

**DECLARATION OF  
COVENANTS, CONDITIONS AND RESTRICTIONS FOR  
MORGAN ASHLEY TERRACE TOWNHOMES**

Consisting of \_\_\_\_ Numbered Pages with  
Attached Exhibits A, B

Prepared by and after recording mail to:

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NORTH CAROLINA  
GUILFORD COUNTY

DECLARATION OF COVENANTS, CONDITIONS  
AND RESTRICTIONS FOR  
MORGAN ASHLEY TERRACE TOWNHOMES

Morgan Ashley Terrace, LLC, a North Carolina limited liability company, hereinafter referred to as "Declarant," does hereby make, declare and establish this Declaration as and for the plan of dwelling ownership of Morgan Ashley Terrace Townhomes, being the property and improvements hereinafter described.

WITNESSETH:

WHEREAS, Declarant is the owner of the fee simple title to that certain real property situated in Guilford County, North Carolina, which property is more particularly described on Exhibit "A" attached hereto and incorporated herein by reference, 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.

NOW, THEREFORE, Declarant, as the owner of said property, hereby declares that all of the Property described on **Exhibit A** 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 the Property, and which shall run with the real property and be binding on all parties having any right, title or interest in the described properties or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each owner thereof.

ARTICLE I

Definitions

Definitions. As used herein, the following words and terms shall have the following meanings:

1.1 Association. Morgan Ashley Terrace Homeowners Association, Inc., a nonprofit corporation, its successors and assigns.

1.2 Board. The Executive Board of the Association.

1.3 Bylaws. The Bylaws of the Association which are hereby incorporated herein and made a part hereof by this reference, and attached as Exhibit B.

1.4 Common Area. All real property together with all improvements now or hereafter constructed thereon, owned by the Association for the common use and enjoyment of the Owners. The Common Area 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 as "Common Area" as shown and described on

the plat entitled Morgan Asheley Terrace, which is recorded in the Office of the Register of Deeds of Guilford County, North Carolina, in Plat Book \_\_\_\_\_, Page \_\_\_\_\_

1.5 Common Expenses. Expenditures made or liabilities incurred by or on behalf of the Association, including but not limited to, any allocations to reserves and expenses of administration, maintenance, repair or replacement of the Common Areas.

1.6 Declarant. Morgan Ashley Terrace, LLC, a North Carolina limited liability company, its successors and assigns, if such successors and assigns should acquire more than one undeveloped lot from Declarant for the purpose of development.

1.7 Declarant Control Period. The period commencing on the date hereof and continuing until the earliest of the following:

(i) the date ten (10) years after the date that this Declaration is recorded in the Guilford County Register of Deeds, or

(ii) the date one hundred twenty (120) days after the Declarant has conveyed seventy-five percent (75%) of the Lots (including Lots annexed by Supplemental Declaration) to Lot Owners other than a Declarant, or

(iii) seven (7) years after the first Lot was conveyed to a Lot Owner.

1.8 First Mortgage and First Mortgagee. A First Mortgage is 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 Lots described therein. A First Mortgagee is the holder, from time to time, of a First Mortgage as shown by the records of the Office of the Register of Deeds of Guilford County, North Carolina, including the Federal National Mortgage Association and a purchaser at foreclosure sale upon foreclosure of a First Mortgage until expiration of the mortgagor's period of redemption. If there is 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.

1.9 Lot. Any numbered plat of land shown on any recorded subdivision map of the Property but excluding any Common Area and dedicated streets.

1.10 Lot Owner. The person or persons, including the Declarant, owning a Lot in fee simple.

1.11 Member. Every person or entity who holds membership in the Association.

1.12 Occupant. Any person or persons in possession of a Lot, including Lot Owners, the family members, lessees, guests and invitees of such person or persons, and family members, guests and invitees of such lessees.

1.13 Person. A natural person, corporation, partnership, trust or other legal or commercial entity, or any combination thereof.

1.14 Property. The real estate described on Exhibit A, together with any real estate as may hereafter be brought within the jurisdiction of the Association, 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 estate.

1.15 Rules and Regulations. The rules and regulations of the Association promulgated by the Executive Board from time to time.

1.16 Living Unit. A portion of a building situated upon the Property and designed and intended for separate occupancy as a residence.

## ARTICLE II

### Property Rights

#### 2.1 Owner's Easements of Enjoyment.

(a) The Common Areas shall be, and the same are hereby declared to be, subject to a perpetual non-exclusive easement in favor of all Lot Owners and Occupants for their use and the use of their immediate families, guests and invitees, for all proper and normal purposes, and for the furnishing of services and facilities for which the same are reasonably intended, for the enjoyment of said Lot Owners. Notwithstanding the foregoing or anything provided herein to the contrary, the Association and Board shall have the right to establish the Rules and Regulations pursuant to which a Lot Owner or Occupant, his family, guests and invitees, may be entitled to use the Common Areas, including specifically regulations making permanent or temporary assignments of parking spaces and regulating the use of parking areas. The easement of enjoyment shall be appurtenant to and pass with title to every lot subject to the following:

(i) 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 (Declarant makes no representation that any recreation facility will be constructed) situated upon the Common Area;

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

(iii) the right of the Association to dedicate or transfer all or any part of the Common Area to any public agency, authority or utility for such purposes and subject to such conditions as may be agreed to by the Members. No such dedication or transfer shall be effective until such time as an instrument signed by at least two-thirds (2/3) of each class of Members, agreeing to such dedication or transfer, has been recorded;

(iv) the right of the Association, in accordance with its Articles and Bylaws, to borrow money for the purpose of improving the Common Area; and

(v) Subject to the prior written consent of VA or FHA in the event VA or FHA insured loans have been obtained and secured by one or more Lots, the right of the

Association to exchange portions of Common Area with the Declarant for substantially equal areas of the Properties for the purpose of eliminating unintentional encroachments of townhouses or other improvements onto portions of the Common Areas.

(b) Encroachments. In the event that, by reason of the construction, reconstruction, rehabilitation, alteration or improvement of the buildings or improvements comprising a part of the Property, any part of any Living Unit or the Common Areas now or hereafter encroaches upon any part of any other Lot or any part of Common Areas an easement for the continued existence and maintenance of each such encroachment is hereby declared and granted and shall continue for so long as each such encroachment exists; provided that in no event shall an easement for such encroachment be created if such encroachment is detrimental to or interferes with the reasonable use and enjoyment of the Common Areas or Lots so encroached upon.

(c) Easements for Utilities. The Common Areas 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 Lot 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 provided for by this Section 2.1 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 Lots and Common Areas.

(d) Roof Overhangs and Maintenance. There is hereby reserved across and on each Lot, a distance of not more than ten (10) feet from the side lot lines, a perpetual right and easement for the purposes of the following: (i) permitting the roof of any Living Unit constructed on an adjoining Lot to overhang a distance of not more than two (2) feet over the Lot and to permit the discharge of water and ice from the overhanging roof of a Living Unit into each Lot; and (ii) permitting reasonable ingress and egress to each Lot Owner to reach and use the easement described herein. Provided, however, the right and easement described in this Section shall be utilized by Lot Owners in such a manner so as to interfere as little as is reasonably possible with the vegetation, plants, grass or other improvements within the easement or adjoining Lots.

