disbursement of the remaining proceeds held by it to the Unit Owners in disproportionate amounts. All disbursements made under this Section 9.2 shall be in strict compliance with Section 47C-1-107 of the Act.

9.3. Units. If the taking includes one or more Units, or any part or parts thereof, whether or not there is included in the taking any part of the Common Elements (limited or general), then the award shall be disbursed and all related matters shall be handled pursuant to and in accordance with the consent of all Unit Owners and First Mortgagees affected, and thereafter the Board shall reallocate that Unit's Allocated Interests in a duly recorded amendment to the Declaration of Condominium in accordance with Section 47C-1-107 of the Act.

9.4. Termination. The Board shall call a meeting of all Unit Owners at least 45 days prior to any final taking by the condemning authority to determine the action to be taken pursuant to Sections 9.2 and 9.3 above. Except in the event of a taking of all the Units by eminent domain, in

the event the condemnation involves more than 10% of the value of the Common Elements (limited or general) and/or more than 15% of the total value of all Units, the Condominium may be terminated at such meeting by written approval of not less than 80% of the Voting Members. Any termination agreement shall be in compliance with 47C-2-118 of the Act.

ARTICLE X ARCHITECTURAL CONTROL

No building, fence, or other structure shall be commenced or maintained upon the Common Elements, including the Limited Common Elements, nor shall any exterior addition, change or alteration therein be made until plans and specifications showing the nature, kind, shape, height, materials, and location of same shall have been submitted to and approved in writing as to harmony of external design and location in relation to the surrounding structure and topography by the Board of the Association or by any architectural committee appointed by the Board. All structures shall be of standard design employed by Declarant in the original construction of such amenities in the Condominium project. In the event the Board or its designated committee fails to approve or disapprove such design and location within thirty (30) days after said plans and specifications have been submitted to it, approval will not be required, and this Article X shall be deemed to have been fully complied with. Provided that nothing herein contained shall be construed to permit interference with the development of the Condominium property by the Declarant.

ARTICLE XI MISCELLANEOUS

11.1. Ad valorem Taxes. Each Unit shall be deemed to be a separate parcel and shall be separately assessed and taxed. Each Unit Owner shall be liable solely for the amount of tax assessed against his Unit and shall not be affected by the consequences resulting from the tax delinquency of other Unit Owners. All tangible personal property owned by the Association in connection with the maintenance, upkeep and repair of the Common Elements shall be listed for said taxes in the name of and paid by the Association. Each Unit Owner is also responsible for his prorata share of taxes assessed on his portion of the Common Elements, if any.

11.2. Notification to Mortgagee. Any Owner who mortgages his Unit shall notify the Association of the name and address of the mortgagee, and the Association shall maintain such information in a book entitled "Mortgagees of Condominiums." In addition to any other notification provided for in the Declaration or these Bylaws, the Association may, at the written request of a mortgagee of any such Unit, report any unpaid assessments due from the Owner of such Unit. The Association shall notify each mortgagee appearing in said book of the name of each company insuring the Condominium Property under the master policy and the amounts of the coverages thereunder.

11.3. Severability. Invalidation of any covenant, condition, restriction or other provision of the Declaration or these Bylaws shall not affect the validity of the remaining portions thereof which shall remain in full force and effect.

11.4. Successors Bound. The rights, privileges, duties and responsibilities set forth in the Declaration or these Bylaws, as amended from time to time, shall run with the ownership of the Property and shall be binding upon all persons who own or hereafter acquire any interest in the Property.

11.5. Gender, Singular, Plural. Whenever the context so permits, the use of the singular or plural shall be interchangeable in meaning and the use of any gender shall be deemed to include all genders.

11.6. Principal Office; Registered Office. The initial principal office and registered office of the Association shall be located at 2401 Whitehall Park Drive, Suite 700, Charlotte, North Carolina 28273 and the registered office of the Association shall be located at 2600 One Wachovia Center, 301 South College Street, Charlotte, North Carolina 28202-6038.

11.7. Other Offices. The Association may have other offices at such other places within North Carolina as the Board may from time to time determine or as the affairs of the Association may require.

11.8. Seal. The seal of the Association shall contain the name of the Association, the word "Seal," the state of incorporation and such other words and figures as are desired by the Board. When obtained, the seal shall be impressed in the margin of this Section of the Bylaws.

11.9. Fiscal Year. The fiscal year of the Association shall be the calendar year.

11.10 Distribution of Assets upon Dissolution. Upon dissolution of the corporation, the assets thereof shall, after all liabilities and obligations of the corporation have been paid, or adequate provision made therefor, be dedicated to an appropriate public agency to be used for purposes similar to those for which the corporation was created or, in the event that such dedication is refused acceptance, distributed to any association or associations organized for purposes similar to those set forth herein.

BK 2263 PG 1977
EXHIBIT F
State of North Carolina
Department of the Secretary of State

ARTICLES OF INCORPORATION
NONPROFIT CORPORATION

Pursuant to §55A-2-02 of the General Statutes of North Carolina, the undersigned corporation does hereby submit these Articles of Incorporation for the purpose of forming a nonprofit corporation.

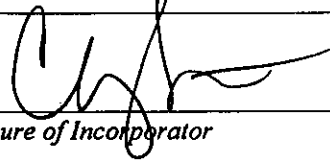
1. The name of the corporation is: The Condominiums at McConnell Subdivision Owners Association, Inc.
2. _____ (Check only if applicable.) The corporation is a charitable or religious corporation as defined in NCGS §55A-1-40(4).
3. The street address and county of the initial registered office of the corporation is:
Number and Street 301 South College Street, Ste. 2600
City, State, Zip Code Charlotte, NC 28202-6038 County Mecklenburg
4. The mailing address *if different from the street address* of the initial registered office is:

5. The name of the initial registered agent is:
Cheryl D. Steele
6. The name and address of each incorporator is as follows:
Cheryl D. Steele
301 South College Street, Ste. 2600
Charlotte, NC 28202-6038
7. (Check either a or b below.)
a. ☒ The corporation will have members.
b. ☐ The corporation will not have members.
8. Attached are provisions regarding the distribution of the corporation's assets upon its dissolution.
9. Any other provisions which the corporation elects to include are attached.
10. The street address and county of the principal office of the corporation is:
2401 Whitehall Park Drive, Ste. 700, Charlotte, NC 28273 County Mecklenburg
11. The mailing address *if different from the street address* of the principal office is:

12. These articles will be effective upon filing, unless a later time and/or date is specified: _____

This is the 22 day of April, 20 02.

THE CONDOMINIUMS AT MCCONNELL SUBDIVISION
OWNERS ASSOCIATION, INC.



Signature of Incorporator

Cheryl D. Steele, Incorporator

Type or print Incorporator's name and title, if any

NOTES:

1. Filing fee is \$60. This document and one exact or conformed copy of these articles must be filed with the Secretary of State.

Upon dissolution of the corporation, the assets thereof shall, after all liabilities and obligations of the corporation have been paid, or adequate provision made therefor, be dedicated to an appropriate public agency to be used for purposes similar to those for which the corporation was created or, in the event that such dedication is refused acceptance, distributed to any association or associations organized for purposes similar to those set forth in the Bylaws of the corporation.

**EXHIBIT G
TO DECLARATION OF
THE CONDOMINIUMS AT MCCONNELL SUBDIVISION
RESTRICTIONS**

302
 FORSYTH CO, NC
 PRESENTED & RECORDED: 06/07/2002 4:33PM
 BICKIE C. WOOD REGISTER OF DEEDS BY: POINDE
 BK2258 P2998 P3030
 110.00
 4:33PM
 BY: POINDE

STATE OF NORTH CAROLINA
 COUNTY OF FORSYTH

MASTER DECLARATION OF COVENANTS,
 CONDITIONS AND RESTRICTIONS
 FOR MCCONNELL SUBDIVISION

THIS MASTER DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS (the "Declaration") is made June 4, 2002, by OAKHURST OF KERNERSVILLE, LLC, a North Carolina limited liability company (hereinafter referred to as "Declarant").

STATEMENT OF PURPOSE

Declarant is the owner of real property in Forsyth County, North Carolina, which is more particularly described on Exhibit A which is attached (the "Property"). Declarant desires to create thereon a residential community of single-family detached and attached residential dwellings to be known as MCCONNELL. The residential dwellings shall consist of traditional fee simple deeded properties as well as condominiums.

Declarant desires to insure the attractiveness of the subdivision and to prevent any future impairment thereof; to prevent nuisances; to preserve, protect, and enhance the values and amenities of all properties within the subdivision; to provide for the maintenance and upkeep of the lawns, and to provide other services as detailed herein; and to this end, desires to subject the Property to the covenants, conditions, restrictions, easements, assessments, charges, liens and other obligations hereinafter set forth, each and all of which is and are for the benefit of said property and each owner thereof. The Declarant also desires to limit the use of the Property for rental (i.e.: non-owner-occupied) properties, as set forth in more detail in Article XI.

