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DICKIE C WOOD
REGISTER OF DEEDS
By: TIMOTHY R WILLIAMS ASST
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Prepared by and return to: Carrolland Corporation, P.O. Box 9846, Greensboro, NC 27429

**DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
COVINGTON SUBDIVISION**

THIS DECLARATION is made on the date hereinafter set forth by CARROLLAND CORPORATION, a North Carolina Corporation 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 Forsyth, State of North Carolina, which is more particularly described as follows:

ALL of that certain parcel of land shown on the plat entitled "FINAL PLAT COVINGTON, PHASE 1" which appears of record in the Office of the Register of Deeds of Forsyth County, North Carolina, in Plat Book 51, Page 122.

WHEREAS, it is the intent of the Declarant hereby to cause COVINGTON, PHASE 1 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.

**ARTICLE I
DEFINITIONS**

SECTION 1. "Association" shall mean and refer to COVINGTON OWNERS ASSOCIATION, its successors and assigns.

SECTION 2. "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 3. "Properties" shall mean and refer to that certain real property hereinabove described, and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

SECTION 4. "Common Elements" shall mean all real property owned by the Association for the common use and enjoyment of the Owners. 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 that land designated "Common elements" or "Open Space" as shown on the plat entitled "FINAL PLAT COVINGTON, PHASE 1" which appears of record in the Office of the Register of Deeds of Forsyth County, North Carolina, in Plat Book 51, Page 112; provided, however, that any land designated as "Open Space" which is dedicated to public use on such plat and which is accepted for maintenance purposes by a public authority shall not be part of the Common Elements.

SECTION 5. "Member" shall mean and refer to every person or entity who holds membership with voting rights in the Association.

SECTION 6. "Declarant" shall mean and refer to CARROLLAND CORPORATION, as well as its successors and assigns, if Declarant shall make an express conveyance of its rights as developer hereunder to such successor or assign and said writing is recorded in the Forsyth County Register of Deeds.

SECTION 7. "Lot" shall mean and refer to any separately numbered plot of land shown upon any recorded subdivision map of the Properties with the exception of Common Elements.

SECTION 8. "FHA" shall mean and refer to the Federal Housing Administration of the Department of Housing and Urban Development and "VA" shall mean and refer to the Veterans Administration.

ARTICLE II PROPERTY RIGHTS

SECTION 1. OWNERS EASEMENTS OF ENJOYMENT. Every Owner shall have a right and easement of enjoyment in and to the Common Elements which shall be appurtenant to and shall pass with the title to every Lot, subject to the following provisions:

- (a) the right of the Association to permit the use of and to charge reasonable admission and other fees for the use of any recreational facility situated upon the Common Elements;
- (b) The right of the Association to suspend the voting rights by an Owner for any period during which any assessment against his Lot remains unpaid; and, for a period not to exceed sixty (60) days, for any infraction of its published rules and regulations;
- (c) the right of the Association to dedicate or transfer all or any part of the Common Elements (with the exception of any water quality or erosion control device including, without limitation, any permanent wet detention/retention pond) 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 unless an instrument signed by the Members entitled to cast at least two-thirds (2/3) of all the votes of each class, agreeing to such dedication or transfer, has been recorded;
- (d) the right of the Association to impose regulations for the use and enjoyment of the Common Elements and improvements thereon, which regulations may further restrict the use of the Common Elements;
- (e) the right of the Association, in accordance with its Articles and By-Laws, to borrow money for the purpose of improving the Common Elements and facilities thereon; and
- (f) subject to the prior written consent of FHA or VA, in the event FHA or VA insured loans have been obtained secured by Lots, the right of the Association to exchange portions of the Common

Elements with the Declarant for substantially equal areas of the Properties for the purpose of eliminating unintentional encroachments of improvements onto portions of the Common Elements.

SECTION 2. DELEGATION OF USE. Any Owner may delegate, in accordance with the By-Laws, his rights of enjoyment of the common areas and facilities to the members of his family, tenants, or guests.