2.2 Declarant's Easement. Declarant hereby reserves such easements through the Common Areas as may be reasonably necessary for the purposes of discharging its obligations, exercising Declarant Rights, and completing the development and construction of the Property, which easements shall exist as long as reasonably necessary for such purpose.

2.3 Easements To Run With Land. All easements and rights described in this Article II are appurtenant easements running with the land, and except as otherwise expressly provided in this Article II shall be non-exclusive and perpetually in full force and effect, and shall inure to the benefit of and be binding upon Declarant, the Association, Lot Owners, Occupants, First

Mortgagees and any other person having any interest in the Property or any part thereof.

### ARTICLE III

#### Member and Voting Rights

3.1 The Owner(s) of any Lot that is subject to a lien for assessment as described herein shall be a Member of the Association. Membership in the Association shall be appurtenant to and may not be separated from ownership of any Lot, which is subject to assessment.

3.2 The Association shall have two classes of voting membership.

CLASS A. Class A Members shall be all Lot Owners other than the Declarant. Class A Members shall be entitled to one (1) vote for each Lot owned. When more than one person or entity owns a Lot, all such persons or entities shall be Members. The vote or votes for such Lot shall be exercised as the Owners of a Lot determine among themselves, but in no event shall more than one (1) vote be cast with respect to any Lot.

CLASS B. The Class B Member shall be the Declarant and shall be entitled to three (3) votes for each Lot owned. The Class B membership shall cease and be converted to Class A membership on the happening of either of the following events, whichever occurs first:

(a) when the total votes outstanding in the Class A membership equal the total votes outstanding in the Class B membership, provided, however, the Class B membership shall be reinstated if, after such conversion and before the time stated in subparagraph (b) below, such additional lands are annexed to the Property and brought within the jurisdiction of the Association pursuant to Article XIV, Section 14.1 of the Declaration containing a sufficient number of Lots to give the Class B Member a total number of votes (with each Lot owned by the Class B Member representing 3 votes) to exceed those of the Class A members; or;

(b) on December 31, 2014.

### ARTICLE IV

#### Development Rights

4.1 Declarant's Right to Add Additional Real Estate. Declarant expressly reserves the right for a period of seven (7) years from the date of recording this Declaration to add the real property described on Exhibit A-1 (the "Additional Real Estate") to the Property and to create on the Additional Real Estate, Lots and Common Areas without the consent of any Lot Owner or Mortgagee, provided that, in the event FHA or VA insured loans have been obtained to purchase Lots, FHA or VA determine that the annexation is in accord with the general plan approved from time to time by FHA or VA. All or part of the Additional Real Estate identified and described on Exhibit A-1 may be added to the Property at different times, but no assurances are made in regard to the order in which such portions may be added. Declarant is not obligated to add all of the Additional Real Estate.

4.2 Conversion of Lots to Common Areas. Declarant hereby reserves the right for

seven (7) years from the date of recording of this Declaration to convert an existing Lot or Lots owned by Declarant entirely to Common Areas, without the consent of any Lot Owner or mortgagee. Declarant's right under this Paragraph 4.2 shall apply to Lots created under this original Declaration as well as to Lots which may be created on any Additional Real Estate added to the Property pursuant to Paragraph 4.1 of this Article IV, if the amendment adding such real estate so provides.

4.3 Method of Exercising Development Rights. In the event Declarant exercises any of its development rights under this Article IV, Declarant shall prepare, execute with the same formalities as a deed, and record an amendment to this Declaration in the public records of Guilford County, North Carolina, such amendment to refer specifically to the recording data identifying this Declaration.

In addition to the execution and recordation of the amendment to the Declaration described above, Declarant shall record in the public records of Guilford County either new plats and plans of the Property evidencing the changes effected by Declarant's exercise of its development rights, or new certifications of the plats and plans previously recorded if the Property continues to conform to those plats and plans.

Each Lot Owner shall be deemed by his acceptance of the deed to a Lot to have consented to the Development Rights reserved in this Article and to any amendments previously or thereafter executed by Declarant pursuant to this Article

Any and all of the Development Rights reserved under this Article IV may be exercised as to any, all or none of the real estate described in Exhibit "A" and Exhibit "A-1" of this Declaration, at different times and from time to time, and in any sequence, all in the sole discretion of the Declarant.

4.4 Applicability of Restrictions, Etc. All restrictions in this Declaration and the Bylaws affecting use, occupancy and alienation of Lots will apply to any and all additional Lots that may be created within the Additional Real Estate.

## ARTICLE V

### Restrictions, Covenants and Conditions

#### 5.1 Use Restrictions.

(a) With the exception of temporary use of a Lot or Living Unit by Declarant as a sales office and/or model, the Lots shall be occupied and used by Lot Owners and Occupants for single-family residential purposes, including home professional uses which (i) do not use any signage that is visible from the exterior of the Lot, (ii) do not involve regular visits from public or commercial vehicles, and (iii) do not involve levels of mail, shipping, trash or storage that would unreasonably burden other Lot Owners.

(b) Living Unit Specifications. No Living Unit shall be permitted having a floor area of the main structure, exclusive of one-story open porches, of less than 1,494 square feet for a two-story dwelling. All Living Units shall be two-story. Any building erected, altered, placed or

permitted to remain on a Lot shall be subject to the provisions of this Declaration relating to Architectural Control. No Lot Owner shall make any structural alterations or modifications to a Living Unit or the Common Area, including the erection of antennas, the placement of any reflective or other material in the windows (other than draperies, blinds or ordinary shades) or other exterior attachments, without the written approval of the Association.

5.2 Signage. Declarant shall also have an easement to maintain signs on the Common Areas advertising the Property until all of the Lots have been conveyed to Lot Owners other than a Declarant. Declarant shall remove all such signs not later than thirty (30) days after all of the Lots have been conveyed to Lot Owners other than Declarant and shall repair or pay for the repair of all damage done by removal of such signs.

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

5.4 Prohibition of Renting for Transient or Hotel Purposes. No Lot Owner shall rent his Unit for transient or hotel purposes, which, for the purposes of this Declaration shall be defined as either a rental for any period less than thirty (30) days or any rental if the lessee of the Living Unit is provided customary hotel services. Each permitted lease shall be in writing, shall be for a period in excess of 30 days, and shall be subject to this Declaration, the Bylaws and any Rules and Regulations, and any failure of the lessee to comply with the terms of such documents shall be a default under the lease. Other than the foregoing restrictions, each Lot Owner shall have the full right to lease his Living Unit.

5.5 Pets. No domestic pets exceeding twenty-five (25) pounds in weight shall be allowed in the Property, except as may be provided by the Rules and Regulations promulgated from time to time by the Board or the Association or in the Bylaws. For the purposes of this paragraph, "domestic pets" shall be defined solely as dogs, cats or birds. Except for the foregoing, no other animals, livestock or poultry of any kind shall be raised, bred or kept on the Property.

