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**MASTER DECLARATION
OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
WHITESTONE**

Greensboro 778893.2

**Prepared by: Brian W. Byrd, SMITH MOORE LLP
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**MASTER DECLARATION
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FOR
WHITESTONE**

THIS MASTER DECLARATION is made on the date hereinafter set forth by **SPKA, LLC**, a North Carolina limited liability company having an office in Guilford County, North Carolina, hereinafter referred to as "Declarant."

WITNESSETH:

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

ALL of the land shown on the plat entitled "WHITESTONE PHASE 1" recorded in Plat Book 162, Pages 46 through 50, in the Office of the Register of Deeds of Guilford County, North Carolina.

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

NOW, THEREFORE, Declarant hereby declares that all of the property described above shall be held, sold and conveyed subject to the following easements, restrictions, covenants and conditions, which are for the purpose of protecting the value and desirability of, and which shall run with, such real property and be binding on all parties having any right, title or interest in the described properties or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each owner thereof. It is the intent of Declarant that the provisions of this Declaration in all respects conform and comply to the requirements set forth in the North Carolina Planned Community Act. To the extent any provision contained herein does not conform or comply with the North Carolina Planned Community Act, the provisions of the Act shall control.

*Prepared by: Brian W. Byrd, SMITH MOORE LLP
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ARTICLE I

DEFINITIONS

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

SECTION 2. Additional Property. "Additional Property" shall mean and refer to the property described in Schedule "A," attached hereto and incorporated herein by this reference, together with any other property located adjacent to the Properties. For the purpose of determining whether property is adjacent to the Properties, the rights of way of public roads and utilities, as well as rivers and streams, shall be deemed not to separate otherwise adjacent property.

SECTION 3. Appropriate Local Governmental Authority. "Appropriate Local Governmental Authority" shall mean and refer to the City of High Point or other appropriate local governmental authority having jurisdiction over the Properties.

SECTION 4. Association. "Association" shall mean and refer to Whitestone Master Homeowners Association, Inc., its successors and assigns.

SECTION 5. Common Elements or Common Area. "Common Elements" or "Common Area" shall mean all real property owned (whether in fee or by way of license or easement) or leased by the Association, other than a Lot. The Common Elements to be owned by the Association at the time of the conveyance of the first Lot is described as follows:

ALL of the land designated "Master Common Elements" as shown on the plat entitled "**WHITESTONE PHASE 1**" recorded in Plat Book 167, Pages 46 through 50, in the Office of the Register of Deeds of Guilford County, North Carolina.

In addition, the Association shall own as Common Elements the easements to drain storm and surface water from the Properties into the detention pond (the "Offsite Detention Pond") and other easements established pursuant to that certain Pond Easement and Maintenance Agreement by and between Florence Allen and Declarant recorded in Book 6262, Page 2179, Guilford County Registry (the "Easement Agreement"), which Detention Pond is shown on the plat recorded at Plat Book 167, Pages 46 through 50, Guilford County Registry. The Association hereby accepts the easements, rights and privileges arising under the Easement Agreement and agrees to be bound by and to perform all obligations of Declarant under the Easement Agreement, including without limitation, the Maintenance Obligations (as defined in the Easement Agreement). In the event the Association is dissolved or otherwise defaults on its

obligation to perform the Maintenance Obligations, the owners of portions of the Properties shall be jointly and severally liable for the performance of such Maintenance Obligations.

Declarant reserves the right, in its sole discretion, to convey or cause to be conveyed to the Association from time to time and without the consent of the Association or its Members, any portion of the Properties, including any Additional Property annexed by Declarant pursuant to Article VIII, Section 4 hereof. In addition, any Secondary Association, with the consent of Declarant during Declarant's Development Period, as hereinafter defined, and thereafter with the consent of the Association, in the discretion of its Executive Board, may convey additional property to the Association. The Association shall accept any such conveyance of property and thereafter such property shall be held and maintained by the Association as Common Elements. Declarant may construct or cause to be constructed (**BUT SHALL NOT BE OBLIGATED TO CONSTRUCT**) recreational amenities, walkways and related facilities on any such Common Elements. Other improvements, which may include, but shall not be limited to roadways, retention or detention ponds or erosion control devices may be located on any such Common Elements. Declarant does not contemplate the construction of any recreational improvements or amenities, except a clubhouse and swimming pool, within any Common Elements. Except as otherwise provided in Section 47F-3-113 of the Planned Community Act, the Association shall be required to promptly repair and replace any portion of the Common Elements for which the Association is required to maintain casualty insurance pursuant to the Bylaws of the Association which is damaged or destroyed. All Common Elements shall be conveyed to the Association in their "as is" condition without any express or implied warranty. **TO THE EXTENT PERMITTED BY LAW, DECLARANT HEREBY DISCLAIMS ALL IMPLIED WARRANTIES, INCLUDING, WITHOUT LIMITATION, IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, WITH RESPECT TO COMMON ELEMENTS CONVEYED TO THE ASSOCIATION.**

The Association also may acquire additional Common Elements with the consent of the Members of the Association entitled to cast at least two-thirds (2/3) of the votes of each class of Members of the Association, who are voting, in person or by proxy, at a meeting duly called for such purpose; provided, however, during Declarant's Development Period no such action shall be effective without Declarant's consent and approval. For such a conveyance to be effective, the deed or instrument conveying to the Association additional Common Elements must: (1) be executed on behalf of the Association by its duly authorized officers; (2) contain an attestation by the officers executing the instrument on behalf of the Association that the requisite owner and Declarant approval has been obtained and is evidenced by written acknowledgments signed by the owners approving the amendment and if required, Declarant, and that such acknowledgments are made a part of the minute book of the Association; and (3) be properly recorded in the Guilford County Registry.

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

SECTION 7. Declarant's Development Period. "Declarant's Development Period" shall mean and refer to the period of time commencing on the date this Declaration is recorded in the Office of the Register of Deeds, Guilford County, North Carolina, and continuing for so long as Declarant shall have the right to annex any portion of the Additional Property pursuant to the provisions of Article VIII, Section 4 hereof or Declarant or any affiliate of Declarant shall own any portion of the Properties.

SECTION 8. Lot or Lots. "Lot" shall mean and refer to any separately numbered lot intended for single family residential purposes, any townhome lot or any condominium unit shown on any now or subsequently recorded subdivision plat of the Properties and shall include any improvements constructed thereon and "Lots" shall refer to all such lots and units collectively. Declarant hereby reserves the right to reconfigure, from time to time and without the consent of the Owners or the Members of the Association, the boundaries of any Lot or Lots owned by Declarant and to thereby create additional Lots, eliminate existing Lots or create additional Common Elements; provided, however, in no event shall the Properties contain a greater number of Lots than the number from time to time permitted by the Appropriate Local Governmental Authority. If Declarant elects to exercise its right to revise the boundaries of one or more Lots owned by Declarant, Declarant shall record a revised plat of the affected Lot or Lots. Upon the recording by Declarant of such a revised plat, each lot shown on the previously recorded plat or plats, the boundaries of which are revised by the revised plat, shall cease to be a "Lot" as defined in this Declaration and each newly configured lot shown on the revised plat shall be a "Lot" as defined in this Declaration.

