

DECLARATION OF CONDOMINIUM

OF

FOREST OAKS, PHASE ONE

Forest Oaks Associates, a General Partnership of Forsyth County, North Carolina (hereinafter called "Developer") does hereby make, declare and establish this Declaration of Condominiums as and for the plan of dwelling ownership of Forest Oaks, Phase One, Building Units 100A through 100E and 110A through 110D, as built, being the property and improvements hereinafter described.

1. ESTABLISHMENT OF CONDOMINIUM.

A. Developer is the owner of the fee simple title to that certain real property situate in Winston and Southfork Townships, Forsyth County, North Carolina, and which property is more particularly described in Exhibit "A", Part One, attached hereto and incorporated herein by reference, and on which property there has been constructed two (2) buildings and their supporting facilities and other appurtenant improvements. The buildings are basically constructed of wood, brick and concrete. Developer does hereby submit Phase One as described in Exhibit "A", Part One and improvements to condominium ownership under the provisions of Chapter 47A of the General Statutes of North Carolina (Unit Ownership Act) and hereby declares the same to be a condominium to be known as Forest Oaks, Phase One (hereinafter called "Condominium").

B. Developer is the owner of the fee simple title to that certain real property described in Exhibit "A", Part Two, of which a part or all thereof may be annexed into and made a part of the condominium as provided for herein if the Developer so elects to develop the same and amend the declaration. Developer has the right to specifically assign its right to annex to its successors and assigns by specific reference to the right reserved and granted as set forth in any instrument of conveyance and in this declaration. The right to annex is not an appurtenance to the land described in Exhibit "A", Part Two and Part Three unless it is specifically conveyed by Developer. Developer must begin to annex all or a part of this land within eighty-four (84) months from date hereof and must complete annexation within one hundred twenty (120) months from date hereof or such right of annexation shall expire.

C. Developer holds an option to purchase the fee simple title to that certain real property described in Exhibit "A", Part Three, of which none, all or a part thereof may be annexed into and made a part of the condominium as provided for herein if the Developer at some future date elects to develop the same and amend the declaration to annex a part or all of the land described in Exhibit "A", Part Three. Developer must begin to annex all or a part of this land within 84 months from date hereof and complete annexation within 120 months from date hereof or such right of annexation shall expire.

The real estate described in Exhibit "A", Part Two and Part Three is in no way made a part of the Condominium. The real estate is described herein to allow a purchaser in Phase One to know that the Developer has reserved and the Purchaser of Units have granted Developer the right to annex a part or all of said land into the Condominium in phases, if the Developer so elects and only if the Developer so elects. The real estate not subjected to this Declaration may be used for any other purpose available under the zoning and other governmental regulations; but if annexed into this Condominium, as

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described in Exhibit "A", Part One, such area(s) as is (are) annexed will be subjected to the same declaration as is here set forth and as it may be amended and will thereby with amendment become a part of the Condominium. The land described in Exhibit "A", Part Two and Three is not encumbered in any other manner, or subjected to any limitation by being described herein and any decision to the contrary by the Courts or otherwise will allow the Developer to withdraw that part which has not been subjected to a phase declaration or amendment to declaration. The land in Part Two and Part Three being included for disclosure of possible phasing by Developer, and its right to do so if it so elects.

2. SURVEY AND DESCRIPTION OF IMPROVEMENTS. Filed simultaneously herewith and expressly made a part hereof in Condominium and Unit Ownership Book No. 1 (herein "Unit Ownership File"), page(s) 131 THROUGH 134, is a survey of the land and graphic descriptions and plans of the improvements constituting the Condominium, identifying the Condominium Units, Common Areas and Facilities, and the Limited Common Areas, as said terms are hereinafter defined, and their respective locations and approximate dimensions. Each Condominium Unit is identified by specific numerical designation in said Unit Ownership File and no Condominium Unit bears the same description as any other Condominium Unit.

3. DEFINITIONS. The Condominium consists of Condominium Units and Common Area Facilities, as said terms are hereinafter defined:

A. Condominium Units as used herein shall mean and comprise the nine (9) separately identified dwelling units which are designated in Exhibit "B" to this Declaration of Condominium and as shown on the plat of survey and plans described under Paragraph 2 of this declaration, excluding, however, all spaces and improvements lying:

(1) Beneath the interior surfacing material of all perimeter walls, interior bearing walls and/or bearing partitions;

(2) Above the interior surfacing material of the ceilings;

(3) Beneath the subflooring material of all floors;

and further excluding all pipes, ducts, wires, conduits and other facilities for the furnishing of utilities and other services to more than one Condominium Unit and/or to Common Areas and facilities up to, and including, the point of entry of such pipes, ducts, wires and conduits through the interior surfacing material for walls, ceilings and the subflooring surfacing material for floors. All pipes, ducts, wires, conduits and other such facilities shall become a part of the respective Condominium Unit at such point of entry. Provided where such pipes, ducts, wires, conduits and other facilities service only one unit and do not pass through, over or under another unit such pipes, ducts, wires, conduits and other facilities shall be a part of the Condominium Unit until the same reach the outside of the perimeter walls. The wires, pipes and conduit connecting the heating and air compressors located on the exterior of the buildings shall belong to the Condominium Unit owner.

All portions of the property not encompassed and included within the various Condominium Units are part of the Common Areas and Facilities. Forest View Drive is not a part of the Common Area, and the unit owner shall be granted an easement and right to use said roadway in his deed.

B. Certain portions of the Common Areas and Facilities are reserved for the use of a particular Condominium Unit or Unit's to the exclusion of other Units and are designated as "Limited Common Areas and Facilities". The Limited Common Areas and Facilities, not to the exclusion of other areas which may be determined to fall within the definition of

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Limited Common Areas, and the Condominium Unit or Units to which they are reserved include:

(1) The patios, porches, balconies and decks which are adjacent to the respective Condominium Units and interior access to which can be had only through a Unit are Limited Common Areas and Facilities, and use of such areas shall be limited to the unit owner or occupant whose unit affords interior access to such patio, porch, deck or balcony.

(2) The steps and stoops which are a part of each building are limited Common Areas and Facilities and are reserved for the use of the unit owner or unit owners serviced in the respective buildings, their families, guests, invitees and lessees.

C. Association or Association of Unit Owners means all of the unit owners acting as a group in accordance with the Bylaws and Declaration. Such Association may be expanded in number by annexation of additional units into the Condominium and if or when so expanded the existing and annexed unit owners shall constitute the Association.

D. The definitions of the terms used herein are the same as those set forth in Chapter 47A of the General Statutes of North Carolina under Section 3, which are incorporated herein by reference, unless it is plainly evident from the context of this Declaration that a different meaning is intended.