SECTION 3. LEASES OF LOTS. Any Lease Agreement between an Owner and a lessee for the lease of such Owner's Lot shall provide that the Lease shall be subject in all respects to the provisions of this Declaration of Covenants, Conditions and Restrictions, the Articles of Incorporation and By-Laws of the Association and that any failure by the lessee to comply with the terms of such document shall be a default under the terms of the lease. All leases of Lots shall be in writing and shall be for no less than a term of 12 months.

ARTICLE III MEMBERSHIP AND VOTING RIGHTS

SECTION 1. Every Owner of a lot which is subject to a lien for assessments shall be a Member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Lot which is subject to assessment

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

Class A. Class A Members shall be all Owners other than the Declarant. Class A Members shall be entitled to one (1) vote for each Lot owned. When more than one person holds an interest in any Lot, all such persons shall be Members. The vote or votes 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.

Class B. The Class B Member shall be the Declarant and shall be entitled to three (3) votes for each lot it shall own within those areas shown on the Preliminary Site Plan for "COVINGTON" approved by the City of Winston Salem Technical Review Committee as that Plan is from time to time amended and approved. 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 the total votes outstanding in the Class B membership; or
- (b) on December 31, 2012.

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 assessments or charges; (ii) special assessments for capital improvements, such assessments to be established and collected as hereinafter provided; (iii) working capital assessment; and (b) to the appropriate governmental taxing authority: (i) a pro rata share of ad valorem taxes levied against the Common Elements; and (ii) a pro rata share of 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. 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. Each such assessment, together with interest, costs and reasonable attorney's fees, shall also be the personal obligation of the person who was the Owner of such property at the time when the assessment fell due. The personal

obligation for the delinquent assessments shall not pass to his successors in title unless expressly assumed by them.

SECTION 2. PURPOSE OF ASSESSMENTS.

(a) The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety and welfare of the residents of the Properties and in particular for the acquisition, improvement and maintenance of properties, services and facilities devoted to this purpose and related to the use and enjoyment of the Common Elements, including but not limited to, the costs of repairs, replacements and additions, the costs of labor, equipment, materials, management and supervision, the payment of taxes assessed against the Common Elements; the maintenance of water and sewer mains in and upon the Common Elements; the maintenance of open spaces and streets which have not been accepted for dedication by a public authority, maintenance of the proposed, roadway medians and islands (including medians and islands located in dedicated rights-of-way), drives and parking areas within the Common Elements; repair and/or maintenance of the completed permanent wet detention/retention pond, if applicable, (including, without limitation, cost of repairs, replacements and additions, costs of labor, equipment, management and supervision) as directed by the governmental office having jurisdiction for water protection; the procurement and maintenance of insurance in accordance with the By-Laws; the maintenance of dams and ponds or other bodies of water located within the Common Elements; the maintenance of any "sign easement" areas located on any Lot, as shown on a recorded plat; the maintenance of entranceways, landscaping and lighting of Common Elements, road medians and islands and entranceways; the lighting of streets (whether public or private); 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, permanent wet detention/retention pond, and any other expense for which the Association is responsible; and such other needs as may arise. Declarant or Declarant's nominee shall have full rights to use the clubhouse as a sales office so long as Declarant has Class B votes remaining.

(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. Such reserve fund is established out of regular assessments for common expense and may also be funded by a special assessment.

(c) All monies collected by the Association shall be treated as the separate property of the Association, and such monies may be applied by the Association to the payment of any expense of operating and managing the Properties, or to the proper undertaking of all acts and duties imposed upon it by virtue of this Declaration, the Articles of Incorporation and the By-Laws of the Association.