SECTION 9. Master Plan. "Master Plan" shall mean and refer to the plan(s) for the Properties and the Additional Property now or hereafter approved by the Appropriate Local Governmental Authority, as such plan(s) may be from time to time amended and approved.

SECTION 10. Member. "Member" shall mean and refer to every person or entity who holds Membership with voting rights in the Association.

SECTION 11. Owner. "Owner" shall mean and refer to the record Owner, whether one or more persons or entities, of a fee simple title to any Lot which is a part of the Properties, as hereinafter defined, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

SECTION 12. Period of Declarant Control. "Period of Declarant Control" shall mean and refer to the period of time commencing on the date this Declaration is recorded in the Office of the Register of Deeds, Guilford County, North Carolina, and continuing for so long as Declarant or any affiliate of Declarant shall own any portion of the Properties. In the event that Declarant ceases to own any of the Properties but thereafter annexes Additional Property to this Declaration, the Period of Declarant Control shall be reinstated until Declarant shall again cease to own any of the Properties.

SECTION 13. Planned Community Act. "Planned Community Act" shall mean and refer to the provisions of Chapter 47F of the General Statutes of North Carolina.

SECTION 14. Properties. "Properties" shall mean and refer to all of the property hereby or hereafter made subject to the terms, covenants and conditions of this Declaration, as amended from time to time.

SECTION 15. Secondary Association. "Secondary Association" shall mean and refer to any homeowners association, including, without limitation, any condominium association, townhome association or any single family association, formed pursuant to Additional Covenants imposed by Declarant on portions of the Properties for the purpose of providing for the further administration, protection, maintenance and control of the Lots subject to such Additional Covenants and related property to be maintained for the benefit of the Owners of such Lots.

ARTICLE II

PROPERTY RIGHTS

SECTION 1. RECREATIONAL AMENITIES WHICH MAY BE LOCATED IN THE COMMON ELEMENTS. Declarant hereafter may construct or cause to be constructed (**BUT SHALL NOT BE OBLIGATED TO CONSTRUCT**) a club house, swimming pool and related walkways, driveways, parking and other facilities on a portion of the Common Elements. Declarant does not contemplate the construction of any other recreational improvements or amenities within the Common Elements.

During Declarant's Development Period, Declarant or its affiliate shall have the right to require the exclusive (or, at the discretion of Declarant or its affiliate, non-exclusive) use of all or certain portions of any Common Elements for events promoting the sale of lots or homes in Whitestone; provided, however, no such use by Declarant or its affiliate shall unreasonably interfere with or obstruct ingress, egress and regress to or from the Lots.

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

SECTION 2. MAINTENANCE OF COMMON ELEMENTS. The Association shall maintain the Common Elements, open spaces and streets within the Common Elements which have not been accepted for dedication by a public authority, roadway medians and islands (including medians and islands located in dedicated rights-of-way within the Properties), and street lights erected by the Association or Declaration in the rights-of-way of streets (whether public or private) or in any other easement provided for such purpose within the Properties.

Without limiting the foregoing, the Association shall maintain any lake and any retention or detention ponds (including the Offsite Detention Pond), rip rap and other drainage or erosion control devices located on the Common Elements now or hereafter conveyed to the Association by Declarant that are required to be maintained by the governmental office(s) having jurisdiction for watershed protection as directed by such governmental office(s). In the event the Association is dissolved or otherwise defaults on its obligation to maintain any such drainage or erosion control device, Declarant, for each Lot owned within the Properties, hereby covenants, and each Owner for any Lot, by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay a pro rata share of the cost of the maintenance of such pond or erosion control device.

SECTION 3. RULES AND REGULATIONS. The Executive Board of the Association may establish reasonable rules and regulations concerning the use of any Common Elements and improvements located thereon. Such rules and regulations may prohibit or restrict the use of any lake or pond which is a part of or adjacent to any Common Elements for boating, fishing and swimming and/or may provide for access to any such lake or pond only through designated portions of the Common Elements. The Association may impose reasonable monetary fines and other sanctions for the violation established rules and regulations and for the violation of any of the covenants and conditions contained in this Declaration, which monetary fines and sanctions shall be assessed and collected pursuant to the provisions of Article VIII hereof. Copies of such rules and regulations and the amendments thereto shall be furnished by the Association to all owners prior to the effective date thereof. All such rules and regulations shall be binding upon the owners, their families, tenants, guests, invitees and agents until and unless such regulation, rule or requirement shall be specifically overruled, canceled, or modified by the Executive Board of the Association or by the Members of the Association entitled to cast at least two-thirds (2/3) of the votes of the Association, who are voting, in person or by proxy, at a meeting duly called for such purpose; provided, however, during any Period of Declarant Control, Declarant must also consent to such action.

SECTION 4. OWNERS EASEMENTS OF ENJOYMENT. Every Owner shall have a right and easement of enjoyment in and to any Common Elements which shall be appurtenant to and shall pass with the title to every Lot, subject to the following provisions:

- (a) the easements herein reserved by Declarant or created in favor of the Association, including, without limitation the easements set forth in Article VI hereof;
- (b) the right of the Association to permit the use of and to charge reasonable admission and other fees for the use of any recreational facility situated upon the Common Elements;
- (c) the right of the Association to suspend the voting rights by the Owner(s) of any Lot for any period during which any assessment against such Lot remains unpaid and for any period during which such Lot or any Owner or occupant thereof is in violation of the terms of this Declaration or the published rules and regulations of the Association and for a period not to exceed sixty (60) days after any such violation;

(d) the right of the Association to dedicate or transfer non-exclusive easements on, over and upon all or any part of the Common Elements for such purposes and subject to such conditions as may be agreed to by the Association's Executive Board; provided, however, no such dedication or transfer shall be effective unless an instrument executed on behalf of the Association by its duly authorized officers, agreeing to such dedication or transfer, has been recorded;

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

(f) the right of the Association to impose rules and regulations for the use and enjoyment of the Common Elements and improvements thereon, which regulations may further restrict the use of the Common Elements, and specifically including the right to establish rules and regulations concerning parking and vehicular traffic flow on and along the streets and roadways, whether public or private, within or abutting the Properties, which rules and regulations may restrict or prohibit on-street parking and may be enforced by towing at the expense of the vehicle's owner, by reasonable fine levied against the vehicle's owner and/or any Owner of a Lot to which such violation reasonably may be attributed, or by any other reasonable method of enforcement established by the Association's Executive Board;