4. NATURE AND INCIDENTS OF UNIT OWNERSHIP. Unit Ownership as created and defined in this Declaration shall vest in the holder exclusive ownership and possession with all the incidents of real property. A Condominium Unit in the building may be individually conveyed, leased and encumbered and may be inherited or devised by will, as if it were solely and entirely independent of the other Condominium Units in the building of which it forms a part. Such a unit may be held and owned by more than one person either as tenants in common or tenants by the entirety or in any other manner recognized under the laws of this State.

5. UNDIVIDED INTERESTS IN COMMON AREAS AND FACILITIES.

A. Each Unit Owner shall be entitled to an undivided interest in the Common Areas and Facilities in the ratio expressed in this Declaration. Such ratio shall be in the approximate relation that the fair market value of the unit at the date of this Declaration bears to the then aggregate fair market value of all the units having an interest in said Common Areas and Facilities.

B. The ratio of the undivided interest of each Unit Owner in the Common Areas and Facilities as expressed in this Declaration shall have a permanent character and shall not be altered except with the unanimous consent (which consent is absolutely granted as stated in paragraphs below) of all Unit Owners expressed in an amended declaration duly recorded.

C. The Developer presently owns the property in Phase One solely and entirely in fee simple and Declarant gives, grants, dedicates and covenants its consent to any and all amendments to this Declaration that may be necessary to bring about any and all annexations, future sections and future Condominium Units or mergers that may be necessary or desirable to accomplish the full and ultimate development of Forest Oaks through phases. In giving, granting, dedicating and covenanting its consent as it appears herein, the Developer

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intends to forever and irrevocably bind itself, its purchasers, its successors and assigns to the property in Phase One and any part thereof to the provisions and terms and conditions as stated immediately below.

The Developer anticipates on developing future sections of Condominium Units and annexations and thereby increasing the Common Area. If such development is done by the Developer the percentage of interest of any Unit Owner in the Common Area will, therefore, decrease as future Common Areas increase through annexations and development. In order to show the adjusted decrease in percentage of ownership in Common Property by any Unit Owner, it becomes necessary to amend the Declaration by unanimous consent of all Unit Owners.

To that end, all present and future Unit Owners and successors in title, and their mortgagees, grant the absolute and irrevocable right to Developer to amend the Declaration in order to properly reflect the correct percentage of interest of any Unit Owner in the Common Area as future sections, Condominium Units and annexations are made, if any.

The Developer is deemed to have the absolute and irrevocable consent of all Unit Owners to amend the Declaration for the purpose of adjusting the Unit Owners' percentage of interest in Common Areas without any further acknowledgement or consent from a Unit Owner or successor in title of any Unit Owner or mortgagee to make such amended Declaration or Declarations.

Developer intends to forever and irrevocably bind itself, its purchasers, successors and assigns as to the property described in Exhibit "A", Part One or any part thereof to the end that:

- i. Its consent shall be an appurtenance to the property and title thereto and to such units that shall appear thereon;
- ii. The laws of the State of North Carolina, more particularly Chapter 47A of the General Statutes of North Carolina and specifically G. S. 47A-6 shall be observed;
- iii. Unanimous consent of all Unit Owners to amendment of the Declaration for the purposes stated shall be assured.

The intent of this section is to provide for the orderly phased development of Forest Oaks according to a plan, or plans, which shall be approved by the local municipal or governmental body. If for any reason successors in title to the property or any part thereof shall challenge or otherwise object to an amendment to the Declaration as and for reasons contemplated herein being unanimously consented to as herein sought to be accomplished, then they and each of them, by assuming title, covenant and agree to and do give their consent to such amendment even if that requires or effects a change on the face of or amendment to that portion of their deed which relates to undivided interest in Common Area.

This section shall serve as NOTICE to any person or entity acquiring an undivided interest in the Common Area, or a security interest therein, that the ratio of the undivided interest in the Common Area that he acquires with title may (will likely) change and decrease from time to time as annexations

or mergers take place as herein permitted, by unanimous consent to amendment to the Declaration, for the purposes set out herein, being given, granted, dedicated and covenanted—until ultimately, and permanently, the ratio of undivided interest of all Unit Owners in the Common Area will be based on a ratio which shall be in the approximate relation that the fair market value of each respective unit bears to the aggregate fair market value of all units having an interest in the Common Area.

The undivided interest appurtenant to each unit in Phase One of Forest Oaks shall be as set out in Exhibit B attached hereto, incorporated herein by reference, and made a part hereof. The undivided interest in the Common Area that is appurtenant to each unit has been determined by the ratio of the approximate fair market value of each unit to the aggregate approximate fair market value of all of the units having an undivided interest in the Common Area at the date of this Declaration (or of any supplements or amendments hereto which affect undivided interests in Common Area); the term "unit" as used in this and the succeeding sentence is limited to refer only to dwellings (existing or planned) at or upon the property; the fair market value of each unit and the aggregate fair market value of all the units have been determined by the Developer and are binding upon all Unit Owners. For purposes of establishing fair market value of units as referred to herein (and whether for the existing or for future valuations), the conclusive presumption is created that one square foot of any unit is of exactly the same value as one square foot of any other unit; the rebuttable presumption is created that the certificate of a licensed architect or engineer setting out the approximate square footage of each unit is accurate. The percentage of undivided interest in the Common Area assigned to each unit shall not be changed except as provided by law or elsewhere herein.

Purchasers will be asked to execute the deed to them to evidence their agreement that their proportionate interest in the common area may be reduced in event the Condominium is expanded as set forth above and also to evidence their consent to amendments to the condominium declaration expanding the condominium project and condominium common areas, but reducing the unit owner's proportionate interest in the total combined common area. Such consent shall be binding on the successors, and assigns of each unit owner.

6. RESTRICTIONS AGAINST FURTHER SUBDIVISION OF CONDOMINIUM UNITS:
SEPARATE CONVEYANCE OF APPURTENANT COMMON PROPERTY PROHIBITED: No Condominium Unit may be divided or subdivided into a smaller Unit or Units than as shown in the Unit Ownership File nor shall any Condominium Unit or portion thereof be added to or incorporated into any other Condominium Unit. The undivided interest in the Common Property declared to be an appurtenance to each Condominium Unit shall not be conveyed, devised, encumbered or otherwise dealt with separately from said Condominium Unit, and the undivided interest in Common Property appurtenant to each Condominium Unit shall be deemed, conveyed, devised, encumbered or otherwise included with the Condominium Unit even though such undivided interest with the Condominium Unit is not expressly mentioned or described in the instrument, conveying, devising, encumbering or otherwise dealing with such Condominium Unit. Any conveyance, mortgage or other instrument which purport to grant any right, interest or lien in, to, or upon a Condominium Unit, shall be null and void insofar as its purports to affect any interest in a Condominium Unit and its appurtenant undivided interest in Common Property, unless it purports to convey, devise or encumber the entire Condominium Unit. Any instrument conveying, devising, encumbering or otherwise dealing with any Condominium Unit which describes said Condominium Unit by the numerical designation assigned thereto in the Unit Ownership File shall be construed

to affect the entire Condominium Unit and its appurtenant undivided Common Property. No limitation is placed on the ownership of any Condominium Unit by any person as tenants in common, joint tenants, or as tenants by the entirety. If the Condominium is expanded by annexations then the amended declaration will set forth the new percentage of ownership in the existing and annexed (total) Common Area as it is expanded, if expanded.