As monies for any assessment are paid to the Association by any Owner, the same may be commingled with monies paid to the Association by the other Owners. Although all funds and common surplus, including other assets of the Association, and any increments thereto or profits derived therefrom shall be held for the benefit of the members of the Association, no member of the Association shall have the right to assign, hypothecate, pledge or in any manner transfer his membership interest therein, except as an appurtenance to his Lot. When any Owner shall cease to be a member of the Association by reason of his divestment of ownership of his Lot, by whatever means, the Association shall not be required to account to such Owner for any share of the fund or assets of the Association, or which may have been paid to the Association by such Owner, as all monies which any Owner has paid to the Association shall be and constitute an asset of the Association which may be used in the operation and management of the properties.

(d) The Association shall be responsible for payment of any assessment for private or public improvements to the Common Elements. Further, the funds of the Association may be used for the payment of public and private improvements made to, or for the benefit of, the Common Elements.

SECTION 3. MAXIMUM ANNUAL ASSESSMENT. Until December 31 of the year of the conveyance of the first Lot to an Owner, the maximum annual assessment shall be TWO HUNDRED

FORTY AND NO/100 DOLLARS (\$240.00) per Lot, and may be collected in monthly installments of Twenty Dollars (\$20.00) per Lot.

(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 fifteen percent (15%) of the maximum annual assessment of the previous year.

(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 the Members entitled to 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 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.

SECTION 4. SPECIAL ASSESSMENTS. 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, or additional funding for the Association's operating and/or reserve accounts, 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 who are voting, in person or by proxy, at a meeting duly called for this purpose. 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 IV shall be sent to all Members not less than fifteen (15) days nor more than sixty (60) days in advance of the meeting. At the first such meeting called, the presence of Members or of proxies entitled to cast sixty percent (60%) of all the votes of each class of membership shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

SECTION 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 basis.

SECTION 7. DATE AND COMMENCEMENT OF ANNUAL ASSESSMENTS: DUE DATES. The annual assessments provided for herein may be collected on a monthly basis and shall commence as to a Lot on the first day of the month following the issuance of a certificate of occupancy for that Lot or transfer of the Lot by the Developer and or Declarant, whichever occurs last. The first annual assessment shall be adjusted according to the number of months remaining in the calendar year. At least thirty (30) days in advance of each annual assessment period, the Board of Directors shall establish an annual budget and fix the amount of the annual assessments in advance for the following year. In the event the Board of Directors shall fail to fix the amount of annual assessments described above, the assessment fixed for the immediately preceding year shall continue in effect until a new assessment amount is fixed. Upon adoption by the Board of the budget and annual assessments amount, the Board shall deliver copies of same to every Owner subject thereto; provided, however, that failure to deliver a copy of the budget and annual assessments amount shall not affect the liability of Owners for assessments. The due dates shall be established by the Board of Directors. 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. Annual assessments shall not be paid for any lot owned by the Declarant until such time as a certificate of occupancy is issued for said lot, or until such time as the Declarant no

longer owns a lot. During the initial twelve (12) months that Declarant owns any lots, and those lots have been issued a certificate of occupancy, Declarant shall pay one-fourth (1/4) of the annual assessments. After the expiration of that twelve (12) month period, Declarant shall pay full annual assessments for those lots that it owns for which certificates of occupancy have been issued for at least twelve (12) months.

SECTION 8. EFFECT OF NONPAYMENT OF ASSESSMENTS; REMEDIES OF THE ASSOCIATION. Any assessment not paid within thirty (30) days after the due date shall subject the owner of the lot against which such assessment is levied to a late fee in the discretion of the Board of Directors, which late fee shall not exceed the sum of \$20.00. The Association may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien created herein against the property in the same manner as prescribed by the laws of the State of North Carolina for the foreclosures of Deeds of Trust, and interest, costs and reasonable attorney's fees for representation of the Association in such action or foreclosure shall be added to the amount of such assessment. No Owner may waive or otherwise escape liability for the assessment provided for herein by non-use of the Common Elements or abandonment of his Lot not 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. In addition to the foregoing, the Association shall have and may utilize all remedies granted it under the provisions of North Carolina General Statutes 47F.