(g) the right of the Association to borrow money for the purpose of improving the Common Elements and facilities thereon and, with the assent of the Members entitled to cast at least eighty percent (80%) of the votes of the Association (including two-thirds of the votes of Members present at a meeting of the Members held in accordance with the Bylaws of the Association, such vote including at least a majority of the votes of Members present other than Declarant), mortgage, pledge, deed in trust, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred (any such mortgage shall be effective if it is executed on behalf of the Association by its duly authorized officers and recites that the requisite consent of Members has been obtained and documented in the Minute Book of the Association); provided, however, during Declarant's Development Period, Declarant must also consent to such action, and further provided that no such mortgage, encumbrance or hypothecation or foreclosure of the lien thereby created shall interfere with or obstruct utility service to, or ingress, egress and regress to or from, the Lots or any remaining Common Elements or cause any Lot or any remaining Common Elements to fail to comply with applicable laws, regulations or ordinances; and

(h) the right of the Association to convey to Declarant or any Secondary Association portions of the Common Elements for the purpose of correcting erroneous or inadvertent conveyances of Common Elements or eliminating unintentional encroachments of dwellings or other improvements onto portions of the Common Elements or for the purpose of enhancing the utility of the Common Elements to be retained by the Association; provided, however, no such conveyance shall interfere with or obstruct utility service to, or ingress, egress and regress to or from, the Lots or any remaining Common Elements or cause any Lot or any remaining Common Elements to fail to comply with applicable laws, regulations or ordinances.

SECTION 5. DELEGATION OF USE. Any Owner may delegate, in accordance with the Bylaws, his rights of enjoyment of the Common Elements and facilities to the members of his family, his tenants or contract purchasers who reside on the Lot of such Owner.

SECTION 6. LEASES OF LOTS. Any Lease Agreement between an Owner and a lessee for the lease of such Owner's Lot shall provide that the terms of the Lease shall be subject in all respects to the provisions of this Declaration of Covenants, Conditions and Restrictions, the Articles of Incorporation and Bylaws of the Association and that any failure by the lessee to comply with the terms of such document shall be a default under the terms of the lease. All leases of Lots shall be in writing and shall have a term of not less than one (1) month. Other than the foregoing there is no restriction on the right of any Owner to lease such Owner's Lot.

ARTICLE III

MEMBERSHIP AND VOTING RIGHTS

SECTION 1. MEMBERSHIP. Every person or entity who or which is a record owner of a fee or undivided fee interest in any Lot which is subject by covenants of record to assessment by the Association, including Declarant and any affiliated entity shall be a voting Member of the Association. The foregoing is not intended to include persons or entities who hold an interest in a Lot merely as security for the performance of an obligation. Such Membership shall be appurtenant to and may not be separated from ownership of any Lot which is subject to assessment by the Association. Except as otherwise provided in Sections 2 and 4 below, on all matters which the Membership shall be entitled to vote, the Member(s) owning each Lot shall be entitled to one (1) vote. When more than one person holds an interest in any Lot, all such persons shall be Members. The vote for such Lot shall be exercised as they among themselves determine, but in no event shall more than one vote be cast with respect to any Lot.

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

Class A The Class A Members shall be every person or entity who or which is a record owner of a fee or undivided fee interest in any Lot which is subject by covenants of record to assessment by the Association, except for Declarant or any affiliated entity during any Period of Declarant Control. In the event that a Lot is owned by more than one Class A Member, the Owners of such Lot, collectively, shall be allocated one (1) vote and the vote allocated to such Lot shall be cast as such Owners may agree between or among themselves. For the sole purpose of electing Executive Board members

following the expiration of the Period of Declarant Control, the Class A Members shall vote as separate sub-classes as further provided in Section 4 of this Article III.

Class B Declarant shall be the Class B Member and Declarant shall be entitled to three (3) votes for each separately numbered lot intended for single family residential purposes, any townhome lot or any condominium unit shown on the Master Plan as developed or to be developed as a part of Whitestone which has not been conveyed by Declarant or any affiliated entity to a Class A Member. The Class B membership shall cease and be converted to Class A membership on the happening of either of the following events, whichever occurs earlier:

(a) when the total votes outstanding in the Class A membership equal or exceed the total votes outstanding in the Class B membership; however, the Class B membership shall be reinstated if thereafter, and before the time stated in subparagraph (b) below, the Master Plan is amended to add additional lots and/or units developed or to be developed as a part of Whitestone sufficient to give the Class B membership a total number of votes (with the Class B membership entitled to three (3) votes for each separately numbered lot intended for single family residential purposes, any townhome lot or any condominium unit shown on the Master Plan as developed or to be developed as a part of Whitestone not previously conveyed by Declarant or any affiliate of Declarant to a Class A Member) which exceed those of the Class A membership; or,

(b) ten (10) years from the date this Declaration is recorded in the Office of the Register of Deeds, Guilford County, North Carolina.

SECTION 3. DECLARANT RIGHT TO REPRESENTATION ON THE EXECUTIVE BOARD OF THE ASSOCIATION. During any Period of Declarant Control, Declarant shall have the right to designate and select all of the Members of each Executive Board of the Association. Whenever Declarant shall be entitled to designate and select any person or persons to serve on any Executive Board of the Association, the manner in which such person or persons shall be designated shall be as provided in the Articles of Incorporation and/or Bylaws of the Association, and Declarant shall have the right to remove any person or persons selected by it to act and serve on said Executive Board and to replace such person or persons with another person or other persons to act and serve in the place of any member or members of the Executive Board so removed for the remainder of the unexpired term of any member or members of the Executive Board so removed. Any Executive Board member designated and selected by Declarant need not be a resident of the Properties.

SECTION 4. ELECTION OF EXECUTIVE BOARD FOLLOWING EXPIRATION OF PERIOD OF DECLARANT CONTROL. Except as otherwise provided in the Bylaws with respect to the filling of vacancies, any members of the Executive Board which Declarant is not entitled to designate or select shall be elected by the Members of the Association. Following the expiration of the Period of Declarant Control, the Executive Board shall consist of five (5) members, which members shall be elected as hereinafter provided. Two (2) members of such Executive Board elected by the Members shall be elected by a plurality of votes cast by all of the Class A Members of the Association (the "At-Large Members"). The remaining three (3) members of the Executive Board shall be elected by the three (3) sub-classes of Class A

Members as hereinafter provided. One (1) member of the Executive Board shall be elected from each of the following three (3) sub-classes of the Class A Membership which, for the purpose of electing the Executive Board members (other than the At-Large Members) only, shall vote as separate sub-classes as follows:

Class A-1: The Class A-1 Members shall be every person or entity who or which is a record owner of a fee or undivided fee interest in any Lot on which a single-family detached dwelling has been or may be constructed ("Single-Family Lot"). Class A-1 Members voting as a separate class shall be entitled to elect one (1) member of the Executive Board.

Class A-2: The Class A-2 Members shall be every person or entity who or which is a record owner of a fee or undivided fee interest in any Lot on which a single-family attached or townhome dwelling has been or may be constructed ("Townhome Lot"). Class A-2 Members voting as a separate class shall be entitled to elect one (1) member of the Executive Board.