7. THE CONDOMINIUM SUBJECT TO RESTRICTIONS. The Condominium Units, Common Property and Limited Common Areas are hereby declared to be subject to the restrictions, easements, conditions and covenants prescribed and established herein governing the use of said Condominium Units, Common Property and Limited Common Areas and setting forth the obligations and responsibilities incident to ownership of each Condominium Unit and its appurtenant undivided interest in the Common Property and said Condominium Units, Common Property and Limited Common Areas are further declared to be subject to the restrictions, easements, conditions and limitations now of record affecting the land and improvements of the Condominium.

8. PERPETUAL NON-EXCLUSIVE EASEMENT IN COMMON PROPERTY: The Common Property is hereby declared to be subject to a perpetual non-exclusive easement in favor of all of the Owners of Condominium Units for their use and the use of their immediate families, guests and invitees, for all property purposes and for the furnishing of services and facilities for which they are intended, and for the enjoyment of the Owners. Notwithstanding the foregoing, the Association, hereinafter defined, shall have the exclusive right to establish the rules and regulations pursuant to which the Owner of any Condominium Unit, his family, guest and invitees, may be entitled to use the Common Property, including the right to assign parking spaces, and to establish the regulations concerning their use. The Owners of Condominium Units shall be responsible for all acts of their guests, invitees or lessees in connection with the provisions of this Declaration. Police, fire and other emergency, governmental, utility and service vehicles shall have the right to travel the private access roads on business within the Condominium.

9. EASEMENT FOR UNINTENTIONAL AND NON-NEGLIGENT ENCROACHMENTS: In the event that any Condominium Unit or any of its appurtenant improvements shall encroach upon any Common Property, or any other Condominium Unit for any reason not caused by the purposeful or negligent act of the Condominium Unit Owners, then an easement appurtenant to such Condominium Unit shall exist for the continuance of such encroachment upon the Common Property or upon a Condominium Unit for as long as such encroachment shall naturally exist; and, in the event that any portion of the Common Property shall encroach upon any Condominium Unit, then an easement shall exist for the continuance of such encroachment of the Common Property upon any Condominium Unit for so long as such encroachment shall naturally exist. If any Condominium Unit or Common Property shall be partially or totally destroyed as a result of fire or other casualty, or as a result of condemnation or eminent domain proceedings and, if upon reconstruction of such Unit and/or Common Property in accordance with Article 22 hereof, there exist encroachments or portions of the Common Property upon any Condominium Unit, or of any Condominium Unit upon and other Condominium Unit or upon any portion of the Common Property, then such encroachments shall be permitted and a valid easement for the maintenance thereof shall exist so long as such encroachments shall naturally remain.

10. RESTRAINT UPON SEPARATION AND PARTITION OF COMMON PROPERTY. Recognizing that the proper use of a Condominium Unit by an Owner or Owners is dependent upon the use and enjoyment of the Common Property in common with the Owners of all other Condominium Units, and that it is in the interest of all Owners that the Ownership of the Common Property be retained in common by the Owners, it is hereby declared that the proportional undivided interest in the Common Property appurtenant to each Condominium Unit shall remain undivided and no unit owner shall bring or have any right to bring any

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action for partition of division, unless and until the Condominiums are terminated in accordance with N.C.G.S. 47A-17 and 47A-25.

11. ADMINISTRATION OF THE CONDOMINIUM BY FOREST OAKS HOMEOWNER'S ASSOCIATION, INC. To efficiently and effectively provide for the administration of the Condominium by the Owners of the Condominium Units, a non-profit North Carolina corporation known and designated as FOREST OAKS HOMEOWNER'S ASSOCIATION, INC. (herein called "Association") has been organized and said corporation shall administer the operation and management of the Condominium and undertake and perform all acts and duties incident thereto in accordance with the terms of its Articles of Incorporation and By-Laws. A true copy of said By-Laws and Articles of Incorporation are annexed hereto and expressly made a part hereof as Exhibit "C" and "D", respectively. The Owner or Owners of each Condominium Unit shall automatically become members of the Association upon acquiring an ownership interest in title to any Condominium Unit and its appurtenant undivided interest in Common Property; such membership shall terminate automatically upon the Owner or Owners being divested of such ownership interest in the title to such Condominium Unit, regardless of how such ownership may be divested. No person, firm or corporation holding any lien, mortgage, or other encumbrance upon any Condominium Unit shall be entitled by virtue of such lien, mortgage, or other encumbrance, to membership in the Association or to any of the rights or privileges of such membership. In the administration of the operation and management of the Condominium, the Association is hereby granted the authority and power to enforce the provisions of this Declaration to levy and to collect assessments in the manner hereinafter provided, and to adopt, promulgate and enforce such rules and regulations governing the use of the Condominium Units and Common Property as its Board of Directors may deem to be in the best interest of the Condominium.

12. RESIDENTIAL USE RESTRICTIONS APPLICABLE TO CONDOMINIUM UNITS. Each Condominium Unit is hereby restricted to residential use by its Owner, his immediate family, guests, invitees and lessees. With the exception of a Lender in possession of a Condominium Unit following a default in a first deed of trust, a foreclosure proceeding or any deed in lieu of foreclosure, no Unit Owner shall lease his Unit for a transient, hotel or commercial purpose. No Unit Owner may lease less than the entire Unit. Any lease agreement must provide that it shall be subject to the provisions of this Declaration, and that any failure by the Lessee to comply with the terms hereof shall be a default under the Lease, and shall be in writing. There is no other restriction on the right of any Unit Owner to lease his Unit, provided said Lease term shall not be less than six (6) months. The Developer shall not be limited to the above six (6) months restriction, except as to any Unit repurchased by the Developer. Nothing contained herein shall prohibit the Developer from using one or more units as a model(s) in its effort to market the Units proposed, under construction or completed and such Model Unit(s) may be closed and opened at other locations.

13. USE OF COMMON PROPERTY SUBJECT TO RULES OF ASSOCIATION. The use of all Common Property by the Owner or Owners of all Condominium Units, and all other parties authorized to use the same, shall be subject to such rules and regulations as may be prescribed and established by the Association from time to time.