Declarant has deemed it desirable, for the efficient preservation, protection, and enhancement of the values and amenities in said subdivision, to create an organization to which will be delegated and assigned the powers of maintaining and administering the open spaces, common areas, facilities, lakes, ponds, parks and dams and enforcing the covenants and restrictions and collecting and disbursing the assessments and charges hereinafter created.

Declarant has incorporated or will incorporate under North Carolina law THE MCCONNELL RESIDENTIAL ASSOCIATION, INC. as a non-profit corporation for the purpose of exercising and performing the aforesaid functions.

DRAWN BY AND MAIL TO:

Cheryl D. Steele, Esq.
 Horack Talley Pharr & Lowndes, P.A.
 301 South College Street, Ste: 2600
 Charlotte, North Carolina 28202-6038

Subsequently to the recordation of this Declaration, the Builder (as hereinafter defined) intends to record the Declaration of the Condominiums at McConnell Subdivision (the "Condominium Declaration"), which shall serve to create a condominium upon a portion of the Property. The Condominium Declaration shall set forth in detail items typical to a condominium, such as common element ownership and maintenance, as well as the dues structure for the condominium. The condominiums shall be specifically governed by the Condominium Declaration. It is the intent of this Declaration, however, that the condominiums be considered part of the subdivision, subject to the covenants, conditions, and restrictions set forth herein, participating in both the burdens and benefits of ownership within the Subdivision.

Declarant, by this Declaration, does hereby declare that all of the Property described on Exhibit A hereof is and shall be held, transferred, sold, conveyed, and occupied subject to the covenants, conditions, restrictions, easements, assessments, charges, and liens set forth in this Declaration which shall run with the real property and be binding on all parties owning any right, title, or interest in said real property or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each owner thereof.

ARTICLE I

DEFINITIONS

Section 1.1. "Amenity Area" or "Amenity" shall refer to the clubhouse, the swimming pool and surrounding area and improvements related thereto, which Declarant shall construct on the Property on the Common Area.

Section 1.2. "Articles of Incorporation" shall refer to the articles of incorporation of the Association, as filed with the North Carolina Secretary of State.

Section 1.3. "Assessments" are any dues or other monies owed the Association pursuant to the terms of this Declaration. There are four kinds of Assessments:

- (a) Annual Assessments are those levied against each Owner equally, in order to pay for normal activities of the Association.
- (b) General Special Assessments are those levied against each Owner equally, in order to pay for extraordinary activities of the Association.
- (c) Specific Special Assessments are those levied against one or more individual Owners on account of violations by those Owner(s) of the terms of this Declaration, or on account of expenses incurred by the Association as a result of the activity or inactivity of the Owner(s).

(d) Condominium Assessments are those levied against the Condominium Units, as set forth in more detail in the Condominium Declaration.

Section 1.4. "Association" shall mean and refer to THE MCCONNELL RESIDENTIAL ASSOCIATION, INC., a North Carolina non-profit corporation, its successors and assigns.

Section 1.5. "Board of Directors" shall mean and refer to the Board of Directors of the Association.

Section 1.6. "Builder" shall mean any homebuilder or other contractor in the business of purchasing Lots from the Declarant, and building thereon, and selling, residential dwelling units to the public. The initial Builder in the Subdivision shall be deemed to be Mulvaney Homes, Inc.

Section 1.7. "Building" shall mean a Condominium Building.

Section 1.8. "Bylaws" shall mean the bylaws of the Association, as amended.

Section 1.9. "Common Area" shall mean all portions of the Property which are deeded to the Association for the common enjoyment of all Members, and shall include the Amenity Area. It shall also include any entryway into the subdivision, and any traffic circles. It shall also include the Community Fencing.

Section 1.10. "Community Fencing" shall mean the fencing installed by the Declarant or any Builder within the Fence Easements described in Article IV.

Section 1.11. "Condominium" shall mean that development created as a condominium by virtue of the Condominium Declaration, including the Condominium Units and the common elements, as defined in the Condominium Declaration.

Section 1.12. "Condominium Association" shall mean the association created by the Condominium Declaration, charged with the management, administration and maintenance of the Condominium.

Section 1.13. "Condominium Declaration" means that certain Declaration of The Condominiums At McConnell Subdivision, to be filed by the Builder in the Office of the Register of Deeds for Forsyth County, as amended from time to time.

Section 1.14. "Declarant" shall mean and refer to Oakhurst of Kernersville, LLC and its successors and assigns.

Section 1.15. "Dwelling" shall mean any single family residential dwelling unit erected upon any Single Family Lot.

Section 1.16. "HUD/ VA/FNMA/ FHLMC" shall refer to the U. S. Department of Housing and Urban Development, and/or the Veterans Administration, and/or the Federal National Mortgage Association, and/or the Fair Housing Loan Mortgage Corporation, any governmental authority which succeeds said organizations, and/or any other governmental or quasigovernmental authority which governs, regulates or administers the selling of residential dwellings or the issuing of mortgages on such dwellings.

Section 1.17. "Lot" shall mean any kind of residential building lots that exist in the Subdivision, plus the dwelling units in the Condominium. In the event any Lot is permissibly subdivided, increased or decreased in size by resubdivisions, through recordation of new subdivision plats, by deed or otherwise, each lot resulting from such subdivision or resubdivisions shall thereafter constitute a Lot for the purpose of this Declaration.

Section 1.17(A). "Single Family Lot" shall mean and refer to any parcel of land, fronting on a public street, upon which is or may be placed one single-family detached dwelling, with delineated boundary lines, appearing on plat or maps of subdivision recorded with Mecklenburg County.

Section 1.17 (B). "Condominium Unit" shall mean any residential dwelling unit of any condominium erected and established on the Property, each Condominium Unit being attached to other Condominium Units in 4-unit, 12-unit or 18-unit residences. Contiguous Condominium Units make up a "Condominium Building."

Section 1.18. "Map" shall mean and refer to any certain subdivision map(s) which shows the Property and is or shall be recorded in the Forsyth County Registry.

Section 1.19. "Member" shall mean and refer to every person or entity who is an Owner and holds membership in the Association.

Section 1.20. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of the fee simple title to any Lot which is a part of the Property, including contract sellers, but excluding those having such interests merely as security for the performance of an obligation. Owners of Condominium Units shall be deemed to be "Owners."

Section 1.21. "Property" shall mean and refer to the property described on Exhibit A.

Section 1.22. "Subdivision" shall mean the entire McConnell subdivision, which consists of and is identical to the Property.

Section 1.23. "Unit" shall mean a Condominium Unit.

ARTICLE II**PROPERTY SUBJECT TO THIS DECLARATION
AND WITHIN THE JURISDICTION OF THE
ASSOCIATION****Section 2.1. The Property.**

The real property which is and shall be held, transferred, sold, conveyed, and occupied subject to this Declaration, and within the jurisdiction of the Association is located in Forsyth County, North Carolina, and is described on Exhibit A attached hereto.

Section 2.2. Annexation of Additional Property.

Declarant shall have the right, so long as it owns any Lot, to add additional property to the Property which is the subject of this Declaration, provided that such additional property is physically contiguous to the Property. Such additional property shall be added by recordation of a Supplemental Declaration identifying such contiguous property. Provided however that, so long as there is a Class B Member, such annexation shall require approval of HUD /VA.

In the event the Declarant adds additional property to the Property which is the subject of this Declaration, the Declarant shall have the absolute right, all other provisions of this Declaration notwithstanding, to use any portion of the Property for roadway or other access to the property being added. This right shall include, but not be limited to, the right to use a platted lot(s) for vehicular and/or pedestrian access to the additional property.

Section 2.3. Conveyance or Transfer of Common Area.

The Common Area may be conveyed and/or mortgaged by the Association, provided that such conveyance and/or mortgage is approved by at least two-thirds of the Members (excluding the Class B Member). Any dedication of the Common Area to any municipal authority shall, so long as there is a Class B Member, require the approval of HUD/ VA.

If ingress or egress to any Unit is through or over any part of the Common Area, then any conveyance of said Common Area shall be made subject to an express easement in favor of that Owner and that Unit.

ARTICLE III

MEMBERSHIP CLASSIFICATIONS; VOTING RIGHTS; DUES OBLIGATIONS

Section 3.1. Membership.

Every Owner of any Lot which is subject to Assessment shall be a Member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Lot which is subject to assessment.

Section 3.2. Classes of Membership.

The voting rights of the membership shall be appurtenant to the ownership of the Lots. There shall be two classes of membership, with respect to voting rights and two classes of membership with respect to dues.

I. Voting Rights

(a) Class A Membership. Every Owner of a Lot, other than the Declarant shall be deemed to be a Class A Member. Each Class A Member shall be entitled to one vote per Lot owned. When more than one person owns an interest (other than a leasehold or a security interest) in any Lot, all such persons shall be Members and the voting rights appurtenant to said Lot shall be exercised as they, among themselves, determine, but in no event shall more than one (1) vote be cast with respect to any one (1) Lot not owned by the Declarant.