SECTION 9. 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 by the total number of Lots in the development. If such sum is not paid by the Owner within thirty (30) days following receipt of notice of the amount due, then such sum shall become a continuing lien on the Lot of the then Owner, his heirs, devisees, personal representatives and assigns, and the taxing or assessing governmental authority may either bring an action at law or may elect to foreclose the lien against the Lot of the Owner.

SECTION 10. SUBORDINATION OF THE LIEN TO MORTGAGES. The liens provided for herein shall be subordinate to the lien of any first mortgage or deed of trust. Sale or transfer of any Lot shall not affect the assessment lien or liens provided for in the preceding section. However, the sale or transfer of any Lot which is subject to any such first mortgage or deed of trust, pursuant to a foreclosure thereof or any proceeding in lieu of foreclosure thereof, shall extinguish the lien of such assessments as to the payment thereof which become due prior to such sale or transfer.

No such sale or transfer shall relieve such Lot from liability for any assessments thereafter becoming due or from the lien thereof, but the lien provided for herein shall continue to be subordinate to the lien of any first mortgage or deed of trust.

SECTION 11. EXEMPT PROPERTY. All property dedicated to, and accepted by, a local public authority and all properties owned by a charitable or non-profit organization exempt from taxation by the laws of the State of North Carolina shall be exempt from the assessments created herein. However, no land or improvements devoted to dwelling use shall be exempt from said assessments, except those lots owned by the Declarant as specifically set forth in Section 7 of this Article IV.

SECTION 12. WORKING CAPITAL ASSESSMENT – The initial purchaser(s) of each lot that contains a residence which has obtained a certificate of occupancy shall pay to the Association an amount equal to two-twelfths (2/12) of the regular current annual assessment as a working capital assessment. This assessment shall be used to fund the initial costs of the association, whether they are long term reserve costs or operating budget expenses.

**ARTICLE V
ARCHITECTURAL CONTROL**

SECTION 1. IMPROVEMENTS. No building, fence, wall or other structure or planting or landscaping shall be commenced, erected or maintained upon any Lot, nor shall any exterior addition to or change or alteration 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 (the "Architectural Control Committee"). Further, nothing herein contained shall prevent or interfere with the right of Declarant to improve and develop the Properties as Declarant desires so long as said development follows the general plan of development of the Properties previously approved by Forsyth County.

SECTION 2. PROCEDURES. Any person desiring to make an improvement, alteration or change described in Section 1 of this Article shall submit the plans and specifications therefor, 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. Should the Committee fail to approve, modify or disapprove in writing such plans and specifications within sixty (60) days after they are submitted to the Committee and provided the plans and specifications submitted are complete and do not violate the restrictions set forth in Article VII hereof, approval will not be required and this Article will be deemed fully complied.

**ARTICLE VI
EXTERIOR MAINTENANCE**

The Association shall maintain the Common Elements. Each Owner shall be responsible for the exterior maintenance of his or her dwelling and Lot, as follows: painting, replacement and care of roofs, gutters, downspouts, exterior building surfaces, lawn, trees, shrubs, driveways, walks and other exterior improvements. In the event that the Owner neglects or fails to maintain his or her Lot and/or the exterior of his or her dwelling in a manner consistent with other Lots and dwellings in the Covington Subdivision the Association may provide such exterior maintenance as provided above. Provided, however, that the Association shall first give written notice to the Owner of the specific items of exterior maintenance or repair the Association intends to perform and the Owner shall have twenty (20) days from the date of mailing of said notice within which to perform such exterior maintenance himself or herself. The determination as to whether an Owner has neglected or failed to maintain his or her Lot and/or dwelling in a manner consistent with other Lots and dwellings in the Covington Subdivision shall be made by the Board of Directors of the Association, in its sole discretion. 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.

In the event the Association performs such exterior maintenance, repair or replacement, the cost of such maintenance, replacement or repairs plus a 20% surcharge, shall be added to and become a part of the assessment to which such Lot is subject.

Notwithstanding the foregoing, the Association shall have the right, following the notice and opportunity for hearing, to levy against the non-complying Owner a daily fine as authorized under Chapter 47F of the North Carolina General Statutes in an amount not to exceed One Hundred Fifty Dollars (\$150.00) per day.