14. THE CONDOMINIUM TO BE USED FOR LAWFUL PURPOSES: RESTRICTIONS AGAINST NUISANCES. No immoral, improper, offensive or unlawful use shall be made of any Condominium Unit or of the Common Property, and all laws, zoning ordinances and regulations of all governmental authorities having jurisdiction of the Condominium shall be observed. No owner of any Condominium Unit shall permit anything to be done or kept in his Condominium Unit, or on the Common Property, which will increase the rate of insurance on the Condominium, or which will interfere with the rights of other occupants of the Condominium or annoy them by unreasonable noises, nor shall any owner undertake any use which shall

constitute a nuisance to any other Owner of a Condominium Unit, or which interferes with the peaceful possession and proper use of any other Condominium Unit of the Common Property.

15. RIGHT OF ENTRY INTO CONDOMINIUM UNITS IN EMERGENCIES AND FOR MAINTENANCE OF COMMON PROPERTY. In case of any emergency originating in or threatening any Condominium Unit, regardless of whether the owner is present at the time of such emergency, the Board of Directors of the Association, or any other person authorized by it, shall have the right to enter such Condominium Unit for the purpose of remedying or abating the cause of such emergency, and such right of entry shall be immediate.

Whenever it may be necessary to enter any Condominium Unit in order to perform any maintenance, alteration or repair to any portion of the Common Property, the Owner of each Condominium Unit shall permit representatives or agents of the Association to enter such Condominium Unit for such purpose, provided that the entry shall be made only at reasonable times and with reasonable advance notice.

16. LIMITATION UPON RIGHT OF OWNERS TO ALTER AND MODIFY CONDOMINIUM UNITS: NO RIGHT TO ALTER COMMON PROPERTY. No owner of a Condominium Unit shall permit any structural modification or alteration to be made to such Condominium Unit without first obtaining the written consent of the Association which consent may be withheld in the event that a majority of the Board of Directors of the Association shall determine that such structural modifications or alterations would adversely affect or in any manner endanger the Condominium in part or in its entirety. No owner shall cause any improvements or changes to be made on the exterior of the Condominium (including any improvements or changes which exist at the time of the filing of the Declaration of Condominium, and also including painting or other decoration, or the installation of electrical wiring, television or radio antennae or any other objects or machines which may protrude through the walls or roof of the Condominium, except the Owner may install or locate central heating and air-conditioning units in the area they are now located at) or in any manner alter the appearance of the exterior portion of any building without the written consent of the Association being first obtained. No Unit Owner shall cause any object to be fixed to the Common Property or to any Limited Common Area (including the location or construction of fences and the planting or growing of flowers, trees shrubs, or any other vegetation) or in any manner change the appearance of the Common Property or Limited Common Area without the written consent of the Association being first obtained.

17. RIGHT OF ASSOCIATION TO ALTER AND IMPROVE COMMON PROPERTY AND ASSESSMENT THEREFOR. The Association shall have the right to make such alterations or improvements to the Common Property which do not prejudice the rights of the Owner of any Condominium Unit in the use and enjoyment of his Condominium Unit, providing the making of such alterations and improvements are approved by the Board of Directors of the Association, and their costs shall be common expenses to be assessed and collected from all of the Owners of Condominium Units. However, where any alterations and improvements are exclusively or substantially for the benefit of the Owner or Owners of certain Condominium Unit or Units requesting them, then the cost of such alterations or improvements shall be assessed against and collected solely from the Owner or Owners of the Condominium Unit or Units exclusively or substantially benefitted, the assessment to be levied in such proportion as may be determined by the Board of Directors of the Association.

18. MAINTENANCE AND REPAIR BY OWNERS OF CONDOMINIUM UNITS. Every Unit Owner shall perform promptly all maintenance and repair work in and out of his Condominium Unit, which, if omitted, would affect the Condominium either in its entirety or in a part belonging to other Unit Owners, every Unit Owner being expressly responsible for the damages and liability which his failure to do so may engender. The Owner of each

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Condominium shall be liable and responsible for the maintenance, repair, and replacement of all heating and air-conditioning equipment, if any, stoves, refrigerators, fans, or other appliances or equipment, including any fixtures and/or their connections required to provide water, light, power, telephone, gas, sewage and sanitary service to his Condominium Unit. Such Owner shall further be responsible and liable for the maintenance, repair and replacement of the interior surfaces of all walls, ceilings and floors within his Unit including painting, decorating and furnishings, and all other accessories which such Owner may desire to place or maintain in his Condominium Unit. Unit Owners shall be responsible for maintenance of any improvements in the Limited Common Areas adjacent to their Condominium Units, to include but not be limited to patios, porches, and fences. The Board of Directors shall set maintenance standards, and in the event any individual Owner fails to properly maintain the improvements in accordance with such standards, and in the event any individual Owner fails to properly maintain the improvements in accordance with such standards, the Board of Directors shall give the Owner written notice of its maintenance requirements and thirty (30) days to meet these requirements. Upon the Owner's failure to meet these requirements within the time allowed, the Board of Directors shall cause the maintenance to be done and shall add such costs to the Owner's next monthly assessment after such maintenance is completed. The Association shall have all rights to collect these sums in accordance with Paragraph 24 of this Declaration. Whenever the maintenance, repair and replacement of any item for which the Owner is obligated to maintain, replace or repair at his own expense is occasioned by any loss or damage which may be covered by any insurance maintained in force by the Association, the proceeds of the insurance received shall be used for the purpose of making such maintenance, repair or replacement except that the Owner of such Condominium Unit shall be, in said instance, required to pay such portion of the costs of such maintenance, repair and replacement as shall, by reason of the applicability of any deductibility provision of such insurance, exceed the amount of the insurance proceeds applicable to such maintenance, repair or replacement. The Owner of a Condominium Unit who has exclusive use of any Limited Common Area shall maintain the same subject to exterior design control as set forth in the next sentence. All doors, floor surfaces, window frames, panes and screens are a part of the respective Condominium Units and shall be maintained by the respective Unit Owners, save and except exterior painting, exterior decoration and design which shall be common expense and shall be under the control of the Association.