(b) Class B Membership. The Declarant shall be the Class B Member. The Declarant shall be entitled to four (4) votes for each Lot owned by it. The Class B Membership shall cease to exist and shall be converted to Class A Membership (as appropriate) upon the happening of either of the following events, whichever occurs earlier:

- (1) the date that 75% of the Lots are conveyed to Class A Members other than any Builder; or
- (2) five years from the date of this Declaration, or
- (3) written notice of consent to such conversion by the Declarant.

The Declarant rights as Class B Member are not intended to apply to voting within the Condominium Association, but only to voting rights within the Association. Voting rights within the Condominium Association are more specifically set forth in the Condominium Declaration.

II: Dues Obligations

For purposes of Paying Dues, Class A Members shall be divided into the following subclasses:

1. Owners of Single Family Lots shall pay Level A1 Dues;
2. Owners of Condominium Units shall pay Level A2 Dues;

(a) Basic Dues: Basic Dues shall be the pro-rata share of all expenses incurred related to the maintenance of the Common Area, and any other portion of the Property that is shared by all Owners. Basic Dues shall include the pro-rata share of the administrative costs of maintaining and operating the Association. Basic Dues shall be determined by dividing the total of such expenses by the total number of Lots on the Property (except as to the Condominium Units, which shall be based on the square footage of each Unit, as set forth in more detail in the Condominium Declaration).

(b) Level A1 Dues: Level A1 Dues shall be Basic Dues and the pro-rata share of all expenses related to the Maintenance and Service Obligations Benefitting the Single Family Lots Exclusively, as set forth in Section 7.1(I). For purposes of determining such pro-rata share, the Level A1 Dues shall be determined by dividing the total of such expenses related by the total number of Single Family Lots on the Property.

(c) Level A2 Dues: Level A2 Dues shall be Basic Dues and the pro-rata share of all expenses related to the Condominium, as set forth in the Condominium Declaration. For purposes of determining such pro-rata share, the Level A2 Dues shall be determined by dividing the total square footage in each Condominium Unit by the total square footage of all Condominium Units, as set forth in the Condominium Declaration. Level A2 Dues may be further subdivided to provide for payment of Common Elements and Limited Common Elements (as defined in the Condominium Declaration) as appropriate under the Condominium Declaration.

(d) Special Note Concerning Payment of Dues by Owners of Condominium Units: Payment by Owners of Condominium Units of the appropriate dues to the Condominium Association shall satisfy said Owners obligations to pay dues under this Declaration.

(e) Builder Dues. Any Builder that owns any Lot shall be obligated to pay one-fourth of the applicable dues for that Lot. Provided, however, that no such reduction shall apply to any Condominium Unit owned by any Builder.

(h) Class B Membership Dues. The Class B Member shall be responsible for one-fourth of the applicable dues for each Lot owned by it. Alternatively, the Class B Member shall have the right to pay any shortfall between the actual Association expenses and the actual revenues raised from the other Members. The Class B Member shall at all times have the

right to satisfy its obligations hereunder by providing services in-kind for the Association, such services to have a value mutually agreed upon by the Association and the Declarant.

ARTICLE IV

PROPERTY RIGHTS

Section 4.1. Owner's Easement of Enjoyment.

Every Owner shall have a general right and easement of enjoyment of his own Lot and the Common Area which is deeded to the Association, subject to the provisions of this Declaration.

Section 4.2. Limitation on Easement of Enjoyment as to Single Family Lots.

(a) Reservation of Fence Easements. The Declarant, the Association their successors and assigns and any third party contractor hired by them, shall have and hereby do reserve a permanent right of way on each Single Family Lot. Such easement shall be ten feet in width, starting at the front corners of each Dwelling and extending back towards the rear of each Dwelling, and shall run from the front corner of each Dwelling to the nearest front corner of each of the adjacent Dwellings. The Declarant, the Association their successors and assigns and any third party contractor hired by them, shall further have and hereby further do reserve a permanent five-foot right of way along the rear and side boundary lines of each Lot. Both of these types of easements are dedicated for the purpose of constructing and maintaining thereon the Community Fencing, if any.

Section 4.3. Limitations on Easement of Enjoyment as to All Lots.

(a) Reservation of Five Foot Side-Line and Ten-Foot Rear-Line Easements. The Declarant, the Association their successors and assigns and any third party contractor hired by them, shall have and hereby do reserve a permanent five-foot right of way along the side lines and a permanent ten-foot right of way along the rear lines of each Lot (other than portions of Lots on which common walls have been built, or Condominium Units) for purposes of the installation and maintenance of poles, lines, conduits, pipes and other equipment necessary or useful for furnishing electrical power, gas, water, sewer, storm drainage, telephone service and other utilities and all walls, columns, lamps and entry ways appurtenant to the Common Area, and the Community Fencing, if any.

(b) Restrictions on Improvements or Interference with Easements. No improvement shall be built in such a way, and no other action shall be taken by any Owner, which in any way restricts or limits the easement rights granted and reserved herein.

(c) Reservation of Easements for Encroachments. Declarant, for itself and for its successors and assigns, reserves a permanent right and easement over all of the Lots for encroachments of roofs, trim and molding, siding and any other integral components of structures, the walls of which are located on a common boundary line between adjoining Lots. This right and easement shall be for the continuing existence of any such encroachments; further, there shall be a perpetual right and easement of Owners and their employees, agents and representatives, to go upon adjoining property for the purpose of repair, maintenance and reconstruction of any structure located on the Lot of such Owners.

(d) No Entry Into Residences. Nothing in this section shall be interpreted to grant or reserve to any Owner, other than the Declarant or the Association as specifically set forth herein, the right to enter into the residence of any other Owner under any circumstances whatsoever.

Section 4.4. Easements Relating to the Condominium

(a) Reservation of Easements Across Common Areas. The Declarant, hereby grants an easement across, on, over and to the Common Area for the benefit and enjoyment of the Owners of each Condominium Unit. Such Owners shall be entitled to use and enjoy the Common Area, subject to the limitations of the rules and regulations promulgated by the Association including the right of the Association to limit and regulate the use of any lake, picnic area, gazebo, recreational or non-recreational facility situated upon the Common Area. By way of example, but not limitation, ownership of a Condominium Unit shall entitle said Owners to use the Amenity. Provided, however, that such rights shall only be extended to members in good standing of the Condominium Association.

(b) Reservation of Easements Across Common Elements of the Condominium. The Declarant, hereby grants an easement across, on, over and to the Common Elements of the Condominium (as defined in the Condominium Declaration) for the benefit and enjoyment of the Owners of the Single Family Lots. Such Owners shall be entitled to use and enjoy the Common Elements, subject to the limitations of the rules and regulations promulgated by the Condominium Association. By way of example, but not limitation, ownership of a Single Family Lot shall entitle said Owners to use the unassigned parking areas within the Condominium. Provided, however, that such rights shall only be extended to members in good standing of the Association.

ARTICLE V

COVENANT FOR MAINTENANCE ASSESSMENTS

Section 5.1. Creation of the Lien and Personal Obligation of Assessments.

The Declarant, for each Lot within the Property, hereby covenants and each Owner of 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 to the Association: (1) Annual Assessments or charges (2) General Special Assessments for capital improvements and (3) Specific Special Assessments, as determined by the Association, such assessments to be established and collected as hereinafter provided. Any such assessment or charge, together with interest, costs, fines 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 or charge is made. Each such assessment, together with interest, costs, fines and reasonable attorney's fees shall also be the personal obligation of the person who was the Owner of such property at the time when the assessment or charge fell due.

Section 5.2. Purpose of Assessments.

(a) The Assessments levied by the Association shall be used to promote the recreation, health, safety and welfare of the residents of the Property and in particular for the maintenance and improvement of the Common Area. The Declarant may construct and maintain a storm water collection pond (the "Collection Pond") pursuant to the Watershed Protection Ordinance (the "Ordinance") enacted by the Town of Kernersville (the "Town") for the purpose of storm water control which will benefit the Property. Pursuant to the Ordinance, Declarant (or Declarant's successor or designee) will maintain the collection pond which will be constructed on a portion of Declarant's property to be shown on a future plat to be recorded in the Forsyth County Register of Deeds. The Ordinance requires that a property owner enter into an operation and maintenance agreement with the Town requiring such owner to maintain, repair, or reconstruct the collection pond and to grant the Town a contractual lien (as defined in the Ordinance). The Town and Declarant have agreed that Declarant shall enter into the operation and maintenance agreement and perform such obligations until such time as Declarant delegates such duty to the Association in a deed conveying all or part of the real property on which the pond is located and the contractual lien shall encumber any and all of the real property located within the Property not designated as a Lot. Therefore, Declarant will construct the collection pond on a portion of the Property which will be shown on a future plat recorded at the Forsyth County Registry. The Declarant will deed the real property containing the collection pond to the Association at which time Declarant shall be relieved of all further liability and obligation under the operation and maintenance agreement (except to the extent Declarant is a member of the Association). Thereafter, the cost of all maintenance, repair and reconstruction of the pond

pursuant to the operation and maintenance agreement shall be provided for by the Association.