**ARTICLE VII
RESTRICTIONS**

SECTION 1. LAND USE AND BUILDING TYPE. No Lot shall be used except for residential purposes, except for temporary uses thereof by Declarant for Declarant's sales office and/or model. No structures shall be erected or allowed to remain on any Lot except one detached single-family dwelling not

exceeding two stories and an attic (finished or unfinished) in height, a basement (finished or unfinished), an attached garage (which may include quarters for servants) and one wooden storage building, the architecture and design of which is compatible with the architecture and design of the dwelling located on such Lot. The Architectural Control Committee must approve any such storage building as stated in Article V.

SECTION 2. DWELLING SPECIFICATIONS. No dwelling shall be erected or allowed to remain on a Lot if the total heated floor area shall be less than Nine Hundred Fifty (900) square feet.

SECTION 3. NUISANCE. No noxious or offensive activity shall be conducted upon any Lot nor shall anything be done thereon which may be or may become an annoyance or nuisance to the neighborhood including, without limitation, the storing or parking or inoperative motor vehicles or the maintenance of or repair to motor vehicles except within completely enclosed garages constructed in conformity with these covenants and applicable laws and ordinances.

SECTION 4. ANIMALS. No animals, livestock or poultry of any kind shall be kept or maintained on the Common Elements or on any Lot or in any dwelling except that dogs, cats or other household pets may be kept or maintained provided that they are not kept or maintained for commercial purposes and further provided that they are kept and maintained in compliance with (i) all laws and ordinances of the State of North Carolina, Forsyth County relating thereto; and (ii) such rules and regulations pertaining thereto as the Board of Directors may adopt from time to time.

SECTION 5. OUTSIDE ANTENNAS. No outside radio or television antennas or dishes shall be erected on the Common Elements. No satellite dishes larger than thirty-nine inches (39") shall be allowed on any Lot.

The Association has Preferences regarding the location and installation of antennas and satellite dishes located on Lots within the Properties. All antennas and satellite dishes should be located on the rear portion of the Owner's Lot in a location that is least visible from any street and that is least visible from any adjacent Lots within the Properties.

Owners are strongly encouraged to seek approval from the Architectural Control Committee prior to installation. It is a further Preference of the Association that Owners submit an Architectural Application to the Architectural Control Committee of the Association prior to installation of any antenna or satellite dish. Doing so may avoid having to modify or relocate the antenna or satellite dish after inspection by the Association.

If any antenna or satellite dish cannot receive an acceptable signal from the rear of the Lot, it may be located on the side of the Lot (not connected to any building surface). The Owner must cause the antenna or satellite dish to be reasonably screened from view of the adjacent streets and Lots. If the antenna or satellite dish is connected to any building surface, the Owner must paint the antenna or satellite dish to reasonably match the background against which it is mounted.

If the Owner proves to the Board of Directors of the Association that painting the antenna or satellite dish is unreasonably expensive, impractical, or impossible, the antenna or satellite dish must be reasonably screened in its location by the Owner from view from any street and adjacent Lot.

Any screening must be approved by the Architectural Control Committee.

In the event that no Architectural Application is approved prior to installation, the Owners must notify the Board of Directors of the installation of any antenna or satellite dish within thirty (30) days of completed installation.

The Association, and its agents, shall have the right to inspect any new or existing antenna or satellite dish that has not obtain prior approval from the Architectural Control Committee. The Association may determine reasonable alternate locations for any antenna or satellite dish that more closely meet the

Preferences of the Association. If it is determined by the Association that the antenna or satellite dish is to be located in a different location, the antenna or satellite dish shall be moved to that location by the Owner.

If the Association requires relocation of any antenna or satellite dish, the Lot Owner shall waive any objection to the new location as long as the relocation creates an acceptable signal reception.