5.6 Television, Aerials, Antennas and Satellite Dishes. No radio, television or other aerial, antenna, satellite dish, tower or other transmitting or receiving structure or support thereof, of whatever size, shall be erected, installed, placed or maintained within the Property unless so erected, installed, placed or maintained entirely out of sight within a Lot; provided, however, television dishes 24 inches or less in diameter may be installed by a Lot Owner on his Lot provided such dish is installed out of sight in a location approved by the Board. Prior to installing a television dish, a Lot Owner must submit to the Board or Architectural Control committee for its approval the proposed location for the television dish within sixty (60) days prior to the proposed installation. The Board, in its sole discretion, may approve or disapprove of the proposed location of the dish. If the Board disapproves of the proposed location of the dish, the Board shall provide to the Lot Owner a suggested alternate location for the dish that



will be acceptable to the Board.

5.7 Parking. No tractor, mobile home or trailer (either with or without wheels), camper, camper trailer, boat or other watercraft, boat trailer or any other recreational vehicle shall be parked on any portion of the Common Areas. The foregoing restriction shall not apply to sales trailers, construction trailers or other vehicles which may be used by Declarant and its agents and contractors in the conduct of their business prior to completion of the Property, and shall not apply to service vehicles which are temporarily parked while service contractors are providing temporary service work on one or more Lots in the Property or on the Common Areas.

Permitted vehicles shall be parked or stored in or upon the Common Areas only in an area provided by the Association for such storage and subject to rules and regulations and fees charged by the Association, and shall not be parked or stored within any street right-of-way. \* Parking for each Lot shall be in the driveway located between the Lot and the street on which it fronts. No Lot Owner or Occupant shall repair or restore any vehicle of any kind upon the Property, except for emergency repairs, and then only to the extent necessary to enable movement thereof to a proper repair facility. Each parked vehicle must display a valid current license plate.

5.8 Prohibitions on Use of Common Areas. Except with specific written approval of the Board, the Common Areas shall not be used for temporary or permanent storage or supplies, personal property, trash or refuse of any kind, other than in common trash receptacles placed at the discretion of the Board, nor shall such areas be used in any way for the drying or airing of clothing, rugs or other fabrics. Entrances, sidewalks, driveways and parking areas shall not be obstructed in any way. No activities shall be carried on nor condition maintained by any Lot Owner, either on his Lot or upon the Common Areas, if such activities should despoil, or tend to despoil, the appearance of the Property. No "garage", "attic sales" or "yard sales" shall be \* permitted outside of a Lot. It is expressly acknowledged and agreed by all parties concerned that this section is for the mutual benefit of all Lot Owners of the Property and is necessary for the protection of the Lot Owners and is enforceable by the Board or by any one or more Lot Owners through the Board.

5.9 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 Lot Owners or Occupants or which reasonably interferes with the peaceful possession and proper use of the Property by any Lot Owner and/or Occupants. No exterior speakers, horns, whistles, bells or other sound devices except security devices used exclusively for security purposes, shall be located, used or placed on the Property. All parts of the Property 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, including on the balcony or patio of any Living Unit. Any Lot Owner or Occupant who shall dump or place (or permit his family, tenants, guests or agent to do so) any trash or debris upon any portion of the Property shall be liable to the Association for the actual cost of removal thereof or the sum of \$150.00, whichever is greater, and the same shall be added to and become a part of the assessment next coming due to which the Lot Owner of his Lot is subject. No Lot Owner or Occupant shall permit any use of a Lot or of the Common Areas which will increase the rate of insurance upon the Property. The Association and its agent shall have the right to remove any item or items left outside a Living

Unit, on the Common Areas or hanging from a balcony.

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

5.11 Rules and Regulations. In addition to the foregoing restrictions, conditions and covenants concerning the use of the Property, 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. \*

5.12 Restrictions, Conditions and Covenants To Run With Land. Each Lot 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 Lot Owner.

## ARTICLE VI

### Covenant for Assessments

6.1 Creation of the Lien of Assessments. The Declarant, for each Lot Owner within the Property, hereby covenants, and each Owner of any Lot, by acceptance of a deed therefore, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Association: (1) annual assessments or charges; (2) special assessments for capital improvements, such assessments to be established and collected as hereinafter provided. The Declarant and the Owner of any Lot further covenants to pay to the appropriate governmental taxing authority: (a) a pro rata share of ad valorem taxes levied against the Common Area; and (b) a pro rata share of assessments for public improvements to or for the benefit of the Common Area if the Association shall default in the payment of either or both for a period of six (6) months, as hereinafter provided. The annual and special assessments, together with interest, costs and reasonable attorney's fees, shall be a charge on the land and shall be a continuing lien upon the property against which each such assessment is made. The Association has the power to levy assessments against the Lots for Common Expenses. Such assessments shall be a lien on the Lots against which they are assessed, and if any payment thereof becomes delinquent, the lien may be foreclosed and the Lot sold, or a money judgment obtained against the persons liable therefor, all as set forth in the Bylaws.

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

(a) Each such assessment, together with interest, costs and reasonable attorney's fees, shall be the personal obligation of the Lot Owner of such Lot at the time that the assessment became due. The personal obligation for assessments which are delinquent at the time of transfer of a Lot shall not pass to the transferee of said Lot 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 Section 6.12 below, and such transferee's Lot shall not be subject to a lien for

any unpaid assessments against such Lot 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 deed of trust, whether by foreclosure, by deed-in-lieu of foreclosure, or assignment, obtains title to a Lot, 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 Lot 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 deed of trust, shall be a Common Expense collectible from all Lot Owners, including the transferee under (b) above and the First Mortgagee or such other person under (c) above who acquires ownership of the subject Lot

### 6.3 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 Property and in particular for the acquisition, improvement and maintenance of properties, services and facilities devoted to this purpose and related to the exterior maintenance of the Living Units situated upon Lots and all walkways crossing any Lot if such walkways are constructed, or for the use and enjoyment of the Common Area, including but not limited to, the costs of repairs, replacements and additions, the cost of labor, equipment, materials, management and supervision, the payment of taxes assessed against the Common Area, the maintenance of water and sewer mains in and upon the Common Area, the maintenance of any Permanent Retention Pond(s) in the Common Area, the maintenance of streets (whether dedicated or not) drives and parking areas within the Common Areas, the procurement and maintenance of insurance in accordance with the By-Laws, the payment of charges for garbage collection and water and sewer services furnished to the Common Areas, the employment of attorneys 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, roofs, 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 Area and those other portions of the Properties which the Association may be obligated to maintain. Such reserve fund is to be established out of regular assessments for Common Expenses.

6.4 Payment of Assessments. Assessments provided for herein shall be payable in monthly installments or such other installments as may be determined by the Board of the Association. Such assessments shall commence for each Lot conveyed by the Declarant to a Lot Owner on the first day of the first month following conveyance of such Lot. The annual assessments for Lots owned by Declarant and unoccupied as a residence shall be an amount established in accordance with this Article VI and shall commence as to a particular Lot at the time that the Living Unit on that Lot is completed and ready for occupancy.

The payment of any assessment or installment thereof shall be in default if such assessment or installment is not paid to the Association within thirty (30) days of the due date of such payment. When in default, the delinquent assessment or delinquent installment thereof due to the Association shall bear interest at the lesser of the rate of twelve percent (12%) per annum or the maximum rate permitted by applicable law until such delinquent assessment or installment thereof, and all interest due thereon, has been paid in full to Association. Any assessment levied pursuant to this Declaration, or any installment thereof, which is not paid within ten (10) days after it is due, shall be subject to such reasonable late charge per month for each monthly assessment in arrears as the Board may from time to time fix. All monies owing to the Association shall be due and payable at the principal office of Association in the State of North Carolina, or at such other address as the Association may designate from time to time by notice in writing.