Class A-3: The Class A-3 Members shall be every person or entity who or which is a record owner of a fee or undivided fee interest in any Lot which consists of a condominium unit pursuant to Chapter 47C of the North Carolina General Statutes ("Condominium Lot"). Class A-3 Members voting as a separate class shall be entitled to elect one (1) member of the Executive Board.

In the event that the Single-Family Lots, Townhome Lots or Condominium Lots shall not have been established at the time the Class A Members elect the Executive Board, then the Executive Board member that would have been elected by the corresponding sub-class described above shall be converted to an At-Large Member and shall be elected by all of the Class A Members. Upon the subsequent establishment of the Single-Family Lot, Townhome Lot or Condominium Lot, as appropriate, such Executive Board member shall then be elected by the corresponding sub-class of Class A Members as described above upon the earliest expiration of an At-Large Member's term on the Executive Board.

ARTICLE IV

COVENANT FOR MAINTENANCE AND ASSESSMENTS

SECTION 1. CREATION OF THE LIEN AND PERSONAL OBLIGATION OF ASSESSMENTS. The Declarant, for each Lot owned within the Properties, hereby covenants, and each Owner for any Lot, by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay: (a) to the Association: (i) annual and other assessments and charges provided for herein, together with interest, and late fees, costs and reasonable attorneys' fees; (ii) special assessments for capital improvements, such assessments to be established and collected as hereinafter provided; and (b) to the appropriate governmental taxing authority: (i) a pro rata share of any ad valorem taxes levied against the Common Elements; and (ii) a pro rata share of any assessments for public improvements to or for the benefit of the Common Elements if the Association shall default in the payment of either or both for a period of six (6) months. All assessments and charges provided for herein, together

with interest, and late fees, costs and reasonable attorneys' fees, shall be a charge on the land and shall be a continuing lien upon the property against which each such assessment is made when a claim of lien is filed of record in the Office of the Clerk of Superior Court, Guilford County, North Carolina. Each such assessment and charge, together with interest, any late fees, costs and reasonable attorneys' fees, shall also be the personal obligation of the Owner of such property at the time when the assessment fell due. The personal obligation for delinquent assessments shall not pass to such Owner's successors in title unless expressly assumed by them.

SECTION 2. PURPOSE OF ASSESSMENTS.

(a) The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety and welfare of the residents of the Properties and in particular for the acquisition, improvement and maintenance of properties, services and facilities devoted to this purpose and related to the use and enjoyment of the Common Elements or the Lots, including but not limited to, the costs of repairs, replacements and additions, the cost of labor, equipment, materials, management and supervision, the payment of any taxes and assessments assessed against the Common Elements, the payment of assessments assessed against the Common Elements and any improvements thereupon; the maintenance of open spaces and streets within the Common Elements which have not been accepted for dedication by a public authority, roadway medians and islands (including medians and islands located in dedicated rights-of-way within the Properties), drives and parking areas within the Common Elements; the procurement and maintenance of insurance in accordance with the Bylaws; the maintenance of dams and ponds, including retention or detention ponds, or other bodies of water, if any, located within the Common Elements; the performance of the maintenance obligations under the Easement Agreement; the erection, maintenance and repair of signs, entranceways, landscaping and lighting within the Common Elements, road medians and islands; the cost of operating, maintaining and repairing any street lights erected by the Association or the Declarant in the rights-of-way of streets (whether public or private) or in any other easement provided therefor within the Properties, the payment of charges for garbage collection and municipal water and sewer services furnished to the Common Elements; the employment of attorneys and other agents to represent the Association when necessary; the provision of adequate reserves for the replacement of capital improvements including, without limiting the generality of the foregoing, paving, and any other major expense for which the Association is responsible; and such other needs as may arise.

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

(c) All monies collected by the Association shall be treated as the separate property of the Association, and such monies may be applied by the Association to the payment of any expense of operating and managing the Properties, or to the proper undertaking of all acts and duties imposed upon it by virtue of this Declaration, the Articles of Incorporation and the 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 such Member's Membership interest therein, except as an appurtenance to such Member's Lot. When any Owner shall cease to be a Member of the Association by reason of such Owner's divestment of ownership of such Owner's Lot, by whatever means, the Association shall not be required to account to such Owner for any share of the fund or assets of the Association, or which may have been paid to the Association by such Owner, as all monies which any Owner has paid to the Association shall be and constitute an asset of the Association which may be used in the operation and management of the Properties.

SECTION 3. ADOPTION OF BUDGET AND FIXING OF ANNUAL ASSESSMENTS; MAXIMUM ANNUAL ASSESSMENT.

(a) At least thirty (30) days in advance of each annual assessment period, the Executive Board shall establish an annual budget and fix the amount of the annual assessments in advance for the following year. Within thirty (30) days of the adoption of any proposed budget, the Executive Board shall provide to all of the Owners a summary of the budget and a notice of the meeting to consider ratification of the budget, including a statement that the budget may be ratified without a quorum. The Executive Board shall set a date for a meeting of the Owners to consider ratification of the budget, such meeting to be held not less than 10 nor more than 60 days after mailing of the summary and notice. There shall be no requirement that a quorum be present at the meeting. The budget is ratified unless at that meeting the Owners of a majority of the Lots reject the budget. In the event the proposed budget is rejected, the periodic budget last ratified by the Owners shall be continued until such time as the Owners ratify a subsequent budget proposed by the Executive Board.

(b) Until December 31 of the year of the conveyance of the first Lot to an Owner, the maximum annual assessment (exclusive of assessments which may be levied by any Secondary Association) shall be **Two Hundred Seventy Four and 80/100 Dollars (\$274.80)** per Lot, and may be collected in monthly installments of **Twenty Two and 90/100 Dollars (\$22.90)** per Lot. The maximum annual assessment for the calendar year immediately following the year in which conveyance of the first Lot to an Owner is made and for each calendar year thereafter shall be established by the Executive Board and may be increased by the Executive Board without approval by the Membership by an amount not to exceed ten percent (10%) of the maximum annual assessment of the previous year. The maximum annual assessment for the calendar year immediately following the year in which conveyance of the first Lot to an Owner is made and for each calendar year thereafter may be increased without limit by a vote of the Members entitled to cast at least two-thirds (2/3) of the votes of each class of Members of the Association who are voting, in person or by proxy, at a meeting duly called for this purpose; provided, however, during any Period of Declarant Control, Declarant must also consent to such action.

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

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

SECTION 5. NOTICE AND QUORUM FOR ANY ACTION AUTHORIZED UNDER SECTIONS 3 AND 4. Written notice of any meeting called for the purpose of taking any action authorized under Section 3 or 4 of this Article shall be sent to all Members not less than ten (10) 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 ten percent (10%) of all the votes of each class of Members of the Association shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. The required quorum shall continue to be reduced by fifty percent (50%) at subsequent meetings until a quorum is present. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

SECTION 6. RATE OF ANNUAL ASSESSMENT. Both annual and special assessments must be fixed at a uniform rate for all Lots and may be collected on a monthly, quarterly or annual, except that the Declarant shall not be obligated to pay any annual or special assessments for any Lot owned by Declarant within the Properties.