In order to enable the Association to accomplish the foregoing, there is hereby reserved to the Association and its agents the right to unobstructed access over and upon each Lot at all reasonable times to perform inspections, signal testing, and relocation of antennas or satellite dishes. Said easement shall exist upon every Lot bound to this Declaration and shall run with and bind to the land that is subject to this Declaration.

The costs incurred by the Owner to meet the modification or relocation requirements set forth above shall be reasonable. If any such costs are deemed by the Board of Directors to be unreasonable, the unreasonable portion of those costs may be reimbursed to the Owner from the Association.

SECTION 6. USE OF POND. Swimming, ice skating and boating of any kind shall be prohibited on any pond located within the Properties. Fishing shall be permitted in the discretion of the Association and subject to its regulation.

SECTION 7. PARKING. Each Lot shall contain sufficient off-street paved parking space for at least two (2) automobiles. No automobiles, trucks, motorcycles, recreational vehicles, boats, or trailers of any kind shall be parked on any street within the Properties. No boats, trailers, recreational vehicles, campers and other similar equipment or vehicles, shall be parked or stored in any area on a Lot except inside an enclosed building or behind screening approved by the Architectural Control Committee. No recreational vehicles, campers or other like equipment or vehicles shall be located or installed on any Lot to be used as a residence. Commercial vehicles shall not be parked or stored on any street or Lot within the Properties; provided, however, the foregoing shall not be construed to prevent the temporary, nonrecurrent parking of such vehicle on a Lot for a period not to exceed 24 hours or during any period the Lot is being serviced by such vehicle.

All passenger vehicles used for regular daily transportation shall be parked within the enclosed garage or in the driveway on the lot. Parking on any streets adjacent to lots within the Association is prohibited, save and except parking for guests. Guests of lot owners may park on any streets adjacent to lots within the Association for a maximum of twenty-four (24) hours in any forty-eight (48) hour period.

SECTION 8. RESUBDIVISION OF LOT, STREETS, FENCES, WALLS AND SIGNS. No lot shall be resubdivided into a lot smaller than or different from the Lot shown on the recorded plat, except with the written consent of Declarant. No street shall be laid out or opened across or through any Lot. No fences shall be erected or allowed to remain on any Lot nearer to any street abutting the front of such Lot than the rear building line of the dwelling on such Lot. In the event of an irregular building line, no fences or walls shall be constructed nearer to the street than that portion of the wall farthest from the street. In the case of a Lot having frontage on two streets, in addition to the foregoing requirement, no fences or walls shall be erected or allowed to remain nearer to the side street than the building line of the wall of the residence closest to such side street.

In the event of any question concerning the interpretation of this provision, the interpretation of this provision, the interpretation of the Architectural Control Committee shall be conclusive and binding on all parties. Any metal fencing allowed by the Architectural Control Committee shall be suitably screened where visible from a street. Where fencing is allowed, the fence shall be erected either on a property line or no nearer than five (5) feet from a property line. No billboards or signs shall be erected or allowed to remain on any Lot except as allowed by the Architectural Control Committee, or as determined by Declarant to be allowable for the purpose of marketing lots or completed homes within the property. No chain link fencing of any kind shall be allowed; specifically, but without limitation, chain link dog pens and chain link dog runs are prohibited.

SECTION 9. BUILDING SETBACK. No building shall be located on any Lot nearer to the front or rear Lot line, or to any side Lot line, than shall be permitted under the applicable subdivision ordinances in effect at the time such building is to be constructed.

SECTION 10. MOBILE HOMES, MANUFACTURED HOMES, ETC. No mobile home, manufactured home, modular home, trailer, or other like structure shall be located or installed on any Lot. As used in this Section 10, mobile home, manufactured home or modular home shall mean a structure, assembled in whole or in part in a location other than on the Lot itself, transportable in one or more sections, any section of which, during transport, is four (4) feet or more in width and ten (10) feet or more in length, (other than floor joists and roof trusses) which may or may not be built on a permanent chassis and which is designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities.