19. MAINTENANCE AND REPAIR OF COMMON PROPERTY BY THE ASSOCIATION.

The Association, at its expense, shall be responsible for the maintenance, repair and replacement of all of the Common Property, including those portions thereof which contribute to the support of the buildings and conduits, ducts, plumbing, gas lines, water lines outside the dedicated street right-of-way, wiring, and other facilities located in the Common Property for the furnishing of utility and other services to the Condominium Units and said Common Property, and should any incidental damage be caused to any Condominium Unit by virtue of any work which may be done by the Association in the maintenance, repair or replacement of any Common Property, the Association shall, at its expense, repair such incidental damage. Whenever the maintenance, repair and replacement of any item for which the Association is obligated to maintain, replace or repair as its expense is occasioned by any act of a Condominium Unit Owner, his immediate family, guests or invitees, and such loss or damage as may be covered by any insurance maintained in force by the Association shall be used for the purpose of making such maintenance, repair or replacement, except that the Unit Owner who is responsible for the act causing the damage (whether done by himself or by his family, guests or invitees) shall be required to pay such portion of the cost of applicability of any deductibility provision of such insurance, exceed the amount of the insurance proceeds applicable to such maintenance, repair or replacement.

20. INSURANCE AND AUTHORITY TO PURCHASE INSURANCE. Insurance policies upon the Property (other than title insurance) shall be purchased by the Association in the name of the Board of Directors of the Association, as Trustees for the Condominium Unit Owners and their respective mortgagees as their interests may appear, and shall provide for the issuance of certificates or mortgage endorsements to the holders of first mortgages on the Condominium Units or any of them, and if the companies writing such policies will agree, the policies shall provide that the insurer waives its rights of subrogation as to any claims against Condominium Unit Owners, the Association and their respective servants, agents, and guests. Each Condominium Unit Owner may obtain insurance, at his own expense, affording coverage upon his Condominium Unit (in addition to and not in lieu of that carried by the Association), his personal property and for his personal liability and as may be permitted or required by law, but all such insurance shall contain the same waiver of subrogation referred to above if available. The Board of Directors of the Association shall have the right to receive a copy of such policy or policies carried by the Unit Owner (s) upon request.

21. INSURANCE COVERAGE TO BE MAINTAINED: USE AND DISTRIBUTION OF INSURANCE PROCEEDS.

A. The following insurance coverage shall be maintained in full force and effect by the Association covering the operation and management of the Condominium Units and Common Property:

(1) Casualty Insurance covering the buildings, all personal property and all improvements upon the land described in Exhibit "A", Part One except such personal property as may be owned by the Condominium Unit Owners, shall be procured in an amount equal to the maximum insurance replacement value thereof (exclusive of excavation, foundations, streets and parking facilities), to be adjusted annually in accordance with increased construction cost in the local area. Such coverage shall afford protection against: (a) the loss or damage by fire and other hazards covered by the standard extended coverage endorsement; (b) such other risks as from time to time are customarily covered with respect to buildings similar in construction, location, and use, including vandalism and malicious mischief. For the purpose of clarity, underground utilities and any system of utilities owned by others will not be covered by insurance.

(2) Public Liability and property damage insurance in such amounts and in such forms as shall be required by the Association, including but not limiting the same to legal liability, hired automobile, non-owned automobile and off-premise employee coverages.

(3) All liability insurance shall contain cross-liability endorsements to cover liabilities of the Condominium Unit Owners as a group to a Condominium Unit Owner.

B. Premiums upon insurance policies purchased by the Association shall be paid by the Association as common expenses to be assessed and collected from all of the Owners of Condominium Units.

C. All insurance policies purchased by the Association shall be for the benefit of the Association and the Condominium Unit Owners and their mortgagees, as their respective interest may appear, and shall provide that all proceeds in trust for the benefit of the Association, the Condominium Unit Owners and their respective mortgagees in the following shares:

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(1) Proceeds on account of damage to common property: in undivided shares for each Condominium Unit Owner and his mortgagees, if any, which shares are shown on Exhibit "B" or as subsequently adjusted.

(2) Proceeds on account of damages to Condominium Units shall be held in the following undivided shares:

(a) Partial destruction when the Condominium is to be restored: for the Owners of damaged Condominium Units in proportion to the costs of repairing the damage suffered by each damaged Condominium Unit;

(b) Total destruction of the Condominium or where the Condominium is not to be restored: for all Condominium Unit Owners and their mortgagees, the share of each being set forth in Exhibit "B" or as subsequently adjusted.

D. In the event a mortgagee endorsement has been issued as to a Condominium Unit, the share of the Condominium Unit Owner shall be held for the mortgagee and the Condominium Unit Owner as their interests may appear, but no mortgagee shall have the right to participate in the determination of reconstruction or repair.

E. Proceeds of insurance policies received by the Association shall be distributed to or for the benefit of the beneficial Condominium Unit Owners in the following manner:

(1) If the damage for which the proceeds were paid is to be repaired or reconstructed, the proceeds shall be paid to defray the costs. Any proceeds remaining after defraying such costs shall be distributed to the beneficial Condominium Unit Owners, all remittances to Condominium Unit Owners and their mortgagees being payable jointly to them. This is a covenant for the benefit of any mortgagee of a Condominium Unit and may be enforced by the mortgagee.

(2) If it is determined that the damage for which the proceeds are paid shall not be reconstructed or repaired, the proceeds shall be distributed to the beneficial Condominium Unit Owners, remittances to Condominium Unit Owners and their mortgages being payable jointly to them. This is a covenant for the benefit of any mortgagee of a Condominium Unit and may be enforced by the mortgagee.

F. Each Unit Owner, at his expense, shall keep in force comprehensive personal liability insurance covering liability for damages to person or property of others located within such Owner's Unit, or another Unit, or upon the Common Area and facilities in such amounts as the Board of Directors shall, from time to time, determine, but in no case less than \$100,000 for each occurrence.

22. RECONSTRUCTION OR REPAIR OF CASUALTY DAMAGE: DAMAGE TO COMMON PROPERTY: DAMAGE TO CONDOMINIUM UNITS.

A. If any part of the Common Property shall be damaged by casualty, the determination of whether or not to reconstruct or repair it shall be made as follows:

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(1) Partial destruction shall be destruction which renders less than seventy-five percent (75%) of the Condominium Units untentable. In the event of partial destruction, the Common Property shall be reconstructed or repaired unless this Declaration is terminated by the unanimous vote of all of the Condominium Owners at a meeting of the members of the Association called and held prior to commencement of such reconstruction or repair.

(2) Total destruction shall be destruction which renders seventy-five percent (75%) or more of the Condominium Units untentable. In the event of total destruction, the Common Property shall not be reconstructed or repaired, if, at a meeting which shall be called within thirty (30) days after the occurrence of the casualty, (or if by such date the insurance loss has not been finally adjusted, then within thirty (30) days after such adjustment,) Condominium Unit Owners, who own three-fourths (3/4) or more of the Condominium Units, vote against reconstruction or repair.

(3) Any such reconstruction or repair shall be substantially in accordance with the plans and specifications of the original construction.