SECTION 7. DATE AND COMMENCEMENT OF ANNUAL ASSESSMENTS: DUE DATES. The annual assessments provided for herein shall commence as to a Lot on the first day of the month following the date such Lot is conveyed to an Owner other than the Declarant. The first annual assessment shall be adjusted according to the number of months remaining in the calendar year. The due dates shall be established by the Executive Board. The Association shall, upon demand, and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether the assessments on a specified Lot have been paid.

SECTION 8. WORKING CAPITAL ASSESSMENTS. In addition to the annual assessments authorized above, at the time of the closing of the first sale of each Lot to a purchaser (other than Declarant or a successor declarant), the purchaser(s) thereof shall pay to the Association an amount equal to two-twelfths (2/12ths) of the then current annual assessment established by the Association. Such funds shall be used by the Association to establish a Working Capital Fund, the purpose of which is to help insure that the Association will have sufficient monies available to meet its initial operational needs, unforeseen expenditures or long-term capital improvements and repairs to the Common Elements. No such payments made into the Working Capital Fund shall be considered advance or current payment of regular

assessments. All monies paid into the Working Capital Fund shall be held and administered by the Association in accordance with the terms of the Declaration and these Bylaws.

SECTION 9. EFFECT OF NONPAYMENT OF ASSESSMENTS: REMEDIES OF THE ASSOCIATION. Any assessment not paid within thirty (30) days after the due date shall bear interest from the due date at a rate from time-to-time established by the Association not to exceed eighteen percent (18%) per annum. In addition, the Association may charge a reasonable late fee, the amount of which shall be established from time to time by the Executive Board of the Association but which shall not exceed the greater of Twenty Dollars (\$20.00) per month or ten percent (10%) of any assessment unpaid, for assessments not paid within thirty (30) days after the due date. In addition, after notice and an opportunity to be heard, the Association may suspend privileges or services provided by the Association (except rights of access to Lots) during any period that assessments or other amounts due and owing to the Association remain unpaid for a period of thirty (30) days or longer, which suspension may continue without further hearing until the delinquency is cured. The Association may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien created herein against the property in the same manner that real estate deeds of trust and mortgages may be foreclosed under power of sale under Article 2A of Chapter 45 of the North Carolina General Statutes, and in any suit for the foreclosure of said lien, the Association shall be entitled to interest, any late fees, costs and reasonable attorneys' fees, subject to the limitations set forth in this paragraph. Notwithstanding any of the foregoing, the Association may not foreclose an assessment lien under power of sale if the debt securing the lien consists solely of fines imposed by the Association, interest on unpaid fines, or attorneys' fees incurred by the Association solely associated with fines imposed by the Association, but such a lien may be enforced by judicial foreclosure as provided in Article 29A of Chapter 1 of the North Carolina General Statutes. An Owner may not be required to pay attorneys' fees and court costs until the Owner is notified in writing of the Association's intent to seek payment of attorneys' fees and court costs. The notice must be sent by first-class mail to the property address and, if different, the mailing address for the Owner in the Association's records. The notice shall (i) set out the outstanding balance due as of the date of the notice, (ii) state that the Owner has fifteen (15) days from the mailing of the notice to pay the outstanding balance without the attorneys' fees and court costs, and (iii) inform the Owner of the opportunity to contact a representative of the Association to discuss a payment schedule for the outstanding balance and provide the Owner the name and telephone number of such representative. If the Owner pays the outstanding balance within this period, then the Owner shall have no obligation to pay the attorneys' fees and court costs. If the Owner does not contest the collection of debt and enforcement of a lien after the expiration of the fifteen (15) day period, then reasonable attorneys' fees shall not exceed One Thousand Two Hundred Dollars (\$1,200), not including costs or expenses incurred. The collection of debt and enforcement of a lien remains uncontested as long as the Owner does not dispute, contest, or raise any objection, defense, offset or counterclaims as to the amount or validity of the debt and lien asserted or the Association's right to collect the debt and enforce the lien. The attorneys' fee limitation shall not apply to judicial foreclosures. No Owner may waive or otherwise escape liability for the assessment provided for herein by nonuse of the Common Elements or abandonment of such Owner's Lot nor shall damage to or destruction of any improvements on any Lot by fire or other casualty result in any abatement or diminution of the assessments provided for herein.

SECTION 10. EFFECT OF DEFAULT IN PAYMENT OF AD VALOREM TAXES OR ASSESSMENTS FOR PUBLIC IMPROVEMENTS BY ASSOCIATION. Upon default by the Association in the payment to the governmental authority entitled thereto of any ad valorem taxes levied against the Common Elements or assessments for public improvements to the Common Elements, which default shall continue for a period of six (6) months, each Owner of a Lot in the development shall become personally obligated to pay to the taxing or assessing governmental authority a portion of such unpaid taxes or assessments in an amount determined by dividing the total taxes and/or assessments due the governmental authority by the total number of Lots in the development. If such sum is not paid by the Owner within thirty (30) days following receipt of notice of the amount due, then such sum shall become a continuing lien on the Lot of the then Owner, such Owner's heirs, devisees, personal representatives and assigns, and the taxing or assessing governmental authority may either bring an action at law or may elect to foreclose the lien against the Lot of the Owner.

SECTION 11. PRIORITY OF LIEN. The lien herein granted unto the Association shall be enforceable from and after the time of recording a claim of lien in the Office of the Clerk of Superior Court of Guilford County, North Carolina, in the manner provided herein, which claim shall state the description of the Lot encumbered thereby, the name of the record owner(s), the amount due and the date when due and the name and address of the Association. Such claims of lien shall be signed and verified by an officer or agent of the Association. Upon full payment of all sums secured by such claim of lien, it shall be satisfied of record.

SECTION 12. EXEMPT PROPERTY. All property dedicated to, and accepted by, a public authority and all properties owned by a charitable or non-profit organization exempt from taxation by the laws of the State of North Carolina shall be exempt from the assessments created herein. However, no land or improvements devoted to dwelling use shall be exempt from said assessments.

ARTICLE V

PROPERTY SUBJECT TO ADDITIONAL COVENANTS

Declarant, in its sole discretion, may subject portions of the Properties to Additional Covenants. Any such Additional Covenants may provide for the creation of a Secondary Association and may provide that such Secondary Association may collect the assessments levied hereunder with respect to that portion of the Properties subject to such Additional Covenants. In addition, any such Additional Covenants may provide that, at the request of the Association, in the sole discretion of its Executive Board, the Secondary Association may enforce the lien of the Association securing the Association's assessments; provided, however, no such Additional Covenants shall in any way modify, diminish, annul or cancel the personal liability of any Owner for the payment of assessments hereunder or the Association's lien against each Lot which secures such payment.