6.5 Prohibition of Exemption from Liability for Contribution Toward Common Expenses. No Lot 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 Areas or by abandonment of his Lot or otherwise.

6.6 Maximum Annual Assessment. Until December 31 of the year of the conveyance of the first Lot to an Owner other than the Declarant, the maximum annual assessment shall be (\$1,200.00) per Lot, which may be collected in monthly payments of One Hundred Dollars (\$100.00) per Lot. The annual assessment for any Lot owned by the Declarant on which a Living Unit has been completed but is unoccupied as a residence, shall be for both annual and special assessment twenty-five percent (25%) of the assessments for Lots owned by Lot Owners other than the Declarant. Immediately upon conveyance of a Lot to a Lot Owner other than the Declarant or once any Lot is leased or rented by the Declarant, the assessments shall increase to one hundred percent (100%) of the assessments with the exception of the assessment rate for Lots owned by the Declarant and unoccupied as residences, the rate of assessment shall be uniform for all Lots.

(a) 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 Board of Directors and may be increased by the Board of Directors without approval by the membership by an amount not to exceed ten percent (10%) of the maximum annual assessment of the previous year. At least thirty (30) days in advance of each annual assessment period, the Board of Directors shall fix the amount of the annual assessment and provide written notice thereof to the Lot Owners. The Board shall also set the due date for the payment of assessments.

(b) 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 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.

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

6.7 Special Assessments and Capital Improvements. In addition to the annual assessment authorized above, the Board may levy, in any assessment year, a special 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 Areas, including fixtures and personal property related thereto, provided that any such assessment shall have the assent of two-thirds of the votes of each class of Members who are voting in person or by proxy at a meeting duly called for such purpose. All special assessments shall be fixed at a uniform rate for all Lots and may be collected on a monthly basis.

6.8 Notice and Quorum for any Action Authorized Under Sections 6.6(b) and 6.7. Written notice of any meeting called for the purpose of taking any action authorized under Section 6.6(b) and 6.7 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.

6.9 Property of the Association. 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 Lot Owner, the same may be commingled with monies paid to the Association by any other Lot Owners. Although all funds and common surplus, including other assets of the Association, and any increments thereto or profits derived therefrom or from the leasing or use of Common Areas, shall be held for the benefit of the Members of the Association, no Member of the Association shall have the right to assign, hypothecate, pledge or in any manner transfer his membership interest therein, except as an appurtenance to his Lot. When a Lot Owner shall cease to be a member of the Association by reason of his divestment of ownership of such Lot, by whatever means, the Association shall not be required to account to such Lot Owner for any share of the funds or assets of the Association, or which may have been paid to the Association by such Lot Owner, as all monies which any Lot 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.

6.10 Liability of Multiple Lot Owners. The Lot Owner(s) of each Lot shall be personally liable, jointly and severally, to the Association for the payment of all assessments, regular or special, which may be levied by the Association against such Lot while such party or parties are Lot Owner(s) shall be personally liable, jointly and severally, for interest on such delinquent assessment or installment thereof as above provided, and for all late charges and costs of collecting such assessment or installment thereof and interest thereon, including a reasonable attorneys' fee, whether suit be brought or not.

6.11 Lien for Assessments.

(a) The Association is hereby granted a lien upon each Lot, which lien shall secure and does secure the monies due for all assessments now or hereafter levied against the Lot Owner of each such Lot, which lien shall also secure interest, if any, which may be due on the amount of any delinquent assessments owing to the Association, and which lien shall also secure all late charges, fines and all costs and expenses, including reasonable attorneys' fees, which may be incurred by the Association in enforcing this lien upon said Lot. The lien granted to the Association may be foreclosed in the same manner that real estate deeds of trust may be foreclosed under power of sale under the laws of the State of North Carolina and in any suit for the foreclosure of said lien, the Association shall be entitled to a reasonable rental from the Lot Owner of any Lot from the date on which the payment of any assessment or installment thereof became delinquent, and shall be entitled to the appointment of a receiver for such Lot. The lien granted to the Association shall further secure such advances for taxes, and payments on account of superior mortgages, lien or encumbrances which may be required to be advanced by the Association in order to preserve and protect its lien, and the Association shall further be entitled to interest at the lesser of (i) the rate of twelve percent (12%) per annum or (ii) the maximum amount permitted by applicable law on any such advances made for such purpose. All persons, firms or corporations who shall acquire, by whatever means, any interest in the ownership of any Lot, or who may be given or acquire a mortgage, lien or other encumbrance thereon, are hereby placed on notice of the lien rights granted to the Association, and shall acquire such interest in any Lot expressly subject to such lien rights.

(b) 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 by Article 8 of Chapter 44 of the North Carolina General Statutes, 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. The claim of lien shall be recordable any time after default and the lien shall continue in effect until all sums secured by said lien as herein provided shall have been fully paid. Such claims of lien shall include only assessments which are due and payable when the claim of lien is recorded, plus interest, fees, charges, late charges, fines, costs, reasonable attorneys' fees, advances to pay taxes and prior encumbrances and interest thereon, all as above provided. 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.

The lien provided for herein shall be subordinate to: (i) any liens and encumbrances recorded before the docketing of the lien (including any mortgage or deed of trust); and (ii) liens for real estate taxes and other governmental assessments or charges against the Lot. In addition, the lien provided for herein shall be subordinate to the lien of any First Mortgage. Any person, firm or corporation acquiring title to any Lot and its appurtenant Allocated Interest in the Common Areas by virtue of any foreclosure of a First Mortgage, deed in lieu of foreclosure of a First Mortgage or judicial sale relating to a First Mortgage, shall be liable and obligated only for assessments as shall accrue and become due and payable for said Lot subsequent to the date of acquisition of such title, and it shall not be liable for the payment of any assessments which were in default and delinquent at the time it acquired such title. In the event of the acquisition title to a Lot by foreclosure, deed in lieu of foreclosure or judicial sale, any assessment or assessments as to which the party so acquiring title shall not be liable shall be

absorbed and paid by all Lot Owners as a part of the Common Expense, including such purchaser, its heirs, successors and assigns, although nothing herein contained shall be construed as releasing the party liable for such delinquent assessment from the payment thereof or the enforcement of collection of such payment by means other than foreclosure.

(c) Institution of a suit at law to attempt to effect collection of the payment of any delinquent assessment shall not be deemed to be an election by the Association which shall prevent it from thereafter seeking, by foreclosure action, enforcement of the collection of any sums remaining owing to it, nor shall proceeding by foreclosure to attempt such collection be deemed to be an election precluding the institution of a suit at law to collect any sum then remaining owing to Association.

(d) In any voluntary conveyance of a Lot, the purchaser thereof shall not be personally liable for any unpaid assessments owed by the seller prior to the time of such voluntary conveyance.

6.12 Statement of Assessment. The Association shall, upon request, 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.