(b) The Association shall maintain all streets within the Property until said streets are accepted for purposes of maintenance by a governmental entity. The Association shall maintain in good, working condition all street lights or area lights constructed within the Property for common benefit, until such time as such street lights or area lights are accepted for maintenance by a public utility or governmental agency. The Association shall have the responsibility of constructing, maintaining, and repairing any ponds, lakes, detention ponds and/or dams on the Property.

(c) The Association shall maintain traffic circles, if any, and the landscaping planted within the right-of-ways and within the common area and/or open space.

(d) The Assessments levied by the Association may also be used to provide insurance and/or termite protection for the Common Area and Amenity Area.

(e) The Assessments shall also be used to reimburse the Condominium Association for the cost of maintaining parking spaces located on the Condominium. Such reimbursement shall be considered part of the costs of maintaining the Amenity.

(f) 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 Property, or to the proper undertaking of all acts and duties imposed upon it by virtue of this Declaration, the Articles of Incorporation and the Bylaws of the Association. As monies for any assessment are paid to the Association by any Owner, the same may be commingled with monies paid to the Association by the other Owners. Although all funds and common surplus, including other assets of the Association, and any increments thereto or profits derived 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, by whatever means, and 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 Property.

(g) The foregoing notwithstanding, no Assessment of any kind may be used for the purpose of filing or pursuing of any legal action of any sort whatsoever (including but not limited to lawsuits, arbitrations, administrative proceedings, and mediations) unless 1) such use is approved by an affirmative vote of two-thirds of all votes entitled to be cast by all Owners (including the Declarant) and 2) the approval of the Declarant for so long as the Declarant

owns any Lot (unless such action is against the Declarant, in which case this subsection shall not apply.) Such limitation shall not apply, however, and Assessments may be used, for the bringing of any action to collect dues or to enforce the use restrictions set forth in this Declaration, or for the defense of any action brought against the Association.

Section 5.3. Maximum Annual Assessment.

(a) Until January 1 of the year immediately following the year in which conveyance of the first Lot to an Owner is made, the Annual Assessment for Level A1 Dues shall be \$160.00 per year;

(b) The Level A2 Dues are set forth in more detail in the Condominium Declaration. Until the Condominium is formed by the recording of the Condominium Declaration and amendments thereto, the Level A2 Dues shall be the same amount as Level A1 dues for each Lot which does not qualify as a Single Family Lot.

(c) The Annual Assessments shall be established by the Board of Directors on an annual basis. The Annual Assessments may be increased by the Board of Directors, without approval by the membership, by a percentage not to exceed the sum of ten percent (10%) per year. Any annual increase in excess of ten percent (10%) shall require approval by a vote of two-thirds (2/3) of each class of Members who are voting in person or by proxy, at a meeting duly called for this purpose. The foregoing notwithstanding, no approval shall be required for any increase of the dues which are directly attributable to insurance premiums on Units and/or Buildings.

(d) The Board shall have the right to reduce the Annual Assessments at any time.

Section 5.4. Capital Contribution.

Every Owner other than the Declarant or Builder shall likewise be responsible for an initial capital contribution in the amount of one month of dues. Such capital contribution shall be due upon transfer of the title to any portion of the Property to the Owner from Declarant or the Builder, shall not be commingled with regular dues, and shall be applied only to capital expenditures or repairs, and not regular operating expenses.

Section 5.5. Notice And Quorum For Any Action Authorized Under Sections 5.3.

Written notice of any meeting called for the purpose of taking any action authorized under Section 5.3 hereof 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 sixty percent (60%) of all the votes of each class of membership shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same

notice requirement, and the required quorum at the subsequent meeting shall be one-half (1 / 2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

Section 5.6. Rate Of Annual Assessment.

Both Annual and General Special Assessments must be fixed at a uniform rate for all Lots within each class and shall be collected on a not more often than monthly basis.

Section 5.7. Date Of Commencement Of Annual Assessments; Due Date.

The Annual Assessments provided for herein shall be due in full on January 1 of each calendar year (other than the first year in which such Assessments are levied, in which case, such are due immediately upon assessment), and shall be payable, as determined by the Association in its absolute discretion, on a monthly or quarterly basis on the first business day of each calendar month or quarter. The first such annual assessment shall be adjusted according to the number of days remaining in the calendar year after conveyance of the first Lot to an Owner.

General and Specific Special Assessments shall be due immediately when levied by the Association, or at such other time determined by the Association.

At least thirty (30) days in advance of each annual assessment period, the Board of Directors shall fix the amount of the annual assessment against each Lot for the next year and at least thirty (30) days before January 1 shall send written notice of such fixed assessment to every Owner subject thereto. The Association shall, upon demand, and for a fee to be determined by the Association, furnish a certificate signed by an officer of the Association setting forth whether the assessment on a specified Lot has been paid.

Failure by any Owner to pay any dues in a timely fashion shall give the Association the right to accelerate all dues for the year in which such deficiency occurs. Upon notice of such acceleration, the delinquent Owner shall immediately be obligated to pay all remaining dues for that year.

Section 5.8. Effect Of Nonpayment Of Assessments; Remedies Of The Association.

Any Assessment not paid within thirty (30) days after the due date shall bear interest from the due date at the highest rate allowed by law. In addition to such interest charge, the delinquent Owner shall also pay such late charges or fines as may have been theretofore established by the Board of Directors. 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 deeds of trust, and interest, late payment 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 assessments provided for herein by abandonment of his Lot; nor shall damage to or destruction of any improvement on any Lot by fire or other casualty result in abatement or diminution of the assessments provided for herein.

Provided, however, that an Owner's failure to pay any assessment shall not constitute a default under any mortgage given by that Owner, unless expressly agreed to by the Owner in writing.

Section 5.9. Exempt Property.

The assessments, charges and liens created under this Article V shall not apply to any Lot the title to which is vested either in any first mortgagee subsequent to foreclosure or in the Secretary of Housing and Urban Development or the Administrator of Veterans Affairs or any other state or federal governmental agency which acquires title by reason of such agency's guarantee or insurance of a foreclosed mortgage loan; provided, however, that upon the resale of such property by such first mortgagee or such governmental agency the assessment herein provided shall again commence and accrue and shall be fully applicable to such Lot upon the conveyance to any subsequent Owner. All land which shall be dedicated to and accepted by a local public authority, and all land granted to or used by a utility company, and property owned by a nonprofit organization exempt from taxation under the laws of the State of North Carolina shall be exempt from the assessments and charges created herein.

Section 5.10. Subordination to the Lien of First Mortgages.

The lien of the assessments provided for herein shall be subordinate to the lien of any first priority deed of trust or first mortgage. The sale or transfer of any Lot shall not affect the assessment lien; provided, however, the sale or transfer of any Lot which is subject to any first deed of trust or first mortgage, pursuant to a foreclosure thereof or under a power of sale, or any proceeding in lieu of foreclosure thereof, shall extinguish the lien of such assessment as to payments which became due prior to such sale or transfer.

Section 5.11. Application of Payments.

In the event an Owner pays any funds after the imposition of any fines, or the incurrence of collection fees, the funds paid shall be applied first to any fines levied, then to any other late fees, if any, then to any special assessment, if any, then to the Annual Assessments, if any.

ARTICLE VI

ARCHITECTURAL CONTROL

No improvement of any sort shall be commenced, erected, or maintained upon the Property or any Lot, nor shall any exterior addition to or change or alteration made to any Dwelling, Building or Unit (including but not limited to, color or painting or the exterior and type of exterior finish) without the express approval of the Declarant, so long as the Declarant owns any Lot, and thereafter, by the Board of Directors of the Association. In the event an Owner desires to erect an improvement, or alter the exterior of any Dwelling, Building or Unit, the Owner shall submit to the Declarant (or the Board, as appropriate), two copies of the plans and specifications showing the nature, kind, shape, height, materials, and location of the improvements. The Declarant shall have absolute discretion as to the approval or denial of any improvements. The Board of Directors shall base its approval or denial upon reasonable consideration as to harmony of external design and location in relation to surrounding structures and topography. Absent such approval, the proposed improvement may not be commenced.