B. If the damage is only to those parts of one or more Condominium Units for which the responsibility for the maintenance and repair is that of the Unit Owner, then the Condominium Unit Owner shall be responsible for reconstruction and repair after the casualty. In all other instances, the responsibility of reconstruction and repair after casualty shall be that of the Association as follows:

(1) Immediately after the casualty causing damage to property for which the Association has the responsibility for maintenance and repair, the Association shall obtain reliable and detailed estimates of the cost to place the damaged property in condition as good as that before the casualty. Such costs may include professional fees and premiums for such bonds as the Board of Directors deem appropriate.

(2) When the damage is to both Common Property and Condominium Units, the insurance proceeds shall be applied first to the costs of repairing the Common Property and the balance to the Condominium Units.

C. Each Condominium Unit Owner delegates to the Board of Directors of the Association his right to adjust with insurance companies all losses under policies purchased by the Association, except in any case where the damage is restricted to one Condominium Unit.

D. Notwithstanding any provisions herein to the contrary, hazard insurance proceeds for losses to any Condominium property (whether to Condominium Units or Common Property) shall not be used for other than the repair, replacement or reconstruction of such improvements without the assent in writing of at least 75% of the first mortgagees of Condominium Units (based on one vote for each first lien deed of trust), except as provided by statute in case of substantial loss to the Condominium Units and/or Common Property.

23. ASSOCIATION TO MAINTAIN REGISTER OF OWNERS AND MORTGAGES. The Association shall maintain a Register setting forth the names of the Owners of all of the Condominium Units. In the event of the transfer of any Condominium Unit to a third party, the transferee shall notify the Association in writing, of his interest in such Condominium Unit, together with the recording information necessary to identify the instrument by which the transferee has acquired his interest. The Owner of each Condominium Unit shall also notify the Association of the parties holding any mortgage on any Condominium Unit, the amount of such mortgage and recording information necessary to identify the mortgage. The holder of any mortgage upon any Condominium Unit may notify the Association of the existence of any mortgage and the Association shall register in its records all pertinent information relating thereto.

24. ASSESSMENTS: LIABILITY, LIEN AND ENFORCEMENT. The Association is given the authority to administer the operation and management of the Condominium as being in the best interest of the Owners of all Condominium Units. To properly administer the operation and management of the Condominium, the Association will incur for the mutual benefit of all of the Owners of Condominium Units, costs and expenses (here "common expenses"). To provide the funds necessary for such proper operation, management and capital investments, the Association is granted the right to make, levy, and collect assessments against the Unit Owners and their Condominium Units. In furtherance thereof, the following provisions shall be operative and binding upon the Owners of all Condominium Units.

A. All assessments levied against the Unit Owners and their Condominium Units shall be uniform and, unless specifically otherwise provided for herein, all assessments made by the Association shall be in such an amount that any assessment levied against a Unit Owner and his Condominium Unit shall bear the same ratio to the total assessment made against all Unit Owners and their Condominium Units as the undivided interest in Common Property appurtenant to each Condominium Unit bears to the total undivided interest in Common Property appurtenant to all Condominium Units. Should the Association be the Owner of a Condominium Unit or Units, the assessment which would otherwise be due and payable to the Association by the Owner of such Unit or Units, reduced by the amount of income which may be derived from the leasing of such Unit or Units by the Association, shall be apportioned and assessment therefor levied ratable among the Owners of all Units which are not owned by the Association, based upon their proportionate interests in Common Property exclusive of the interests therein appurtenant to any Unit or Units by the Association.

B. Assessments provided for herein shall be payable in monthly installments, or in such other manner as the Board of Directors of the Association shall determine. Such assessments shall commence for each Unit on the first day of the first month following the sale by the Developer or if there is no sale commencing with the first day of the first month following occupancy for residential purposes. Developer shall pay the cost of insurance, ad valorem taxes and shall begin to pay assessments the first of the month following total completion of a unit if the unit is not sold or occupied other than for display model purposes.

C. There shall be two types of assessments to cover common expenses:

(1) The first type is for all common expenses as defined herein and in Chapter 47A of the General Statutes of North Carolina except the maintenance, repair and replacement costs of the main access roads through the property. Such access road is designated as Forest View Drive on the Condominium and Unit Ownership Book referred to in Paragraph 2.

(2) The second type of assessments is for contractual assessments to repair, maintain and improve the main access roadways, which are not common area as defined herein and which will include Forest View Drive and other main access ways if (when) the Condominium is expanded.

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The Developer will grant a non-exclusive easement over the access road designated as Forest View Drive on said plat for access for the benefit of Unit Owners and may grant a like easement for the benefit of other land Developer has adjacent thereto and upon which Developer has an option to purchase. Developer may also grant utility easements within such right of way of Forest View Drive. Therefore as a part of Developer's responsibility and obligation to use said roadway, it is agreed that for each unit owned and occupied (once occupied shall thereafter be deemed occupied whether vacant or not, unless destroyed) which uses such easement or has a right to use such easement, whether used or not, shall pay a pro rata per unit share of the cost of maintaining, repairing and replacing the road surface designated as Forest View Drive on said plat. The number of units to share in such costs shall be the total number of occupied units as defined in this paragraph on the property of the Condominium and as it may be expanded in phases plus all units located on the property of the Developer which are not made a part of the Property through phases. Therefore as the situation now exists all costs of maintenance of Easement would be divided equally between the Unit Owners of Phase One on a pro rata per unit basis, which results in one-ninth of the cost to each Unit Owner as there are nine units in Phase One. Should (for example) eleven occupied units be added to the usage through phases, then the cost of the maintenance of the Easement on said plat plus the cost of the maintenance and replacement of the additional roadway through Phase Two would be divided and paid for equally by each Unit Owner in Phase One and Phase Two, which per this example would be one-twentieth each. Then should there be dwelling units which use or have the right to use the road Easement and the road easement in Phase Two which are not annexed or made a part of the Condominium through phases, then the number of occupied units so located on the land not added or annexed to the Property shall share on a per unit pro rata basis. For example Phase One has 9 units and Phase Two containing 11 units has been added by annexing into the Property and therefore there are twenty units in the Property of the Condominium and the Developer, its successors or assigns has constructed ten units that are occupied and are not a part of the Condominium Property, thereby making a total of thirty units using the Easement roadway and as it is extended through Phase Two and onto the property of the Developer. In this example Developer would pay on a pro rata basis for ten units or one third of the cost of repair and maintenance of the roadway through Phase One and Two of the Condominium Property and the Developer would pay all the costs for the roadway on its property which has not been annexed into the Condominium and upon which the Condominium or Condominium Unit Owners have not been granted an easement. Such pro rata share of costs of repair, maintenance and replacement due from the Developer, its successors and assigns, will constitute a lien on the occupied units located on the Developer's property, if the access road is used, and it shall be deemed used unless blocked off by Developer so that any resident would not be able to travel through on the same. The Association will collect the sum due from Condominium Unit Owners in the same manner as it collects the statutory assessments.