6.13 Working Capital Fund. In order to help insure that the Association will have sufficient monies available to meet operational needs during the initial months of the Property's existence, the Association has established a working capital fund. At the time of the closing of the first sale of each Lot to a purchaser other than Declarant, the purchaser thereof shall pay into such fund an amount equal to two-twelfths (2/12ths) of the current annual assessment established by the Association; provided that if, prior to first sale of a Lot, the Declarant shall have advanced to the Association such Lot's share of the working capital fund, then Declarant may be reimbursed for such advance from amounts otherwise payable into the working capital fund from proceeds collected at the closing of such first sale of the Lot. 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 this Declaration and the Bylaws.

## ARTICLE VII

### Party Structures

#### 7.1 Applicability.

This Section shall apply to each shared roof, wall, fence or driveway built as a part of the original construction of single-family Units, as well as common utility or service connections, common facilities or other common equipment and property serving two or more adjacent Units:

(i) any part of which is built upon or straddling the boundary line between two adjoining Units; or

(ii) which is built within four feet of the boundary line between adjoining Units, has no windows or doors, and is intended to serve as a privacy wall for the benefit of the adjoining Unit; or

(iii) which otherwise serves and/or separates two adjoining Units, regardless of whether constructed wholly within the boundaries of one Unit;

and shall constitute a party wall, party fence, or party driveway, respectively (each herein referred to as "Party Structure"). The Owners of each such Unit (the "Adjoining Owners") shall own that portion of the Party Structure lying within the boundaries of their respective Units and shall have an easement for use and enjoyment and, if needed, for support, in that portion, if any, of the Party Structure lying within the boundaries of the adjoining Unit.

Anything contained or implied herein to the contrary notwithstanding, the provisions of this Section 7.1 shall not apply to any such shared equipment, facilities, property or service that are subject to other recorded covenants and restrictions, approved by the Declarant, that require maintenance, repair, or replacement by a separate owners' association or other management entity.

#### 7.2 Joint and Equal Obligations of Maintenance, Repair and Replacement.

In the event of required maintenance, repair as a result of damage, or replacement because of destruction of a Party Structure from any causes, other than the negligence of an Adjoining Owner, the Adjoining Owners of the subject Party Structure shall, at joint and equal expense, maintain, repair and rebuild the Party Structure. Required repair or rebuilding of a damaged or destroyed Party Structure shall be the same size and of the same or similar material and of like quality as the Party Structure initially constructed, situate generally in the original location on the common property line between adjoining Units, all pursuant to applicable governmental regulation and permits. Each such Adjoining Owner, their respective heirs, successors, and assigns, shall have the right to the use of the Party Structure so repaired or rebuilt. The Adjoining Owners shall undertake repairs and reconstruction of the Party Structure wherever a condition exists which may result in damage or injury to person or property if repair or reconstruction work is not undertaken. Either Adjoining Owner, upon discovering the possibility of damage or destruction, shall notify the other Adjoining Owner of the nature of the damage, the work required to remedy the situation, and the estimated cost of the repair or reconstruction. The other Adjoining Owner shall then have twenty (20) days from the receipt of the notice either to object to the repairs or reconstruction or to pay such noticed Adjoining Owner's share of the cost of the work. However, in the event of an emergency (i.e., a condition that is immediately threatening to the safety of persons or property), the Adjoining Owner giving such notice may undertake without consent only such work as shall abate the emergency, and the noticed Adjoining Owner shall then have five (5) days from receipt of the notice, which notice shall state with particularity the nature and extent of the existing emergency and the immediate actions taken or to be taken to abate the emergency and what further work, if any, is required for full repair and restoration, after which the noticed Adjoining Owner shall pay its share of the emergency abatement costs, and within the twenty (20) days above provided, shall either object to the further repair or reconstruction work or pay the noticed Adjoining Owner's share of the cost of such further work. The failure of the Adjoining Owner receiving such notice to object in



writing to the Adjoining Owner sending such notice within the period of time provided shall be deemed to constitute such noticed Adjoining Owner's acceptance. In the event the Adjoining Owner receiving such notice objects in writing to such work to be done within the period of time provided, either Adjoining Owner may initiate resolution of such disputed repair or reconstruction pursuant to the terms and conditions of ARTICLE XI, Section 11.1 (c).

7.3 Damage or Destruction Caused By Negligence.

If either Adjoining Owner's negligence, which is deemed to include the negligence of such Adjoining Owner's family, tenant, guest or invitee, shall cause damage to or destruction of the Party Structure, the negligent Adjoining Owner shall bear the entire cost of repair or reconstruction.

7.4 Failure to Pay Share of Expenses.

If an Adjoining Owner shall neglect or refuse to pay such Adjoining Owner's share, or all of the cost in case of negligence, arising from the repair or reconstruction of the Party Structure in accordance with Section 7.2, the other Adjoining Owner may, but shall not be required to, undertake such repair or reconstruction and to pay the share of the cost and expense of the Adjoining Owner neglecting or refusing to so pay, which amount thereof shall constitute a "Shared Cost Assessment" collectable in accordance with Section 7.7 and subject to lien therein provided.

7.5 Decision Not to Rebuild.

Any portion of the Party Structure which is damaged or destroyed must be repaired or replaced promptly by the Owners unless:

(iv) Repair or replacement would be illegal under any law, statute or ordinance governing health and safety; or

(v) The Adjoining Owners agree unanimously, in writing, not to repair and reconstruct the damaged or destroyed Party Structure, and the DRC consents to such decision in writing.

7.6 Adjoining Owners' Easements.

(a) Access.

Each Adjoining Owner, and their respective guests, invitees, successors and assigns shall have a non-exclusive, perpetual easement of access, ingress and egress on, over and across any Party Structure designed for access, ingress and egress, such as shared driveways and walkways.

(b) Maintenance, Repair and Construction Easement.

There shall exist for the benefit of each Adjoining Owner, and their respective guests, invitees, successors and assigns a perpetual easement for access, ingress and egress on, over and across such portions of the other Adjoining Owner's Unit reasonably

necessary or desirable for the construction, repair, maintenance and replacement of the Party Structure. With respect to the whole or any portion of a Party Structure located upon an Adjoining Owner's Unit, an Adjoining Owner shall have an encroachment easement upon the other Adjoining Owner's Unit pursuant to Section 7.6(c). This construction, repair, maintenance and replacement easement shall include the right to make minor cuts in an Adjoining Owner's Unit to secure flashing or other materials, provided such work does not impair the Unit's structural integrity and watertightness; and shall also include the right to temporarily alter, obstruct and/or block off portions of the Party Structure during construction or repair in order to avoid injury to persons or damage to property. However, in every case of alteration, obstruction or blocking, the said Adjoining Owner exercising such right shall provide, if possible, reasonable alternative means of use and access around the affected area to allow access to and the continued use and enjoyment thereof by persons entitled to such use and enjoyment. All such construction, repair, maintenance and replacement shall be undertaken and completed in accordance with applicable governmental regulations and permits therefor.

(c) Encroachment Easements and Licenses.