In the event an Owner of any Lot shall make unauthorized changes to any Dwelling, Building or Unit and the improvements situated thereon in a manner unsatisfactory to the Declarant (or the Board of Directors) the Declarant (or the Board of Directors) shall have the right, through its agents and employees, to enter upon said Lot, or into said Dwelling, Building or Unit, and to repair, maintain and restore the Lot, or the exterior of the Dwelling, Building or Unit so that the improvement and/or violation no longer exists. The cost of such action, including materials and labor, and any other costs or attorney's fees incurred in the enforcement of the rights under these provisions shall be considered a Specific Special Assessment against that Owner(s) and said Lot(s).

Construction of new structures or improvements only shall be permitted, it being the intent of this section to prohibit the moving of any existing structure or improvement onto any Lot Dwelling, Building or Unit.

ARTICLE VII

MAINTENANCE & SERVICE

Section 7.1. Maintenance and Service by the Association.

I. Maintenance and Service Obligations Benefitting the Single Family Lots Exclusively.

(a) Lawns. The Association shall provide ordinary lawn care and maintenance on and for the front yards ONLY of each Single Family Lot. The scope of such service shall be determined by the Association. Such lawn care and maintenance on Lots may include, without limitation, the maintenance or replacement of any grass, planted by the Association (or by

an Owner with the approval of the Association). The Association shall not be responsible for the maintenance of any landscape improvements, such as shrubs or flowers, but may assume such obligations should it deem necessary in order to preserve the overall aesthetic quality of the subdivision.

(b) Fences. The Association shall provide ordinary care maintenance on and for every fence erected within the Fence Easements by the Declarant, any Builder, or the Association.

II. Maintenance and Service Obligations Benefitting the Condominium Lots Exclusively.

The Association shall not provide maintenance or service to the Condominium Lots, but shall do so through the Condominium Association, as set forth in more detail in the Condominium Declaration.

III. Maintenance Obligations Benefitting All Lots

The Association shall provide ordinary care and maintenance for the Amenity Area, and all other portions of the Common Area. Specifically, the Association shall care for and maintain the Amenity Area, all entryways to the Property and improvements thereto, all traffic circle centers, and the community fencing along the front lot lines, if any, and such care and maintenance shall be deemed to benefit all Lots.

IV. Maintenance Easements

In order to enable the Association to accomplish its maintenance obligations as set forth in this Article, permanent rights and easements over all Lots, and into all Units, Buildings and Dwellings, have been reserved to the Association pursuant to Article IV.

Section 7.2. Maintenance by Owners:

(a) Single Family Lots: Each Owner of a Single-Family Lot shall be responsible for the maintenance, repair, and replacement of all improvements to his Lot, other than those explicitly being maintained by the Association as set forth herein. Each Owner shall maintain his Lot in an orderly fashion, keeping all vegetation of any kind neatly kept and trimmed. Provided, however, the external appearance of such maintenance, repairs or replacement shall be subject to the regulation and control of the Declarant or the Association as provided in this Declaration.

(b) Condominium Lots. Each Owner of a Condominium Lot shall be responsible for the maintenance obligations not assumed by the Condominium Association, as set forth in more detail in the Condominium Declaration.

(c) Should an Owner fail to discharge his maintenance, repair or replacement responsibilities in a reasonable and prudent manner to standards harmonious with that of other Lots in the Subdivision, as determined by the Declarant in its discretion or, after the Declarant owns no portion of the Property, by the Association, then the Declarant (or Association, if appropriate) in its discretion may demand that the Owner promptly comply with the same by mailing a notice thereof to the Owner at his address, specified in his contract to purchase such Lot and by posting such notice on the Lot. If the Owner has not complied therewith within five (5) days thereafter, the Association shall have the right to cause such maintenance, repair or replacement to be performed and to charge the cost thereof as a part of and in addition to the regular assessment attributable to the Lot and provided for in this Declaration, notwithstanding any provision to the contrary contained herein. Should an Owner fail to pay any charge billed in accordance with this subparagraph (d) within fifteen (15) days of such billing, then the Association shall have the right to levy fines and to claim a lien against the Lot and to foreclose such lien, all as provided for in Article V of this Declaration. No such entry as provided herein shall be deemed a trespass.

Section 7.3. General Maintenance Provisions.

(a) In the event that the need for maintenance, repair or replacement is caused through the willful or negligent act of the Owner, his family, guests or invitees, the cost of such maintenance, repair or replacement shall be added to and become a part of the assessment to which such Lot is subject, notwithstanding any provisions to the contrary contained herein.

(b) The Association shall have the power to enforce the obligations contained in this Article VII through the levy of General and/or Specific Special Assessments.

ARTICLE VIII

USE RESTRICTIONS: SINGLE FAMILY LOTS

Section 8.1. Residential Use.

All Single Family Lots shall be used for single family residential purposes only. No structure erected, altered, placed or permitted to remain on any Single Family Lot shall exceed two and one-half stories in height. A private garage for each Single Family Lot for not more than two cars and other accessory structures customarily incidental to the use of the Lot may be erected.

Section 8.2. Setbacks.

No Dwelling shall be located nearer to the front property line or any side street line than the building setback line as shown on the recorded maps of the Subdivision. No building shall be located nearer

any side lot line than the applicable zoning ordinance shall allow. Deviations from building line requirements not in excess of ten percent (10%) thereof shall not be construed as a violation of the building line requirements as long as such deviation does not violate any local ordinance or zoning.

Section 8.3. Animals and Pets.

No animals of any kind shall be kept on any Single Family Lot except generally accepted household pets. No swine or goat or cattle of any kind shall be permitted. No pets shall be kept for commercial use or sale, and no more than three pets over the age of six months shall be permitted at any time. Birds shall be confined in cages. No pet shall be permitted to remain outdoors for any extended period of time without supervision of an Owner, it being the intent of this restriction to prohibit the leaving of pets outdoors while the Owner is absent from the Dwelling. In no instance shall household pets become a nuisance to other Owners, or infringe upon the property rights of other Owners. Owners shall remove and properly dispose of any waste deposited by their pet(s) on any Common Area, any right-of-way, street, parking lot, or Lot of another Owner.

Section 8.4. Signs.

No signs of any type or kind shall be erected, placed or permitted to remain upon or above any Single Family Lot or Common Area with the exception of a single "For Sale" sign, which sign shall not exceed two feet by three feet in dimension and shall refer only to the premises on which displayed, there being only one sign to a Single Family Lot.

Absolutely no "For Rent" signs shall be permitted. Notwithstanding the above, Declarant may erect and place signs of any size or shape on any unsold Single Family Lot or the Common Area. Declarant shall also have the right of ingress, egress and regress over the aforesaid Single Family Lots and Common Area in order to maintain and replace any such signs until all of the Lots in the Subdivision have been conveyed by Declarant.

Section 8.5. Nuisances Rubbish.

No activity may be carried on which shall or may be offensive, illegal, or an annoyance or nuisance, as determined by Declarant. No Single Family Lot or right-of-way shall be used for rubbish disposal, or for storage if such storage may cause such Lot or right-of-way to appear unclean or unsightly; nor shall any thing be kept upon any Single Family Lot or right-of-way that will emit a foul odor or will cause noise that might disturb the peace. However, the foregoing shall not be construed to prohibit temporary deposits of trash, rubbish and other such debris for pick up by trash removal service units, but such deposits shall only be permitted upon the specific day of pick up. In the event any Owner fails or refuses to keep his Lot free from unsightly objects, weeds, or underbrush or to maintain the structures of each Dwelling in a manner satisfactory to the Board of Directors, the Board of Directors may, five days after delivering notice to the Owner requesting the Owner comply with the requirements of this paragraph, enter and remove all such unsightly objects or vegetation at Owner's

expense and Owner agrees to pay such costs incurred by the Association in the enforcement of this paragraph, such charge being deemed a Specific Special Assessment. No such entry as provided herein shall be deemed a trespass. The foregoing provisions shall not apply to Declarant or to a Builder while constructing residences upon any Single Family Lots.

Section 8.6. Clotheslines, Garbage Cans; Lawn Maintenance, General Upkeep of Lots, etc.

All clothes lines, garbage cans, lawn mowers, stored materials, wrecked, unlicensed, or inoperable vehicles, and similar equipment shall be kept in an enclosed structure or adequately screened by planting or fencing, as determined by the Board of Directors. Incinerators for garbage, trash or other refuse shall not be permitted anywhere in the Subdivision. All garbage cans and other sanitary containers must be kept in a garage or otherwise screened from view from the street, and shall not be permitted to be left on the street for pickup for more than 12 hours. Temporary window treatments (such as towels, bed sheets, etc.) shall not be permitted except for the first 30 days after an Owner takes possession of his/her/their Lot. No trash, rubbish, garbage or other waste material shall be kept or permitted upon any Single Family Lot, Courtyard Lot or the Common Area, except in garbage cans or other sanitary containers. No weeds, vegetation, rubbish, debris, garbage, or other waste materials shall be permitted to accumulate on any Lot or any other portion of the Subdivision which would render it unsanitary, unsightly, or offensive. The Association's obligation to maintain the front yards notwithstanding, each Owner shall keep his grass, hedges, shrubs, vines and mass planting of any kind trimmed or cut so as to appear neat and attractive, and shall promptly remove any dead trees, vines, shrubs or plants on his property.