(3) Should the fee title to the roadway easement ultimately be totally annexed into the Condominium Property by deed from the Developer releasing all rights therein, then such roadway shall become a part of the Common Property. Maintenance, repair and replacement shall be the obligation of the Association and the Developer as aforesaid. Repair shall be necessary when in the opinion of paving professionals and using normal guidelines and reasonableness repair should be made. Either the Developer or the Association may obtain bids and state reasons of necessity of repair and both or

either shall have the right to repair. Any dispute about necessity shall be settled by arbitration with each appointing one party and those two choosing a third with the decision of two being final. Upon the work being done after both the Association and Developer are made aware of the bid costs and the one notified does not object, then the cost shall be shared on a per unit basis as aforesaid and shall be a lien as aforesaid. Should at any place herein or on the Plat or other documents recorded, it be deemed that Forest View Drive be in any way conveyed to the Association or Unit Owners in total fee, other than by a deed from Developer conveying no other property, then Forest Oaks Associates for itself and its successors and assigns specifically reserves a non-exclusive easement for ingress, egress and regress and the installation and maintenance of utility lines subject to the cost of maintenance above stated, on a pro rata per unit basis, for the benefit of its land adjacent thereto and the lenders deed of trust.

D. The Board of Directors of the Association shall establish an Annual Budget in advance for each fiscal year (which shall correspond to the calendar year, except that in the initial year of operation of the Condominium, the fiscal year shall commence with the closing of the sale of the first Condominium Unit). Such budget shall project all expenses for the forthcoming year which may be required for the proper operation, management and maintenance of the Condominium, including a reasonable allowance for contingencies and reserves, such budget to take into account anticipated income which is to be applied in reduction of the amounts required to be collected as an assessment each year. The Board of Directors shall keep separate, in accordance with Paragraph "E" hereof, items relating to operation and maintenance from items relating to capital improvements. Upon adoption of such Annual Budget by the Board of Directors of the Association, copies shall be delivered to each Owner of a Condominium Unit although the delivery of a copy of it to each Owner shall not affect the liability of any Owner for such assessment. Should the Board of Directors at any time determine that the assessments levied are insufficient to pay the costs of operation and management of the Condominium or in the event of emergencies, the Board of Directors shall have the authority to levy such additional assessments it may deem necessary.

E. The Board of Directors of the Association, in establishing the Annual Budget for operation, management, and maintenance of the Condominium shall designate a sum to be collected and maintained as a reserve fund for replacement of and capital improvements to the Common Property (herein "Capital Improvement Fund") which shall be for the purpose of enabling the Association to replace structural elements and mechanical equipment constituting a part of the Common Property, and the replacement of personal property constituting a portion of the Common Property held for the joint use and benefit of the Owners of the Condominium Units. The amount to be allocated to the Capital Improvement Fund may be established by the Board of Directors to collect and maintain a sum reasonably necessary to anticipate the need for replacement of Common Property. The amount collected for the Capital Improvement Fund shall be maintained in a separate account by the Association, and shall be used only to make capital improvements to Common Property. Any interest earned on the Capital Improvement Fund may be expended for current operation and maintenance.

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

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 Property, 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 Condominium Unit. When the Owner of a Condominium Unit shall cease to be a member of the Association, 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 funds which any Owner has paid to the Association shall constitute an asset of the Association which may be used in the operation and management of the Condominium and no Unit Owner shall have any right, title and interest in said funds, or common surplus after he has sold and conveyed his unit and interest in the Common Area.

G. 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 its due date. When in default, the delinquent assessment or delinquent installment thereof due to the Association shall bear interest at the highest rate allowed by law until paid in full to the Association.

H. The Owner or Owners of each Condominium Unit 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 Condominium Unit while such party or parties are Owner or Owners of a Condominium Unit. In the event that any Unit Owner or Owners are in default in the payment of any assessment or installment owed to the Association, such Owner or Owners shall be personally liable, jointly and severally for interest on such delinquent assessments or installment thereof as above provided, and for all costs of collecting such assessment or installment and interest thereon, including reasonable attorney's fees, whether suit be brought or not.

I. No Owner of a Condominium Unit may exempt himself from liability for any assessment levied against his or her Condominium Unit by waiver of the use or enjoyment of any of the Common Property, or by abandonment of the Condominium Unit, or in any other way.

J. Recognizing that proper operation and management of the Condominium requires the continuing payment of costs and expenses therefore, and that such proper operation and maintenance results in benefit to all of the Owners of Condominium Units, and that the payment of such common expenses represented by the assessments levied and collected by the Association is necessary in order to preserve and protect the investment of each Unit Owner, the Association is hereby granted a lien upon each Condominium Unit and its appurtenant undivided interest in Common Property, which liens shall secure the funds due for all assessments now or hereafter levied against the Owner of each such Condominium Unit, which liens shall also secure all costs and expenses, including a reasonable attorney's fee, which may be incurred by the Association in enforcing this lien upon said Condominium Unit. The liens granted to the Association may be enforced under Article B, Chapter 44 of the N.C.G.S. and under N.C.G.S. 47A-22. The liens granted to the Association shall further secure such advances for taxes and payment on account of superior mortgages, liens or encumbrances which may be required to be advanced by the Association in order to preserve and protect its lien, including interest at the per annum rate of 12% or at the highest rate by law allowed, whichever is greater, on any such advances so made. All persons who shall acquire any interest in the ownership

of any Condominium Unit, or who may be given or acquire a mortgage, lien, or other encumbrances thereon, are hereby placed on notice of the lien rights granted to the Association, and shall acquire such interest in any Condominium Unit expressly subject to such lien rights.

K. The liens herein granted to the Association shall be enforceable from the time of recording a claim of lien in the Public Records of Forsyth County, North Carolina, which claim shall state the description of the Condominium Unit encumbered thereby, the name of the record owner, 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 the said lien 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, costs, attorney's fees, advances to pay taxes and prior encumbrances and interest thereon. It 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 liens provided for herein shall be subordinate to any first mortgage or first deed of trust. Any person, firm, or corporation acquiring title to any Condominium Unit and its appurtenant undivided interest in Common Property by any foreclosure, deed in lieu of foreclosure, or judicial sale, shall be liable and obligated only for assessment as shall accrue and become due and payable for said Condominium Unit and its appurtenant undivided interest in Common Property 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 of title to a Condominium Unit by foreclosure, deed in lieu of foreclosure, or judicial sale, any assessment which the party so acquiring title shall not be liable shall be absorbed and paid by all Owners of all Condominium Units as a part of the common expense, although nothing herein contained shall release the party liable for such delinquent assessments by means other than foreclosure.