There shall exist for the benefit of each Adjoining Owner an exclusive perpetual encroachment easement and license on and across such portions of the Party Structure reasonably necessary or desirable, to perform any maintenance, repair, reconstruction or replacement of the Party Structure, being generally along the common property line between the Adjoining Owner's Units. There shall also exist for the benefit of each Adjoining Owner an encroachment easement and license to physically attach to the Party Structure any portion of its improvements attached in the original construction or required or desirable for support. Such encroachment easements and licenses shall include the right (but not the duty) to install, use, replace and maintain utility lines and facilities under and beneath such properties, including without limitation pipes and lines for water, electricity, telephone and cable television, all subject to the reasonable right of the respective Adjoining Owners to designate the actual location of any such utility easements encumbering their respective Units.

7.7 Shared Cost Assessments for Joint Structures.

(a) Creation of Lien and Personal Obligation for Shared Cost Assessments.

Each Adjoining Owner hereby covenants to pay its share of the costs and expenses of maintenance, repair and reconstruction of the Party Structure required pursuant to Section 7.2. Any such shared cost or expense remaining unpaid following five (5) days written demand therefor shall constitute a "Shared Cost Assessment". Any Shared Cost Assessment remaining unpaid for a period of thirty (30) days or longer shall constitute a lien on the Adjoining Owner's Unit when a claim of lien is filed of record in the office of the Clerk of Superior Court for Forsyth County, North Carolina. A claim of lien shall set forth the name and address of the Adjoining Owner filing the lien, the name of the delinquent record holder of the adjoining Unit at the time the claim of lien is filed, a description of the Unit and the amount of the lien claimed. Such lien may be enforced by judicial foreclosure by the other Adjoining Owner in the same manner in which mortgages on real property may be foreclosed in the State of North Carolina. Proceedings to enforce the lien must be instituted within three (3) years after the docketing of the claim of lien in the office of the Clerk of Superior Court in Guilford County,

North Carolina or the lien for unpaid Shared Cost Assessments will be extinguished. In any such foreclosure, the delinquent Adjoining Owner shall be required to pay the costs and expenses of such proceeding (including reasonable attorneys' fees) and such costs and expenses shall be secured by the lien being foreclosed. The delinquent Adjoining Owner shall also be required to pay any Shared Cost Assessments against the Adjoining Owner's Unit, which shall become due during the period of foreclosure, and all such Shared Cost Assessments shall be secured by the lien being foreclosed. The Adjoining Owner holding such lien shall have the right and power to bid in at any foreclosure sale, and to thereafter hold, lease, mortgage, or convey the subject Unit. Each such Shared Cost Assessment, together with such interest, costs and reasonable attorney's fees shall be the personal obligation of the person who was the delinquent Adjoining Owner at the time when the Shared Cost Assessment fell due and also of any subsequent Adjoining Owner of the lien Unit; provided, however, that no Adjoining Owner acquiring title to the lien Unit at a foreclosure sale, or conveyance in lieu of foreclosure, of any mortgage, his successors and assigns, shall have any personal obligation with respect to the portion of any Shared Cost Assessments (together with late charges, interest, fees and costs of collection) related to such Unit, the lien for which is subordinate to the lien of the mortgage being foreclosed, as provided in Section 0.

(b) Assumption of Obligation by Transferee.

The personal obligation of the Adjoining Owner to pay a Shared Cost Assessment shall remain his personal obligation notwithstanding the fact that any successor in title assumes such personal obligation. Furthermore, such prior Adjoining Owner and his successor in title who assumes such liabilities shall be jointly and severally liable with respect thereto, notwithstanding any agreement between such prior Adjoining Owner and his successor in title creating the relationship of principal and surety as between themselves, other than one by virtue of which such prior Adjoining Owner and his successor in title would otherwise be jointly and severally liable to pay such amounts.

(c) Miscellaneous.

An Adjoining Owner may bring legal action against the defaulting Adjoining Owner personally obligated to pay a Shared Cost Assessment or foreclose its lien against the defaulting Adjoining Owner's Unit or pursue both such courses at the same time or successively. Adjoining Owners are deemed to have, to the fullest extent permitted by law, waived the right to assert any statute providing appraisal rights which may reduce any deficiency judgment obtained against a defaulting Adjoining Owner in the event of such foreclosure, and further waive all benefits that might accrue to an Adjoining Owner by virtue of any present or future homestead exemption or law exempting a Unit or portion thereof from sale.

(d) Subordination of the Charges and Liens.

(i) The lien and permanent charge for the Shared Cost Assessments (together with late charges, interest, fees and cost of collection) authorized herein with respect to a Unit is hereby made subordinate to liens and encumbrances (specifically including, but not limited to, a Mortgage on the Unit) recorded before the docketing of the claim of lien in the office of the Clerk of Superior Court, and (ii) liens for real estate taxes and other governmental

assessments and charges against the Unit. Sale or transfer of a Unit shall not affect the lien of the Shared Cost Assessments. However, where the holder of a Mortgage, or other purchaser of a Unit obtains title thereto as a result of foreclosure of a Mortgage, such purchaser and its heirs, successors, and assigns, shall not be liable for the Shared Cost Assessments against such Unit which became due prior to the acquisition of title to such Unit by such purchaser. In the event of co-ownership of the Unit against which the Shared Cost Assessments arises, all of such co-Owners will be jointly and severally liable for the entire amount of such Shared Cost Assessments.

(ii) Such subordination is merely a subordination and shall not relieve the Unit's Adjoining Owner of his personal obligation to pay all Shared Cost Assessments coming due at a time when he is the Adjoining Owner; shall not relieve such Unit from the lien and permanent charge provided for herein (except as to the extent the subordinated lien and permanent charge is extinguished by foreclosure or deed in lieu thereof); and no sale or transfer of such Unit to the Mortgagee or to any other person pursuant to a foreclosure sale, or deed in lieu thereof, shall relieve any previous Adjoining Owner from liability for any Shared Cost Assessment coming due before such sale or transfer.

## ARTICLE VIII

### Exterior Maintenance

8.1 Exterior Maintenance for Dwelling Units. In addition to maintenance upon the Common Area, the Association shall provide exterior maintenance upon each dwelling unit on each Lot which is subject to assessments hereunder, as follows: Paint, repair, replace and care of roofs, gutters, downspouts, exterior building surfaces, trees, shrubs, walks and other exterior improvements. Such exterior maintenance shall not include glass surfaces or sub-surface leakage into basement areas or crawl spaces. In order to enable the Association to accomplish the foregoing, there is hereby reserved to the Association the right to unobstructed access over and upon each Lot at all reasonable times to perform maintenance as provided in this Article.

8.2 Responsibility of Owners. In the event, as to any Lot, the need for maintenance, repair or replacement for which the Association is responsible hereunder is caused through the willful or negligent act of the Owner, his family, guests or invitees, or is caused by fire, lightning, windstorm, hail, explosion, riot, riot attending a strike, civil commotion, aircrafts, vehicles and smoke, as the foregoing are defined and explained in North Carolina Standard Fire and Extended Coverage insurance policies, the cost of such maintenance, replacement of repairs shall be added to and become a part of the assessment to which such Lot is subject.