Section 8.7. Antennas, Satellite Dishes.

No freestanding radio or television transmission or reception towers, antennas, dishes or discs shall be erected on a Single Family Lot. One radio/ television antenna not exceeding three (3) feet in height above the roofline of the Dwelling, and one satellite dish or disc not exceeding three (3) feet in diameter may be installed, provided that they are attached to the Dwelling and not visible from the street in front of the Dwelling. On Dwellings that have a southern-facing front elevation, or that for whatever reason cannot reasonably use satellite dishes subject to the foregoing limitations, it shall be permissible to place one satellite dish, not attached to the residence, in the front or side yard of such Lot, provided that such dish is no more than three feet from the Dwelling, and is screened from view by landscaping, such installation to be specifically approved by the Association. Notwithstanding the foregoing, the Association shall permit television signal reception antennas pursuant to FCC regulations published at 47 C.F.R. § 1.4000 subject to certain conditions as approved by the Association.

Section 8.8. Walls, Fences and Hedges.

Walls and fences are permitted as long as both sides of such structures are constructed of identical materials and identical designs, and such walls and fences are of a uniform height across the entire

Single Family Lot. No chain link, cyclone, or similar sort of fencing shall be permitted, provided however that split-rail fencing with reasonable pet fencing attached shall be permitted. For masonry walls, no exposed concrete block will be permitted. Hedges shall be maintained in a neat condition on both sides. All walls, fences, and hedges shall be located only in the rear yard of each Single Family Lot, a "rear yard" being defined as the portion of each Lot from the rear most corners of any house, out to the side Lot lines, then back to the rear property line. Provided, however, that on corner Lots, no walls, fences or hedges shall be erected in the side yard setback.

The restrictions set forth herein shall not apply to the Community Fencing, if any, which shall be permitted as set forth in Section 4.3 above. No Owner shall remove the Community Fencing or tie additional fencing to the Community Fencing, if any, without the express permission of the Declarant, so long as the Declarant owns any Lot, or, thereafter, without the express permission of the Board of Directors.

Section 8.9. Pools.

Pools shall be permitted upon Single Family Lots. Such pools must be located directly behind the residence of each Single Family Lot and screened from view by a six-foot privacy fence.

Section 8.10. Driveways and Parking Areas.

Only driveways and parking areas constructed of concrete or brick shall be permitted.

Section 8.11. Boats, Commercial Vehicles, Etc.

No boats, motor homes, trailers, campers, mobile homes, commercial trucks of any size, recreational vehicles in excess of twelve (12) feet in length or motorized vans used for commercial purposes (as distinguished from vans used solely as passenger vehicles), wrecked vehicles, inoperable vehicles or any vehicle not regularly operated shall be parked within the right of way of any public or private street within the subdivision. In addition, at no time shall any of the above-mentioned boats, trailers or vehicles be placed upon a Single Family Lot for storage purposes, other than in a garage.

Section 8.12. Outbuildings.

There shall be no structure of a temporary nature on any Single Family Lot; all structures erected must have a permanent foundation (i.e.: poured concrete at least 4 inches thick). No trailer, shed, tent, garage or any other similar structure shall be used as a residence. Provided, however, this paragraph shall not be construed to prevent Declarant or Builder from using sheds or other temporary structures during construction. Provided, further, this paragraph shall not be construed to prevent Owners of Single Family Lots from constructing a permanent detached garage, carport, or utility shed (such shed not to exceed 12 feet by 16 feet in area) if constructed of materials similar to those used in the residence upon such Single Family Lot, if located behind the rear wall of the residence,

if constructed in conformity to existing structures within the immediate area, and if not located within any Easements.

Section 8.13. Basketball Goals and Mailboxes.

Basketball goals shall be permitted on a Single Family Lot if placed a minimum of ten (10) feet behind the concrete curb into such Single Family Lot and placed outside of the public right-of-way. All goals and surrounding areas are to be maintained in a neat and orderly condition so as not to create a nuisance. No stone or masonry mailbox structures are permitted. All mailboxes are to be constructed of break-away materials as approved by the North Carolina Department of Transportation, and shall be identical to those originally installed by the Declarant or Builder. If identical mailboxes are no longer available, replacement mailboxes shall be of a style and design substantially similar to the original mailboxes installed by the Declarant or Builder, as approved by the Association.

Section 8.14. Minimum Square Footage.

Dwellings upon any Single Family Lot shall contain not less than a minimum of eight hundred (800) square feet of heated floor area, exclusive of garage, carport, unheated storage areas and non-living space for dwellings.

Section 8.15. Subdivision of Lots.

No Single Family Lot shall be subdivided by sale or otherwise, except by and with the written consent of Declarant and in compliance with local ordinances. The foregoing notwithstanding, the Declarant shall at all times have the right to reconfigure all unsold Single Family Lots, provided that such reconfiguration is in compliance with local ordinances. Such reconfiguration by the Declarant need not result in the same number of Lots existing in the Subdivision, it being the intent of this Section to provide the Declarant with the right to change the size, number, and use (i.e.: from Single Family to Condominium; from Condominium to Single Family) of any unsold Lots in the Subdivision.

Section 8.16. Fire.

In the event any home or structure is destroyed or partially destroyed, said damage must be repaired and the improvement reconstructed within twelve months.

Section 8.17. Utility and Drainage.

An easement on each Single Family Lot is hereby reserved by Declarant for itself and its successors and assigns along, over, under and upon a strip of land ten (10) feet in width along the rear lot lines, and easements five (5) feet in width along the front and side lot lines of all Single Family Lots, in

addition to any other Easements. The purpose of these easements shall be to provide, maintain, and operate drainage facilities and utility service lines to, over or for each of the Single Family Lots. Within these easements, no structure, planting or other material shall be placed which may interfere with the installation or maintenance of utilities, or which may change the direction or flow of drainage channels in the easements. The easement area and all improvements in it shall be maintained by Owner, except for those improvements for which a public authority or utility company is responsible. With ten (10) days prior written notice to Owner, Declarant may exercise the right to remove obstructions in such easements upon Owner's failure to do so, at Owner's expense, and Owner agrees to pay costs incurred by Declarant in doing so. For the purpose of this covenant, Declarant reserves the right to modify or extinguish the easements herein along any Lot lines in its sole discretion. For the duration of these restrictions, no such utilities shall be permitted to occupy or otherwise encroach upon any of the easement areas reserved without first obtaining the prior written consent of Declarant; provided, however, local service from utilities within easement areas to residences constructed upon any such Lots may be established without first obtaining separate consents therefor from Declarant.

Section 8.18. Emergency.

There is hereby reserved a general easement to all firemen, ambulance personnel, police and security guards and all similar persons to enter upon the Property or any portion thereof, in the performance of their respective duties. Neither the Association nor the Declarant shall be responsible for any damage caused to any Lots due to the use of this emergency personnel easement.

Section 8.19. Declarant's Consent to Sales Material.

Until all of the Single Family Lots have been conveyed by Declarant, all sales and advertising materials, and all forms of deeds, contracts for sale, and other closing documents for the sale of Single Family Lots by any Builder shall be subject to the prior approval of Declarant, which approval shall not be unreasonably withheld. If Declarant fails to notify a Builder of approval or disapproval within thirty days, Declarant shall be deemed to have approved the foregoing. Upon disapproval, Declarant shall provide Builder a list of required changes, and the above procedure shall be repeated until approval is obtained.

Section 8.20. Window Units.

No window air conditioning unit shall be installed in any Dwelling.

Section 8.21. Awnings.

No patio coverings or awnings on the front of any Dwelling shall be permitted except as approved by the Association.

Section 8.22. Recreational Equipment.

All recreational equipment and personal property other than automobiles must be stored in such a manner as not to be visible from any street in front of the Dwelling.

Section 8.23. Storm Doors, Screen Doors.

No screen or storm doors shall be permitted on the front entrance to any Dwelling except those made of glass or plexiglass which are transparent and have been approved by the Association.

Section 8.24. Pumps, Tanks.

No heat pump, propane tank, solar device, or other similarly exposed mechanical equipment other than those originally installed by the Declarant or a Builder, shall be placed on any Single Family Lot, unless screened from view from the street in front of the Building, and from other Owners, and approved by the Association.

Section 8.25. Enforcement.

If any Owner shall violate or attempt to violate any of these restrictions, it shall be grounds for an action to recover sums due, damages or injunctive relief, or both, maintainable by Declarant, the Association, or, in the proper case, by an aggrieved Owner. Failure by Declarant or any other Owner to enforce any of the foregoing restrictions or other provisions shall not be deemed a waiver of their right to do so. The Association may not file any lawsuit for purposes of enforcing this Declaration except in accordance with Section 13.1.