SECTION 11. HOUSING USE RESTRICTION. No lot within the Covington community shall be used as a halfway house, juvenile home, detention center, temporary or long term shelter of any kind, rehabilitation center of any kind. This provision is intended to prevent the use of property within Covington for protection, detention, or rehabilitation of criminals, illegal drug users, or other similarly situated persons. It is not the intent of this provision to prevent the record owners of the lots from undergoing medical or therapeutic rehabilitation or treatment at home.

Notwithstanding anything herein to the contrary, neither the Association nor the members of the Board of Directors shall be liable for any personal injury, death or property damage caused by any violation of this Section if the Association fails to enforce these covenants and each member of the Association hereby releases the Association and members of the Board of Directors from all liability arising therefrom.

SECTION 12. RULES AND REGULATIONS. The Board of Directors of the Association may, from time to time, adopt reasonable Rules and Regulations to govern the use and conduct upon the Common Elements of the Association and upon the Lots within the Properties.

ARTICLE VIII EASEMENTS

SECTION 1. UTILITIES. Easements for installation and maintenance of utilities (including cable television service) and drainage facilities are reserved as indicated on recorded plats. In addition, Declarant reserves an additional easement and right-of-way for installation and maintenance of utilities (including cable television service) and drainage facilities over the rear five (5) feet of any Lot and over each side five (5) feet of any Lot; provided, however, that Declarant may, in its sole discretion, waive its right to such additional easement along rear and side Lot lines, in connection with any planned and approved "zero lot line" residence to be constructed on any Lot. Any such waiver shall be by written instrument executed and recorded by Declarant. Within these easements no structures, planting or other material shall be placed or permitted to remain which may interfere with the installation and maintenance of utilities, or which may change the direction of flow of drainage channels in the drainage easements, or which may obstruct or retard the flow of water through drainage channels in the easements. An easement is hereby established for the benefit of Forsyth County (and any other person or firm providing services to the Properties under agreement with or at the direction of the Association) over all Common Elements as may be reasonably necessary for the setting, removal and reading of water meters, and the maintenance and replacement of water, sewer and drainage facilities and for the fighting of fires and collection of garbage.

The Association shall have the power and 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 Lots.

SECTION 2. SIGN EASEMENTS. Easements for the maintenance of subdivision signs and landscaping and lighting surrounding same are reserved as indicated on recorded plats. Declarant hereby grants, gives and conveys to the Association a perpetual, non-exclusive easement over the portions of Lots designated as "sign easements" on the plats, to maintain, repair and replace the subdivision signs which may be located thereon, and the lighting fixtures and landscaping surrounding the same. The costs of all

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 to the easement granted above as to the portion of Lots designated "sign easement," Declarant hereby 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 properties. Declarant shall have right to have marketing signs within Community.

**ARTICLE IX
RIGHTS RESERVED UNTO INSTITUTIONAL LENDERS**

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

SECTION 2. OBLIGATION OF ASSOCIATION TO INSTITUTIONAL LENDERS. So long as any Institutional Lender shall hold any first lien upon any Lot, or shall be the Owner of any Lot, such Institutional Lender shall have the following rights:

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

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

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

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

(e) To have the right to approve of any alienation, release, transfer, hypothecation or other encumbrance of the Common Elements, other than those specific rights vested in the Association under Article II hereof.

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

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

**ARTICLE X
GENERAL PROVISIONS**

SECTION 1. ENFORCEMENT. 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 the Declaration, the Articles of Incorporation or By-Laws of the Association. Failure by the Association or by any Owner to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter. 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. By way of illustration, and not limitation, the Association shall have the fine authority pursuant to the North Carolina Planned Community Act, N.C.G.S. Ch. 47F.