## ARTICLE IX

### Architectural Control

9.1 Improvements. No building, fence, wall or other structure or planting or landscaping shall be commenced, erected or maintained upon Lots, nor shall any exterior

addition to or change or alteration thereon or therein, including, without limitation, any plantings or landscaping, be made until the plans and specifications showing the nature, kind, shape, height, materials and location of the same shall have been submitted to and approved in writing as to harmony of external design and location in relation to surrounding structures and topography by the Board of Directors of the Association, or by an architectural committee composed of three (3) or more representatives appointed by the Board. In the event said Board, or its designated committee, fails to approve or disapprove such design and location within sixty (60) days after said plans and specifications have been submitted to it, approval will not be required and this Articles will be deemed to have been dully complied with. Provided that nothing herein contained shall be construed to permit interference with the development of the Properties by the Declarant so long as said development follows the general plan of development of the Properties previously approved by FHA and/or VA or Guilford County.

*flowers?*  
*approval for*  
*pansies or*  
*geranium*

## 9.2 Procedures.

(a) Any person desiring to make any improvement, alteration or change described in Section 1 above shall submit the plans and specifications therefore, showing the nature, kind, shape, height, materials and location of the same, to the Board of Directors of the Association or the Architectural Control Committee which shall evaluate such plans and specifications in light of the purpose of this Article. In the event the Committee fails to approve, modify or disapprove in writing an application within sixty (60) days after plans and specifications have been submitted to it, approval will not be required and this Article will be deemed to have been fully complied with.

(b) As a condition to the granting of approval of any request made under this Article, the Board of Directors of the Association or the Architectural Control Committee may require that the Owner requesting such change be liable for any cost of maintaining or repairing the approved project. If such condition is imposed, the Owner shall evidence his consent thereto by a written document in recordable form satisfactory to the Board of Directors of the Association or the Architectural Control Committee. Thereafter, the Owner, and any subsequent Owner of the Lot, by acceptance of a deed therefore, whether or not it shall be so expressed in such deed, is deemed to covenant and agree that any cost of maintenance and repair of such improvement shall be a part of the annual assessment or charge set forth in Article VI, and subject to the lien rights described in said Article VI, Sections 6.1 and 6.11.

## ARTICLE X

### Amendment

10.1 Manners of Amending Declarations. This Declaration may be amended in the following manner:

(a) The covenants and restrictions of this Declaration shall run with 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. During the first twenty-year period, an Amendment to this Declaration may be proposed by the Board of the Association acting upon a vote of a majority of its Board Members, or by Owners of Lots to which at least

fifty percent (50%) of the votes in the Association are allocated, whether meeting as members or by instrument in writing signed by them. Upon any amendment to this Declaration being proposed by the Board or Lot Owners, the proposed amendment shall be transmitted to the President of the Association, or other officers of the Association in the absence of the President, who shall thereupon call a special meeting of the members of the Association for a date not sooner than twenty (20) days not later than sixty (60) days from receipt by him of the proposed amendment. It shall be the duty of the Secretary to give to each member written or printed notice of such special meeting, stating the time and place thereof, and reciting the proposed amendment in reasonably detailed form, which notice shall be mailed not less than ten (10) days nor more than fifty (50) days before the date set for such special meeting. If mailed, such notice shall be deemed to be properly given when deposited in the United States Mail addressed to the member at his address as it appears on the records of the Association, first class postage thereon prepaid. Any member may, by written waiver of notice signed by such member, waive such notice, and such waiver, when filed in the records of the Association, whether before or after the holding of the meeting, shall be deemed equivalent to the giving of notice to such member. At the meeting, the proposed Amendment must be approved by an affirmative vote of the members owning Lots in the Property in order for such Amendment to become effective. An affirmative vote of at least ninety percent (90%) of the Lot Owners shall be required to approve the proposed Amendment. After the initial twenty-year period has expired, an affirmative vote of at least seventy-five percent (75%) of the Lot Owners shall be required to approve the proposed Amendment. Upon adoption, such amendment of this Declaration shall be transcribed and certified by the President and Secretary of the Association as having been duly adopted. The original or an executed copy of such amendment, so certified and executed with the same formalities as a deed, shall be recorded in the Public Records of Guilford County, North Carolina. Such amendment shall specifically refer to the recording data identifying the Declaration and shall become effective upon recordation. Thereafter, a copy of said amendment in the form in which the same was placed of record by the officers of the Association shall be delivered to the Lot Owners of all Lots, but delivery of a copy thereof shall not be a condition precedent to the effectiveness of such amendment. At any meeting held to consider such amendment, the written vote of any member of the Association shall be recognized if such member is not in attendance at such meeting or represented thereat by proxy, provided such written vote is delivered to the Secretary of the Association prior to such meeting or at such meeting.

10.2 No Amendment of Declarant's Right without Consent. No alteration, amendment or modification of the rights and privileges granted and reserved hereunder in favor of Declarant shall be made without the written consent of Declarant being first had and obtained.

10.3 No Amendment of Obligation to Pay Assessments. No alteration, amendment or modification of these Declarations shall alter the Obligation to pay ad valorem taxes or assessments for public improvements or affect any lien for payment thereof as established herein.

## ARTICLE XI

### Remedies in Event of Default

11.1 Remedies of any Lot Owner or the Association. Each Lot Owner and the

Association shall be governed by and shall comply with the provisions of this Declaration, and the Articles of Incorporation and Bylaws of the Association, as any of the same are now constituted or as they may be amended from time to time. A default by the Association or a default by the Lot Owner shall entitle the Association or the Lot Owner, as appropriate, to the following relief:

(a) Failure to comply with any of the terms of this Declaration or other restrictions and regulations contained in the Articles of Incorporation by 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. Such relief may be sought by the Association or, if appropriate, by an aggrieved Lot Owner.

(b) As provided herein and in the Bylaws, each Lot Owner shall be liable for the expense of any maintenance, repair or replacement rendered necessary by his act, neglect or carelessness, or by that of any member of his family, or his or their guests, employees, agents or lessees, but only to the extent that such expense is not met by the proceeds of insurance carried by the Association. Such liability shall include any increase in fire insurance rates occasioned by use, misuse, occupancy or abandonment of a Lot or its appurtenances. Nothing herein contained, however, shall be construed so as to modify any waiver by insurance companies of rights of subrogation.

(c) The Bylaws of the Association provide that the Association may fine a Lot Owner in an amount not to exceed One Hundred Fifty Dollars (\$150.00) for each violation of this Declaration, the Bylaws or the Rules and Regulations of the Association, or may assess liability in an amount not to exceed Five Hundred Dollars (\$500.00) for damage to Common Areas caused by a Lot Owner, which damage is not covered by the Association's insurance. As set forth in the Bylaws, a hearing for an accused Lot Owner must be held before an adjudicatory panel appointed by the Association, which panel shall accord to the party charged with the violation: (i) notice of the charge; (ii) opportunity to be heard and to present evidence; and (iii) a notice of the decision. Any such fine or liability assessment shall be both the personal obligation of the Lot Owner against whom the fine is assessed and a lien upon the Lot of such owner and its appurtenant Allocated Interest, to the same extent as the assessments described in Article VI hereof.

(d) If damage is inflicted on any Lot by an agent of the Association acting within the scope of his activities as such agent, the Association shall be liable to repair such damage or to reimburse the Lot Owner for the cost of repairing such damages. The Association shall also be liable for any losses to the Owner.

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

(f) The failure of the Association or any Lot 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 Lot Owner to

*Need to know*

enforce such right, provision, covenant or condition in the future.