ARTICLE VI

EASEMENTS

SECTION 1. UTILITIES. An easement is hereby established for the benefit of the Appropriate Local Governmental Authority over all Common Elements as may be reasonably necessary for the maintenance and replacement of water, sewer, power, cable, drainage and other facilities to serve the Common Elements or other portions of Properties (including the setting, removal and reading of water meters) and for the fighting of fires and the collection of garbage from the Common Elements or other portions of the Properties. The Association shall have the power and authority to grant and establish upon, over and across the Common Elements such additional easements as are necessary or desirable for the providing of service or utilities to the Common Elements or other portions of the Properties.

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

SECTION 3. EASEMENT RESERVED BY DECLARANT. Declarant, for and on behalf of itself, any affiliated entity and its successors and assigns, hereby reserves such easements on, across and over the Common Elements as shall be reasonably necessary for (i) the exercise by Declarant, any affiliated entity or its successors or assigns of any right herein reserved, including, without limitation, the right (**BUT NOT THE OBLIGATION**) to construct within the Common Elements signs and other improvements and (ii) the development by Declarant or any affiliate of Declarant of the Additional Property, should Declarant elect not to annex the Additional Property, including without limitation easements for ingress, egress and regress over private roads and streets now or hereafter erected within the Common Elements and easements for the use and extension of all utility lines, fixtures and/or their connections located

within the Common Elements for the purpose of providing water, sewer, light, power, telephone, cable and other services to the Additional Property.

SECTION 4. ENCROACHMENTS. In the event that any improvements on a Lot, or any "Common Elements" owned by a Secondary Association or established pursuant to Additional Covenants, shall encroach upon any Common Elements or upon any other Lot as a result of the initial improvements constructed by Declarant or any affiliate of Declarant or for any reason not caused by the purposeful or negligent act of the Owner or agents of such Owner, then an easement appurtenant to such Lot shall exist for the continuance of such encroachment upon the Common Elements or other Lot for so long as such encroachment shall naturally exist; and, in the event that any portion of the Common Elements shall encroach upon any Lot, then an easement shall exist for the continuance of such encroachment of the Common Elements into any such Lot for so long as such encroachment shall naturally exist.

SECTION 5. ADDITIONAL DRAINAGE EASEMENTS. In order to implement effective and adequate erosion control, the Association shall have the right to enter upon any portion of the Properties before and after improvements have been constructed thereon for the purpose of performing any grading or constructing and maintaining erosion prevention devices; provided, however, no such activities shall interfere with any permanent improvements constructed on the Properties.

SECTION 6. WALKING TRAIL EASEMENT. Declarant hereby grants and conveys an easement to the Association over that portion of the Properties described as "Walking Trail Easement" or similar import for the purpose of pedestrian and bicycle access upon the Walking Trail Easement by Members of the Association and their respective invitees. The Association shall maintain, repair and replace any trails, sidewalks and paths located within the Walking Trail Easement in a passable condition and a state of good condition and repair. To the extent that the Walking Trail Easement is located upon a Lot, the Association shall indemnify, defend and hold harmless the Owner of such Lot, against all claims, liabilities, losses, damages, costs, expenses (including without limitation court costs and reasonable attorneys fees) and settlement expenses in connection with any injury or death to any person, and any damage or loss of any property allegedly or actually resulting from or arising out of the use of the Walking Trail Easement. No improvements, changes or alterations shall be made within the Walking Trail Easement without the prior written consent of the Association.

ARTICLE VII

RIGHTS RESERVED UNTO INSTITUTIONAL LENDERS

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

SECTION 2. OBLIGATION OF ASSOCIATION TO INSTITUTIONAL LENDERS. So long as any Institutional Lender shall hold any first lien upon any Lot and shall have given

notice to the Association as set forth in Section 3 of this Article, or shall be the Owner of any Lot, such Institutional Lender shall have the following rights:

(a) To inspect the books and records of the Association during normal business hours and to be furnished with at least one (1) copy of the annual financial statement and report of the Association prepared by a certified public accountant designated by the Executive Board of the Association, such financial statement or report to be furnished by April 15 of each calendar year.

(b) To be given notice by the Association of the call of any meeting of the Membership to be held for the purpose of considering any proposed amendment to this Declaration of Covenants, Conditions and Restrictions or the Articles of Incorporation or Bylaws of the Association or of any proposed abandonment or termination of the Association or the effectuation of any decision to terminate professional management of the Association and assume self-management by the Association.

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

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

(e) To be given notice by the Association of the call of any meeting of the Membership to be held for the purpose of considering any proposed alienation, release, transfer, hypothecation or other encumbrance of the Common Elements, other than those specific rights vested in the Association under Article II hereof.

(f) To be given notice of any delinquency in the payment of any assessment or charge (which delinquency remains uncured for a period of sixty (60) days) by any Owner owning a Lot encumbered by a mortgage held by the Institutional Lender, such notice to be given in writing and to be sent to the principal office of such Institutional Lender, or to the place which it may designate in writing.

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

ARTICLE VIII

GENERAL PROVISIONS

SECTION 1. ENFORCEMENT. The Owner(s) of each Lot shall be governed by and shall comply with the provisions of this Declaration, the Bylaws of the Association and all rules

and regulations of the Association adopted pursuant thereto, as any of the same are now constituted or as they may be amended from time to time. A default by any Owner shall entitle the Association or the Owner(s) of any of the other Lots to the following relief:

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

(b) The Association, after notice to the Owner and a reasonable opportunity to be heard, shall have the right to assess reasonable fines against an Owner for violations of this Declaration the Bylaws of the Association or the Association's published rules and regulations by such Owner, or such Owner's family, guests, invitees and lessees in an amount not to exceed \$100.00 for each violation, and without further hearing, for each day more than five (5) days after the decision that the violation occurs. Such fines shall be deemed to be assessments as set forth in Article IV of the Declaration and if not paid within thirty (30) days after notice and demand therefor, the Association shall be entitled to the remedies set forth in the Declaration for the enforcement and collection of delinquent assessments.

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

(d) If an Owner is legally responsible for damage inflicted on any Common Elements, the Association may direct such Owner to repair such damage, or the Association may itself cause the repairs to be made and recover damages from the responsible Owner. If damage is inflicted on any Lot by an agent of the Association in the scope of the agent's activities as such agent, the Association is liable to repair such damage or to reimburse the Owner for the cost of repairing such damages. The Association shall also be liable for any losses to the Owner. When any such claim for damages against an Owner or the Association is less than or equal to the jurisdictional amount established for small claims by North Carolina General Statute 7A-210, any aggrieved party may request that a hearing be held before an adjudicatory panel appointed by the Executive Board of the Association to determine if an Owner is responsible for damages to any Common Elements or the Association is responsible for damages to any Lot. Liability for each damage incident may be assessed against each Owner charged or against the Association not in excess of the jurisdictional amount established for small claims by North Carolina General Statute 7A-210. When the such claim exceeds the jurisdictional amount established for small

claims by North Carolina General Statute 7A-210, liability of any Owner charged or the Association shall be determined as otherwise provided by law. Liabilities of Owners determined by adjudicatory hearing or as otherwise provided by law shall be assessments secured by lien under Section 47F-3-116 of the Planned Community Act. Liabilities of the Association determined by adjudicatory hearing or as otherwise provided by law may be offset by the Owner against sums owing to the Association and if so offset, shall reduce the amount of any lien of the Association against the Lot at issue.