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

SECTION 3. AMENDMENT. 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 unless during the last year of such initial or then current renewal term the Owners of seventy-five percent (75%) of the Lots agree in writing to terminate this Declaration at the end of such term. This Declaration may be amended during the first twenty (20) year period by an instrument signed by the Owners of not less than ninety percent (90%) of the Lots, and thereafter by an instrument signed by the Owner of not less than seventy-five percent (75%) of the Lots, provided that no amendment shall alter any obligation to pay ad valorem taxes or assessments for public improvements, as herein provided, or affect any lien for the payment thereof established herein. Further provided, that any amendment relating to the ownership and maintenance of the permanent wet detention/retention pond shall not be permitted without prior review and approval by the governmental office having jurisdiction for watershed protection. Any amendment must be properly recorded.

SECTION 4. ANNEXATION.

(a) Except as provided in Subsection (b) of this Section 4, Article X, 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 of each class.

(b) Additional land within the area described in the metes and bounds description attached hereto as Schedule "A" and Schedule "B", both Schedules are incorporated herein by reference, may be annexed by the Declarant without the consent of Members within five (5) years of the date of this instrument, provided that, in the event FHA or VA insured loans have been obtained to purchase Lots, and provided that FHA or VA require approval, FHA and VA must determine that the annexation is in accord with the general plan heretofore approved by them.

(c) Any additional land may be annexed by the Declarant without the consent of the Members within (5) years of the date of this instrument, provided that, in the event FHA or VA insured loans have been obtained to purchase Lots, and provided that FHA or VA require approval, FHA and VA must determine that the annexation is in accord with the general plan heretofore approved by them.

SECTION 5. FHA/VA APPROVAL. As long as there is a Class B membership, the following actions will require the prior approval of the Federal Housing Administration or the Veterans Administration provided that FHA or VA loans have been obtained to purchase Lots: dedication of Common Elements and amendment of this Declaration of Covenants, Conditions and Restrictions.

SECTION 6. MAINTENANCE OF PERMANENT WET DETENTION/RETENTION POND IN EVENT OF DISSOLUTION. In the event of the dissolution, either voluntarily or administratively, of the

Homeowners Association, all property owners of record shall be jointly and severally liable for all maintenance and repair of any permanent wet detention/retention pond as directed by the governmental office having jurisdiction for water protection.

SECTION 7. NORTH CAROLINA PLANNED COMMUNITY ACT (PCA). The provisions of the PCA are incorporated herein by reference as if fully set forth herein.

[Signatures appear on following page.]

IN WITNESS WHEREOF, the undersigned, being the Declarant herein, has caused this instrument to be executed in its name and its corporate seal hereto affixed as of the 1st day of March 2007.

CARROLLAND CORPORATION, a
North Carolina Corporation

By: [Signature]
Al Leonard, Vice President

ATTEST:
[Signature]
Secretary, Carrolland Corporation

I, Anthony Dillon, Secretary of Carrolland Corporation, certify that Al Leonard personally came before me this day and acknowledged that he is the Vice President of Carrolland Corporation, and that he, as Vice President, being authorized to do so, executed the foregoing on behalf of the corporation.

WITNESS my hand and official seal, this 1st day of March 2007.

[Signature]
Secretary, Carrolland Corporation



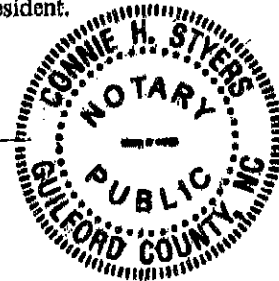
NORTH CAROLINA
COUNTY OF GUILFORD

I, the undersigned, a Notary Public for said County and State, do hereby certify that Al Leonard appeared before me this day and acknowledged that he is Vice President of CARROLLAND CORPORATION, a North Carolina Corporation, and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by him as its Vice President.

WITNESS my hand and notarial seal, this the 1st day of March 2007.

[Signature]
Notary Public

My Commission Expires: 11-09-08



NORTH CAROLINA
GUILFORD COUNTY

I, the undersigned, a Notary Public of the County and State aforesaid, certify that Anthony Dillon, personally appeared before me this day and acknowledged that he is the Secretary of Carrolland Corporation.

Witness my hand and official seal, this 1st day of March 2007.

[Signature]
Notary Public

My Commission Expires: 11-09-08