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

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

(i) The failure of a First Mortgagee, as said term is herein defined, to enforce any right, provision, privilege, covenant or condition which may be granted to it by this Declaration or other above-mentioned documents, shall not constitute a waiver of the right of said party or parties to thereafter enforce such rights, privileges, covenant or condition in the future.

## **ARTICLE XII**

### **Rights Reserved Unto First Mortgagees**

12.1 Rights of a First Mortgagee. "First Mortgagee" or "First Mortgagees," as the terms are used herein, shall mean and refer to banks, savings and loan associations, insurance companies, other firms or entities customarily affording loans secured by liens on residences, the Federal National Mortgage Association, the Federal Home loan Mortgage Corporation and eligible insurers and governmental guarantors. In addition to any other rights set forth in this Declaration, so long as any First Mortgagee shall hold any mortgage upon any Lot, or shall be the owner of any Lot, such First Mortgagee shall have the following rights:

(a) To examine, at reasonable times and upon reasonable notice, the books and records of the Association and the annual financial statement and report of the Association, prepared by an independent accountant designated by the Association, such financial statement and report to be available within one hundred twenty (120) days following the end of the Association's previous fiscal year.

(b) To be given timely written notice by the Association of the call of any meeting of the membership to be held for the purpose of considering (1) any material alteration, amendment or modification of this Declaration, the Articles of Incorporation or the Bylaws. Such notice shall state the nature of the amendment or action being proposed.

(c) To be given timely written 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 such First Mortgagee.

(d) To be given timely written notice of any condemnation or substantial casualty loss to the Common Areas.



(e) To have the right to approval of any alienation, releases, transfer, hypothecation or other encumbrance of the Common Areas, other than those specific rights vested in the Association pursuant to this Declaration.

12.2 Registration by First Mortgagee. Whenever any First Mortgagee desires the provisions of this Article to be applicable to it, it shall serve or cause to be served written notice of such fact upon the Association by Registered Mail or Certified Mail addressed to the Association and sent to Morgan Ashley Terrace Homeowners Association, Inc., \_\_\_\_\_, Greensboro, NC, or other registered address designated with the North Carolina Secretary of State, identifying the Lot or Lots upon which such First Mortgagee, or identifying any Lots owned by it, together with sufficient pertinent facts to identify any mortgage or mortgages which may be held by it or them, and which notice shall designate the place to which notices are to be given by the Association to such First Mortgagee.

### ARTICLE XIII

#### Right of Declarant to Designate Members of Executive Board of the Association

13.1 Right to Designate Members of the Board. Declarant shall be entitled to designate and select a majority of the persons who shall serve as Members of the Board of the Association until the first to occur of: (i) one hundred twenty (120) days after Declarant conveys seventy-five percent (75%) of the Lots in the Property (including Lots which may be created pursuant to the Development Rights reserved in Article IV of this Declaration); (ii) two (2) years after Declarant has ceased to offer Lots for sale in the ordinary course of business; (iii) two (2) years after Declarant's last exercise of its right under Article III of this Declaration to add additional Lots to the Property; or (iv) seven (7) years after the date of the sale of the first Lot in the Property.

13.2 Number of Board Members Appointed by Declarant. Not later than sixty (60) days after conveyance of 25% of the Lots, including Lots which may be created under Article IV to Lot Owners other than the Declarant, at least one member and not less than 25% of the members of the Board shall be elected by Lot Owners other than the Declarant. Not less than 60 days after conveyance of 50% of the Lots including Lots that may be created under Article III to Lot Owners other than the Declarant, not less than 33% of the members of the Board shall be elected by Lot Owners other than the Declarant.

13.3 Means of Designation and Right to Remove. Whenever Declarant shall be entitled to designate and select any person to serve on any Board, the manner in which such person 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 selected by it to act and serve on said Board and to replace such person with another person to act and serve in the place of any Director so removed for the remainder of the unexpired term of any Board Member so removed. Any Board Member designated and selected by Declarant need not be a Lot Owner or a resident of the Property.

### ARTICLE XIV

#### General Provisions

14.1 Annexation.

(a) Additional residential property and Common Area may be annexed to the Properties with the consent of two-thirds (2/3) of each class of Members.

(b) Additional land within the area described in the metes and bounds description attached hereto as SCHEDULE A and incorporated herein by reference may be annexed by the Declarant without the consent of Members within seven (7) years of the date of this instrument provided that FHA and VA determine that the annexation is in accord with the general plan heretofore approved by them.

14.2 FHA/VA Approval. As long as there is a Class B membership, the following action will require the prior approval of the FHA or VA: dedication of Common Area and amendment of this Declaration of Covenants, Conditions and Restrictions.

14.3 Interpretation of Declaration. Whenever appropriate singular may be 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.

14.4 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.

14.5 Exhibits. Exhibits A and B attached hereto are hereby made a part hereof.

14.6 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.

14.7 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.

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

IN WITNESS WHEREOF, the undersigned has executed this Declaration as of the day and year first above written.

(CORPORATE SEAL) MORGAN ASHLEY TERRACE, LLC,  
a North Carolina limited liability company

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

STATE OF NORTH CAROLINA  
COUNTY OF GUILFORD

This \_\_\_\_ day of \_\_\_\_\_, 2006, before me, the undersigned Notary Public in and for the County and State aforesaid, personally came \_\_\_\_\_, who, being duly sworn, says that he is \_\_\_\_\_ of Morgan Ashley Terrace, LLC, a North Carolina limited liability company, and that he signed said instrument on behalf of said limited liability company by its authority duly given.

WITNESS my hand and notarial stamp or seal this \_\_\_\_ day of \_\_\_\_\_, 2006.

\_\_\_\_\_  
Notary Public

My Commission Expires: \_\_\_\_\_

**CONSENT AND SUBORDINATION OF MORTGAGEE**

First National Bank & Trust Company, holder of that certain Note secured by that certain deed of trust dated May 22, 2006 and recorded in Book 6533 at Page 1708 and re-recorded in Book 6562 Page 1436 in the Guilford County Public Registry does hereby consent to the terms, conditions, and covenants in the foregoing Declaration and the Bylaws described therein, and agree that the lien of said deed of trust, and the interest of the beneficiary therein, are subject and subordinate, in all respects, to the terms, conditions, and covenants contained in said Declaration, including all exhibits, supplemental declarations and other amendments thereto.

IN WITNESS WHEREOF, the undersigned has caused this Consent to be duly executed this \_\_\_\_\_ day of October, 2006.

First National Bank & Trust Company

By: \_\_\_\_\_  
Its: \_\_\_\_\_ President

STATE OF NORTH CAROLINA

COUNTY OF Guilford

I, \_\_\_\_\_, a Notary Public in and for the County and State aforesaid, certify that \_\_\_\_\_, personally came before me this day and acknowledged that he/she is \_\_\_\_\_ President of \_\_\_\_\_ and that he/she as \_\_\_\_\_ President being authorized to do so, executed the foregoing on behalf of the corporation.

WITNESS my hand and seal, this \_\_\_\_\_ day of \_\_\_\_\_, 2006.

\_\_\_\_\_  
Notary Public

My Commission Expires: \_\_\_\_\_ [Notary Seal]

**EXHIBIT A**

To Declaration

**EXHIBIT A-1**