(e) Adjudicatory proceedings pursuant to subparagraphs (b), (c) and (d) of this Section 1 may be held before the Executive Board or an adjudicatory panel appointed by the Executive Board. The Executive Board and any adjudicatory panel appointed by the Executive Board shall accord to the party charged pursuant to subparagraphs (b), (c) and/or (d) above notice of the charge, opportunity to be heard and to present evidence, and notice of the decision. Any adjudicatory panel appointed by the Executive Board shall be composed of Members of the Association who are not officers of the Association or members of the Executive Board. An Owner may appeal the decision of an adjudicatory panel to the full Executive Board by delivering written notice of appeal to the Executive Board within fifteen (15) days after the date of the decision. The Executive Board may affirm, vacate, or modify the prior decision of the adjudicatory body.

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

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

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

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

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

SECTION 3. AMENDMENT. The covenants and restrictions of this Declaration shall run and bind the land for a term of twenty (20) years from the date this Declaration is recorded,

after which time they shall be automatically extended for successive periods of ten (10) years unless terminated as hereinafter provided. This Declaration may be terminated or amended with the consent of the Owners entitled to cast at least eighty percent (80%) of the votes of the Association; provided, however, during Declarant's Development Period, this Declaration may not be amended or terminated without Declarant's consent; no amendment purporting to revoke or curtail any right herein conferred to Declarant shall be effective unless executed by Declarant; and no amendment relating to the maintenance or ownership of any permanent detention or retention pond shall be effective unless reviewed and approved by the governmental office having jurisdiction for watershed protection. Any amendment, except amendments that Declarant is authorized to make unilaterally, must: (1) be executed on behalf of the Association by its duly authorized officers; (2) contain an attestation by the officers executing the amendment on behalf of the Association that the requisite Owner and Declarant approval has been obtained and is evidenced by written acknowledgment(s) signed by the Owners approving the amendment and, if required, Declarant, and that such acknowledgments have been made a part of the Minute Book of the Association; and (3) be properly recorded in the Office of the Register of Deeds, Guilford County, North Carolina. For the purpose of this section, additions to existing property by Declarant pursuant to Section 4 of this Article shall not constitute an "amendment." In the event this Declaration is terminated in accordance with the provisions hereinabove provided, Declarant, for each Lot owned within the Properties, hereby covenants, and each Owner for any Lot, by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay a pro rata share of the cost of the maintenance of all permanent retention or detention ponds. Notwithstanding the foregoing, Declarant may at anytime unilaterally amend this Declaration to terminate or restrict any right reserved hereunder by Declarant and Declarant, during Declarant's Development Period, may unilaterally amend this Declaration to make any changes required by the Veterans Administration ("VA"), the Department of Housing and Urban Development ("HUD"), the Federal National Mortgage Association ("FNMA"), or the Federal Home Loan Mortgage Corporation ("FHLMC") or any other private or governmental insurer of residential mortgage loans in order to obtain the approvals necessary for purchasers of Lots to obtain financing insured by any of the foregoing mortgage insurers, or to make any changes deemed by Declarant to be necessary to carry out and effectuate the orderly development of the Properties as intended by Declarant.

SECTION 4. ANNEXATION.

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

(b) All or any portion of the Additional Property may be annexed by the Declarant without the consent of Members within ten (10) years of the date of this instrument. Declarant shall have no obligation of any kind to annex any or all of the Additional Property and, should Declarant elect to annex all or any portion of the Additional Property, Declarant shall have no obligation of any kind to annex the Additional Property in any particular sequential

order. Should Declarant elect to annex all or any portion of the Additional Property and accordingly to subject such property to the terms and conditions of this Declaration, with regard to all or any part of the Additional Property annexed by Declarant, Declarant reserves the right to make such complementary additions and/or modifications of the covenants and restrictions contained in this Declaration as may be necessary or convenient, in the sole judgment of the Declarant, to reflect the different character, if any, of the added properties and as are not inconsistent with the plan of this Declaration, but such additions and/or modifications shall have no effect upon the properties previously subjected to this Declaration. With regard to any portion of the Additional Property not annexed by Declarant, Declarant makes no representations with regard to the use of such property or the exterior appearance, design, size or intended purpose of any improvements now or hereafter erected on such property.

SECTION 5. AMPLIFICATION. The Provisions of this Declaration are amplified by the Articles of Incorporation and Bylaws of the Association; but no such amplification shall alter or amend any of the rights or obligations of the Owners set forth in this Declaration. Declarant intends that the provisions of this Declaration on the one hand, and the Articles of Incorporation and Bylaws of the Association on the other be interpreted, construed, and applied to avoid inconsistencies or conflicting results. If such conflict necessarily results, however, Declarant intends that the provisions of this Declaration control anything contained in the Articles of Incorporation or Bylaws of the Association.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the undersigned, being the Declarant herein, has caused this instrument to be executed as of the 31st day of October, 2006.

SPKA, LLC

a North Carolina limited liability company

BY: KAVANAGH ASSOCIATES, INC., Manager

By: Mary Ellen Lowry
 Name: Mary Ellen Lowry
 Title: Vice President

Guilford County, North Carolina

I certify that the following person personally appeared before me this day, acknowledging to me that he or she voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated: Mary Ellen Lowry

[Name of person signing]

Today's Date: 10/31, 2006

Lisa Whitaker
 [Notary's signature as name appears on seal]

Lisa Whitaker
 [Notary's printed name as name appears on seal]

My commission expires: 12-28, 2008



[Affix Notary Seal in Space Above]

SOUTHERN COMMUNITY BANK AND TRUST, as the holder of an existing loan secured by the Deed of Trust recorded in Book 6600, Page 715, in the Office of the Register of Deeds, Guilford County, North Carolina (the "Deed of Trust"), and SCBT, INC., as Trustee under the Deed of Trust, join in the execution of this instrument for the purpose of subjecting the aforesaid Deed of Trust to the terms and provisions of this Master Declaration of Covenants, Conditions and Restrictions for Whitestone.