Section 8.26. Declarant's Right to Repurchase.

If at any time Declarant sells any Single-Family Lot to a person or persons, firm or corporation, and such person or persons, firm or corporation shall intend to sell such Single-Family Lot before any residence is constructed on said Single-Family Lot, Declarant reserves and shall have the right and option, but not the obligation, to purchase the Single-Family Lot at a price not to exceed the original selling price with the option expiring thirty (30) days after the Owner notifies the Declarant in writing of his, her or their intentions, said notice to be by certified mail with return receipt, and said notice shall contain the name and address of the intended purchaser and the price and all other terms of the intended sale.

Section 8.27. General.

Each Single Family Lot now or hereafter subjected to this Declaration shall be subject to all Easements. No structure of any type shall be erected upon a Lot which will interfere with rights and use any Easement.

Section 8.28. Waiver.

Declarant may, but need not, waive in writing any violation of the designated and approved building location lines on either side lot line, horizontal measurement only, provided that such violation does not exceed 10% of the applicable requirements and provided such violation does not violate any local ordinance or zoning.

ARTICLE IX

(INTENTIONALLY OMITTED)

ARTICLE X**USE RESTRICTIONS: CONDOMINIUM LOTS**

The use restrictions on the Condominium Lots shall be as set forth in more detail in the Condominium Declaration.

ARTICLE XI**SPECIAL LIMITATIONS ON RENTAL PROPERTY**

There are special restrictions on the rental of Dwellings and Units within the Property. Acceptance of the deed to any Lot indicates an acceptance of the following limitations to the fullest extent permitted by North Carolina or Federal law.

The Declarant has determined, based upon its experience in the homebuilding and land development industries, that having a high percentage of rental properties (i.e. non-owner-occupied) ("Rental Properties") is detrimental to the long-term health, and financial value, of a community. Furthermore, the Declarant desires for the Subdivision to comply at all times with the regulations promulgated by HUD/VA/FNMA/FHLMC, which limit the number and/or percentage of Rental Properties in the Subdivision. Toward that end, the Declarant hereby places the following special limitations on Rental Properties within the Subdivision:

1. No Dwelling or Unit may be offered for rent or for lease without the express written approval of the Association (and the Declarant, for so long as the Declarant owns any Lot). Owners desiring to rent or lease their Dwelling(s) and/or Unit(s) shall submit a summary of the proposed rent terms and a copy of the proposed lease, at least 60 days prior to the proposed commencement date of such lease. Failure by the Association (and the Declarant, as appropriate) to approve or deny such lease within 30 days of receipt shall constitute an approval of said Lease.

2. No lease shall exceed twelve months duration, and any proposed extension thereto shall be considered a new lease, subject to the same notice and approval requirements set forth herein.
3. Approval or denial of any proposed leases may be made by the Association (and the Declarant, as appropriate) in its absolute discretion. The foregoing notwithstanding, all leases shall be denied in the event they would contribute to any of the following:
 - A. Having the total number of Rental Properties exceed 20% of the combined number of Dwellings and Units in the Subdivision be non-owner-occupied;
 - B. Having the total number of Rental Properties within any product type (Single Family Lots or Condominium Units) exceed 20% of the total number of that particular product type;
 - C. Having the total number of Rental Properties exceed any limitation established by HUD/VA/FNMA/FHLMC.
4. Each Owner, by taking title to his Lot, acknowledges that the foregoing limitation on alienability of real property is reasonable under the circumstances, and serves to benefit the common scheme of the Subdivision, and the common well being of the Owners.

ARTICLE XII

INSURANCE

Section 12.1. Insurance Coverage to be Maintained - Use and Distribution of Insurance Proceeds.

- (a) The Association shall maintain in full force and effect fidelity insurance coverage protecting against dishonest acts by Association officers, directors, trustees, and employees and all others who are responsible for handling funds of the Association in the amount of one year's operating budget, plus projected reserve balances during the budget year. If professional management is obtained by the Association and it has this coverage and it handles the funds, then this requirement will be satisfied.
- (b) If the Board of Directors so elects, officers and directors liability insurance covering the officers and directors of the Association may be obtained in such amount as the Board of Directors shall determine.
- (c) The Association shall obtain and maintain at all times insurance on all buildings and other improvements to the Amenity Areas of the Property and all personal property included in

the Common Area, in an amount, after application of deductibles, not less than eighty percent (80%) of the actual cash value of the Property covered at the time such insurance is purchased and at the time of each renewal thereof, without deduction for depreciation, and exclusive of the cost of any real property, excavation, foundations, streets and parking facilities. Provided, however, that such insurance may be written on a co-insurance basis of not less than ninety percent (90%) of the policies evidencing such coverage which shall insure against all risks of direct physical loss including fire and extended coverage perils. Such policies shall also contain clauses providing for a waiver of subrogation against any Owner and members of Owner's household. They shall also contain the standard condominium endorsement and shall provide that such policies may not be canceled or substantially modified without at least thirty (30) days prior written notice to all the insureds, including all mortgagees. Such policies shall further provide that no act or omission by any Owner, unless acting within the scope of his authority on behalf of the Association will preclude recovery upon such policy. All such policies shall provide that adjustment of loss shall be made by the Association as insurance trustee. Each insurance policy shall provide for the issuance of certificates or mortgage endorsements to mortgagees.

(d) The Association shall have the further right to purchase and maintain comprehensive general liability insurance coverage and such other insurance coverage as the board of directors may deem necessary and appropriate.

(e) Premiums upon insurance policies purchased by the Association shall be paid by the Association as common expenses to be assessed and collected from all of the Owners.

(f) All insurance policies purchased by the Association shall be for the benefit of the Association.

ARTICLE XIII

GENERAL PROVISIONS

Section 13.1. Enforcement.

The Declarant, the Association, any Owner or any other person, firm or corporation owning any interest in a Lot shall have the right to enforce by any proceedings at law or equity all conditions, covenants, restrictions, reservations, liens and charges now or hereinafter imposed by the provisions of this Declaration. Failure by such party to enforce any such covenant, condition or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter. The Declarant or Association shall have the right to request that law enforcement, public safety and animal control officers come on the Property to facilitate the enforcement of the laws, codes and ordinances of any governmental authority.

Section 13.2. Lawsuits.

The Association may not institute formal legal proceedings for any purpose, other than the collection of Assessments owed, without the affirmative approval of two-thirds of the votes entitled to be voted.

Section 13.3. Severability.

Invalidation of any one of the covenants, conditions or restrictions of this Declaration, or any part thereof, by judgment or court order shall in no way affect any of the other provisions not expressly held to be void and such remaining provisions shall remain in full force and effect.

Section 13.4. Effective Period.

The covenants, conditions, and restrictions of this Declaration shall run with the land and bind the Association and the Owners of Lots for a period of twenty-five (25) years from the date this Declaration is recorded, after which time such covenants, conditions and restrictions shall be automatically extended for successive periods of ten (10) years until amended or terminated as herein provided. The reserved easements shall run permanently with each Lot.

Section 13.5. Amendment and Termination.

This Declaration may not be materially altered, amended, modified, canceled or changed at any time during the first twenty (20) year period, except by a written document executed by the Declarant, so long as the Declarant owns any Lot, together with the Owner or Owners of two-thirds of the Lots then owned by persons other than the Declarant, and thereafter by a written document signed by the Owners representing two-thirds of the votes entitled to vote. Any such Amendment must be recorded in the Forsyth County Public Registry and shall not be effective until so recorded.

The foregoing notwithstanding, any material change to this Declaration shall, so long as there is a Class B Member, require the approval of HUD/VA.

The foregoing notwithstanding, the Declarant may amend this Declaration at any time to correct scrivener's errors, patent or latent ambiguities, or to make any other modifications whatsoever that do not materially adversely affect the rights or responsibilities of any Owner.

Section 13.6. Enforcement of Expenses as a Lien Upon Property.

All costs incurred by the Declarant or the Association in the enforcement of the terms and conditions hereof, including court costs, fines levied, costs of correcting deficiencies by any Owner of a Lot or Lots, and reasonable attorneys' fees in the enforcement hereof, shall be a personal liability of the Owner or Owners of such Lot or Lots subject to the enforcement or collection hereunder, and

furthermore such costs and fees shall be a lien upon the Lot of the Owner, and each Owner agrees to accept such personal liability and the lien enforcement rights of the Declarant and the Association by acceptance of a deed to any Lot or Lots in the subdivision; provided, however, said lien shall be subject to the limitations contained in Article V hereof.

Section 13.7. Amendment to Conform to Requirements of FHA/VA/FHMA/FHLMC.

Declarant, without consent or joinder of the Association or any other Owner of Lot or Lots, may amend this Declaration to conform to the requirements of the FHA/VA/FNMA/FHLMC at any time during which Declarant owns any of the Property.

Section 13.8. FHA / VA Approval.

In the event the Declarant has arranged for and provided purchasers of Lots with FHA/VA insured mortgage loans, then as long as any Class B Lot exists, as provided in Article III hereof, the following actions will require the prior approval of the Federal Housing Administration or the Veterans Administration: Annexation of additional properties, other than as provided in Article II hereof, and amendment of this Declaration of Covenants, Conditions, and Restrictions.

In the event the necessary HUD/FHA/VA, or other governmental approval is not obtained for any action as called for in this Declaration, such failure shall not void said action, but shall merely make such action subject to subsequent disapproval or modification by the appropriate governmental agency.

Section 13.9. Headings.

Article and section headings are inserted for convenient reference and are not to be construed as substantive parts of the paragraphs to which they refer, except to the extent they differentiate between different classes of Lots, Members, or dues and Assessments.

Section 13.10. Assignment and Delegation.

The Declarant reserves and shall have the right and option at any time and from time to time to assign and delegate any or all of its rights and its duties under this Declaration.

Section 13.11. RBC Centura Bank (Lender).

RBC Centura Bank (formerly Centura Bank) (Lender) and C B Services Corp. (Trustee), as Beneficiary and Trustee, respectively of that Deed of Trust executed on 9-13-01 and recorded in Book 2199 at Page 2278 of the Forsyth County Registry, and which may have been or may be modified from time to time, which encumbers the Property, approve this Declaration and agree to abide by its terms, and further recognize that they are not a Declarant hereunder, nor do they assert

any rights, or accept any responsibilities of the Declarant. Their execution hereof is made only to express consent to be bound by said Declaration, and to subordinate the aforementioned Deed of Trust to this Declaration.

IN WITNESS WHEREOF, the Declarant has caused this Declaration to be executed as of the day and year first above written.

OAKHURST OF KERNERSVILLE, LLC

By: Leslie R. Mitchell
Leslie R. Mitchell, Manager

APPROVED:

RBC CENTURA BANK
(formerly CENTURA BANK) (LENDER)

By: Charles E. Poff
President Bank Office

CB SERVICES CORP. (TRUSTEE)

By: Charles E. Poff
Vice President

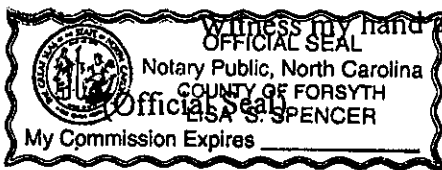
APPROVED AND CONSENTED:

MULVANEY HOMES, INC.

By: Greg Williams
Greg Williams, Vice President

STATE OF NORTH CAROLINA
COUNTY OF MECKLENBURG FORSYTH

I, LISA S. SPENCER, Notary Public for said County and State, certify that Leslie R. Mitchell Personally came before me this day and acknowledged that he is Manager of OAKHURST OF KERNERSVILLE, LLC, a North Carolina limited liability company, and that he, as Manager, and being authorized to do so, executed the foregoing on behalf of the corporation.



Witness my hand and official seal, this the 4th day of June, 2002.

Lisa S. Spencer
Notary Public

My Commission Expires: 11-30-2003

STATE OF NORTH CAROLINA
COUNTY OF MECKLENBURG GUILFORD

I, Angela V. Tanner, Notary Public for said County and State, certify that Charles E. Judy, Jr. Personally came before me this day and acknowledged that he is Bank Officer President of RBC Centura Bank (formerly Centura Bank), a national banking association, and that he, as Bank Officer President, and being authorized to do so, executed the foregoing on behalf of the bank.

Witness my hand and official seal, this the 4th day of June, 2002.

(Official Seal)

Angela V. Tanner
Notary Public

My Commission Expires: June 22, 2002

STATE OF NORTH CAROLINA
COUNTY OF MECKLENBURG GUILFORD

I, Angela V. Tanner Notary Public for said County and State, certify that Charles E. Judy, Jr. personally came before me this day and acknowledged that he is Vice President of CB SERVICES CORP., a corporation, and that he, as Vice President, and being authorized to do so, executed the foregoing on behalf of the corporation.

Witness my hand and official seal, this the 4th day of June, 2002.

(Official Seal)

Angela V. Tanner
Notary Public

My Commission Expires: June 22, 2002

STATE OF NORTH CAROLINA
COUNTY OF MECKLENBURG FORSYTH

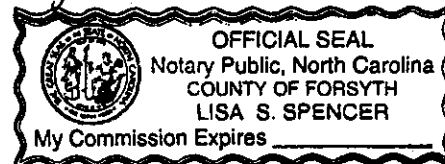
I, Lisa S. Spencer, Notary Public for said County and State, certify that Greg Williams personally came before me this day and acknowledged that he is Vice President of MULVANEY HOMES, INC., a corporation, and that he, as Vice President, and being authorized to do so, executed the foregoing on behalf of the corporation.

Witness my hand and official seal, this the 7th day of June, 2002.

(Official Seal)

Lisa S. Spencer
Notary Public

My Commission Expires: 11-30-2003



STATE OF NC - FORSYTH CO

The foregoing certificate(s) of:

Angela V. Tanner and Lisa S. Spencer NP(s)

is/are certified to be correct at the date of recordation shown on the first page thereof.

Dickie C. Wood, Register of Deeds by: Chalissa Deputy, Notary

EXHIBIT A

**MCCONNELL SUBDIVISION
LEGAL DESCRIPTION FOR MASTER DECLARATION OF COVENANTS, CONDITIONS AND
RESTRICTIONS**

Property Description:**Tract 1:**

BEING KNOWN AND DESIGNATED as Tract 1, Tract 2, Tract 3, Tract 4, Tract 5, Tract 6, Tract 7, Parcel H-2 and Lot 3 of Charles T. Lambeth Trust/Estate as shown on a map and plat of same which is recorded in Plat Book 41, Pages 47, 48 and 49 in the Office of the Register of Deeds of Forsyth County, North Carolina, reference to which is hereby made for a more particular description.

Together with any and all interest in the streets and roads shown on the plat entitled "Charles T. Lambeth Trust/Estate" and recorded in Plat Book 41, Pages 47, 48 and 49, Forsyth County Registry.

SAVE AND EXCEPT that property conveyed to Trustees of First Baptist Church of Kernersville (Lot 1 of "Final Plat of First Baptist Church of Kernersville", Plat Book 43, Page 75, Forsyth County Registry) by Deed recorded in Book 2146, Page 697, Forsyth County Registry.

SAVE AND EXCEPT that property conveyed to Charles M. Lambeth by Deed recorded in Book 2116, Page 3236, Forsyth County Registry.

The above described property is the same as that described in Book 2082, Page 679; Book 2082, Page 682; Book 2082, Page 685; Book 2082, Page 688; Book 2082, Page 691; Book 2082, Page 693; Book 2082, Page 696 and Book 2082, Page 698, Forsyth County Registry, **SAVE AND EXCEPT** that property conveyed by Deeds recorded in Book 2116, Page 3236 (Lambeth) and Book 2146, Page 697 (First Baptist Church), Forsyth County Registry.

Tract 2:

BEGINNING at a rebar along the southern right of way line of Lake Drive, said rebar marking the northeast corner of the Ezra C. Norris property (Deed Book 1623, Page 122, Forsyth County Registry) and a corner of the within described property; thence along the right of way line of Lake Drive South 89° 06' 21" East 61.08 feet to Town of Kernersville monument "Manual" (North=865,035.4779; East=1,679,004.1183), said monument marking the northwest corner of the Ray F. Manuel property (Deed Book 1032, Page 624, Forsyth County Registry) and also lies South 55° 09' 24" West 518.55 feet from the Town of Kernersville monument "Mabe" (North=865,331.7218; East=1,679,429.6708); thence along the Manuel property South 08° 56' 41" East 145.20 feet to an existing iron stake; thence continuing with the Manuel property and also running with the Robert T. Rumley property (Deed Book 1216, Page 950, Forsyth County Registry) North 66° 59' 28" East 231.27 feet (crossing an existing iron stake at 131.23 feet marking the common corner of Manuel and Rumley) to an existing iron stake marking the southeast corner of Rumley and also a corner of the David S. Spano property (Deed Book 1653, Page 1098, Forsyth County Registry); thence along the Spano property North 51° 51' 42" East 40.50 feet to an existing iron stake marking a corner of the Clint R. Brouhard property (Deed Book 1632, page 1144,

Dickie C. Wood



Register of Deeds

THIS PAGE NUMBER WAS
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REPRESENT ANY
RECORDED INSTRUMENT

Liberty Street Plaza Bldg.
P. O. Box 20639
Winston-Salem, North Carolina 27120-0639
(336) 727-2903

Dickie C. Wood



Register of Deeds

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RECORDED INSTRUMENT

Liberty Street Plaza Bldg.
P. O. Box 20639
Winston-Salem, North Carolina 27120-0639
(336) 727-2903

Dickie C. Wood



Register of Deeds

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