SOUTHERN COMMUNITY AND TRUST

By: 


Vice - President
Eric J. Fitzgerald

Alamance
Guilford County, North Carolina

I certify that the following person personally appeared before me this day, acknowledging to me that he or she voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated: Eric J. Fitzgerald

[Name of person signing]

Today's Date: November 1, 2006

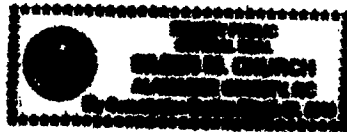


[Notary's signature as name appears on seal]

Eileen M. Church

[Notary's printed name as name appears on seal]

My commission expires: March 27, 2010



[Affix Notary Seal in Space Above]

SCBT, INC.
Trustee

By: _____

Vic President
Eric J. Fitzgerald

Alamance
Guinford County, North Carolina

I certify that the following person personally appeared before me this day, acknowledging to me that he or she voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated: Eric J. Fitzgerald

[Name of person signing]

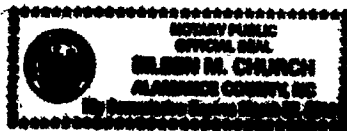
Today's Date: November 1, 2006

Eileen M. Church

[Notary's signature as name appears on seal]

Eileen M. Church

[Notary's printed name as name appears on seal]



My commission expires: March 27, 20 10

[Affix Notary Seal in Space Above]

SCHEDULE A**TRACT ONE** (Barbara Allen Bell et al Property)

BEGINNING at a NIP located in the eastern margin of the right of way of Deep River Road, said point being located in the southwestern corner of property now or formerly owned by Robert M. Nelson and Joyce R. Nelson as recorded in Book 2898, Page 0340, Guilford County Registry; thence with the southern line of Nelson the following courses and distances: South 81°34'22" East 190.94 feet to an EIP, South 86°39'13" East 300.21 feet to an EIP and South 86°35'41" East 135.67 feet to an EIP located in the southwestern corner of property now or formerly owned by Copper Mill Village Apartments as recorded in Book 5607, Page 0499, Guilford County Registry; thence with the line of Copper Mill Village Apartments the following courses and distances: South 67°15'53" East 411.94 feet to an EIP, North 89°15'26" East 130.78 feet to an EIP, South 82°19'20" East 219.24 feet to an EIP, South 02°39'22" East 159.51 feet to an EIP and South 27°35'02" West 161.78 feet to an EIP located in the northern line of property now or formerly owned by Kavanagh Associates, Inc. as recorded in Book 6137, Page 1751, Guilford County Registry; thence with the northern line of Kavanagh Associates, Inc. North 74°46'27" West 742.11 feet to an EIP (Control Corner) located in the northeastern corner of property now or formerly owned by Florence W. Allen as recorded in Book 1844, Page 0176, Guilford County Registry; thence with the northern line of Allen South 88°44'39" West 608.95 feet to a NIP located in the eastern margin of the right of way of Deep River Road; thence with the eastern margin of the right of way of Deep River Road North 06°22'35" East 363.79 feet to the point and place of BEGINNING, containing 9.483 acres, more or less, according to a Boundary Survey for Kavanagh Associates, Inc. prepared by Evans Engineering, Inc. and denoted as PROJ:605-WILLIARD2, dated January 5, 2005, revised January 17, 2005.

TRACT TWO (Florence W. Allen Property)

BEGINNING at a NIP located in the eastern margin of the right of way of Deep River Road, said point being located in the southwestern corner of property now or formerly owned by A-Bel Partners as recorded in Book 4283, Page 0872, Guilford County Registry; thence with the southern line of A-Bel Partners North 88°44'39" East 608.95 feet to an EIP (Control Corner) located in the northwestern corner of property now or formerly owned by Kavanagh Associates, Inc. as recorded in Book 6137, Page 1751, Guilford County Registry; thence with the western line of Kavanagh Associates, Inc. the following courses and distances: South 02°50'42" West 495.23 feet to an EIP and South 02°43'04" West 6.48 feet to a NIP located in the northeastern corner of property now or formerly owned by Florence W. Allen as recorded in Book 1844, Page 0176, Guilford County Registry; thence with the northern line of Allen the following courses and distances: North 70°43'27" West 139.33 feet to a NIP; North 78°02'14" West 179.08 feet to a NIP; and South 74°44'18" West 282.44 feet to a NIP located in the eastern margin of the right of way of Deep River Road; thence with the eastern margin of the right of way of Deep River Road the following courses and distances: along a curve to the right having a radius of 792.65 feet and a chord bearing and distance of North 04°38'25" West 302.94 feet to a NIP and North 06°22'35" East 178.13 feet to the point and place of BEGINNING, containing 6.309 acres, more or less, according to a Boundary Survey for Kavanagh Associates, Inc. prepared by Evans Engineering, Inc. and denoted as PROJ:605-WILLIARD2, dated January 5, 2005, revised January 17, 2005.

TRACT THREE (Wilson Property)

BEGINNING at an EIP located in the northern margin of the right-of-way of Willard Road at the southwestern corner of property now or formerly owned by Linda L. Collins as recorded in Deed Book 4479, Page 1693, Guilford County Registry; thence along the northern margin of the right-of-way of Willard Road North $88^{\circ} 09' 31''$ West 658.57 feet to a NIP located in the southeastern corner of property now or formerly owned by Daniel W. Allen and Mary C. Allen as recorded in Deed Book 3629, Page 2184, Guilford County Registry; thence with Allen's eastern line and along the eastern line of property now or formerly owned by James D. Allen and Florence W. Allen as recorded in Deed Book 1844, Page 0176, Guilford County Registry North $02^{\circ} 51' 00''$ East 348.00 feet to an EIP; thence with James D. Allen's eastern line the following two (2) course and distances: North $02^{\circ} 33' 03''$ East 194.40 feet to an EIP and North $02^{\circ} 54' 23''$ East 498.66 feet to an EIP located in the southern line of property now or formerly owned by A-Bell Partners as recorded in Deed Book 4283, Page 0872, Guilford County Registry; thence with A-Bell Partners' southern line South $74^{\circ} 47' 45''$ East 741.91 feet to an EIP located in the southwestern corner of property now or formerly owned by Copper Mill Village Apartments, LLC as recorded in Deed Book 5607, Page 0499, Guilford County Registry; thence with Copper Mill Village Apartments' southern line South $74^{\circ} 46' 22''$ East 237.07 feet to an EIP (Control Corner) located in the western line of property now or formerly owned by Sherry C. Sherman as recorded in Deed Book 4158, Page 1047, Guilford County Registry; thence along the western line of Sherman and Herbert Mueller South $22^{\circ} 46' 53''$ West 289.50 feet to an EIP located in the northwestern corner of property now or formerly owned by David R. Mayers as recorded in Deed Book 4604, Page 0720, Guilford County Registry; thence along the western line of Mayers South $22^{\circ} 46' 45''$ West 347.81 feet to an EIP (Control Corner) located in the northwestern corner of property now or formerly owned by Linda L. Collins as recorded in Deed Book 4479, Page 1693, Guilford County Registry; thence with Collins' western line South $22^{\circ} 46' 45''$ West 234.84 feet to the point and place of BEGINNING, containing 17.589 acres, more or less, according to a Survey of Wilson Property for Kavanagh Associates, Inc. prepared by Evans Engineering, Inc., denoted as PROJ: [605-378 BDY] dated July 8, 2004.