L. Whenever any Condominium Unit may be leased, sold or mortgaged by the Owner thereof, the Association, upon written request of the Unit Owners, shall furnish to the proposed lessee, purchasee or mortgagee a statement verifying the status of payment of any assessment which shall be due and payable to the Association by the Owner of such Condominium Unit. Such statement shall be executed by any officer of the Association, and any lessee, purchaser or mortgagee may rely upon such statement in concluding the proposed lease, purchase or mortgage transaction, and the Association shall be bound by such a statement.

In the event that a Condominium Unit is to be leased, sold or mortgaged at the time when payment of any assessment against the Owner of the Condominium Unit and such Condominium Unit due to the Association shall be in default (whether or not a claim of lien has been recorded by the Association), then the rent, proceeds of such purchase or mortgage proceeds, shall be applied by the lessee, purchaser or mortgagee first to the payment of any then delinquent assessment or installments thereof due to the Association before the payment of any rent, proceeds of purchase or mortgage proceeds to the Owner of any Condominium Unit who is responsible for payment of such delinquent assessment.

Institution of a lawsuit to attempt to collect the payment of any delinquent assessment shall not 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 the Association.

25. COMMON SURPLUS. "Common Surplus", meaning all funds and other assets of the Association (including excess of receipts of the Association, including but not limited to assessments, rents, profits, and revenues from whatever source over amount of the common expense), shall be owned by the Owners or all Condominium Units in the same proportion that the undivided interest in Common Property appurtenant to each Owner's Condominium bears to the total of all undivided interest in Common Property appurtenant to all Condominium Units; provided, however, that said common surplus shall be held by the Association in the manner and subject to the terms, provisions, and conditions of this Declaration, imposing certain limitations and restrictions upon the use and distribution thereof. Except for distribution of any insurance indemnity herein provided, or upon termination of the Condominium, any attribution or distribution of common surplus which may be made from time to time shall be made to the then Owners of Condominium Units in accordance with their percentage interest in common surplus as declared herein.

26. TERMINATION. The Condominium shall be terminated, if at all, in the following manner:

A. The termination of the Condominium may be effected only by the unanimous agreement of all Condominium Unit Owners expressed in an instrument duly recorded; and, provided that the holders of all liens affecting any of the Condominium Units consent thereto, or agree, by instrument duly recorded, that their liens be transferred to the percentage of the undivided interest of the Condominium Unit Owner in the Property as provided in sub-paragraph "C" below. The termination shall become effective when such agreement has been recorded in the public records of Forsyth County, North Carolina.

B. If it is determined in the manner elsewhere provided that the Condominium shall not be reconstructed after casualty, the Condominium ownership shall be terminated and the Declaration of Condominium revoked. The determination not to reconstruct after casualty shall be evidenced by a Certificate of the Association certifying as to the facts effecting the termination, which Certificate shall become effective upon being recorded in the public records of Forsyth County, North Carolina.

C. After termination of the Condominium, the Condominium Unit Owners shall own the Property as tenants in common in undivided shares and the holders of mortgages and liens against the Condominium Unit or Units formerly owned by such Condominium Unit Owners shall have mortgages and liens upon the respective undivided shares of the Condominium Unit Owners. The undivided share or interest owned as tenants in common shall be that percentage of the undivided interest in the Common Area and Facilities previously owned by each Unit Owner. All funds held by the Association and insurance proceeds, if any, shall be held for the Unit Owners in the same proportion. The costs incurred by the Association in connection with the termination shall be a Common Expense.

D. Following termination, the property may be partitioned and sold upon the application of any Condominium Unit Owner. Following a termination if

the Board of Directors determines by not less than three-fourths (3/4) vote to accept an offer for the sale of the property, each Condominium Unit Owner shall be bound to execute such deeds and other documents reasonably required to effect such sale at such times and in such form as the Board of Directors directs. In such event, any action for partition or other division of the property shall be held in abeyance pending such sale, and upon the consummation thereof shall be discontinued by all parties thereto.

E. The members of the Board of Directors acting collectively as agent for all Condominium Unit Owners, shall continue to have such powers as granted herein, even though the Association may be dissolved upon a termination.

27. AMENDMENTS. Developer may amend this Declaration pursuant to Paragraph 5; otherwise, Items A, B and C below will apply:

A. An amendment to this Declaration of Condominium may be proposed by the Board of Directors of the Association acting upon a vote of a majority of the Directors, or by the members of the Association owning a majority of the Condominium Units, whether meeting as members or by instrument in writing signed by them. Upon any Amendment to this Declaration being proposed by the Board of Directors or members, such proposed Amendment shall be transmitted to the President of the Association, or other officer 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 each member written notice of such Special Meeting, stating the time and place, and reciting the proposed Amendment in reasonably detailed form which notice, if mailed, shall be mailed not less than ten (10) 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 Post Office Address as it appears on the records of the Association, the 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 Amendment proposed must be approved by an affirmative vote of seventy-five percent (75%) of the members owning Units in the Condominium in order for such Amendment to become effective. 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. Thereupon such Amendment of this Declaration shall be transcribed and certified by the President and Secretary of this 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 Forsyth County Public Registry within ten (10) days from the date on which the same became effective.

B. No alteration in the percentage of ownership of Common Property appurtenant to each Condominium Unit, or alteration of the basis for sharing common expenses and other apportionment of assessments which may be levied by the Association in accordance with the provisions hereof, or alteration of the basis of ownership of Common Surplus, or alteration of voting rights in the Association, shall be

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made without the prior written consent of all of the Owners of all Condominium Units and all of the Lenders holding first mortgages or first deeds of trust on the Condominium Units.

C. No alteration, amendment or modification of the rights and privileges granted and reserved hereunder in favor of Lenders shall be made without prior written consent of all Lenders holding first mortgages on Condominium Units in the Condominium being first had and obtained.

28. REMEDIES IN EVENT OF DEFAULT. The Owner or Owners of Each Condominium Unit shall be governed by and shall comply with the provisions of this Declaration and the Articles of Incorporation and By-Laws of the Association as they may be amended from time to time. A default by the Owner of any Condominium Unit shall entitle the Association or the Owner of other Condominium Units 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 or By-Laws of the Association, or which may be adopted pursuant thereto, shall be grounds for relief including without limitation an action to recover sum due for damages, injunctive relief, foreclosure of lien, or any combination thereof. Such relief, foreclosure of lien, or any combination thereof, Such relief may be sought by the Association or, if appropriate, by an aggrieved Unit Owner.

B. Each Unit 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, agent 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 Condominium Unit or its appurtenances. Nothing herein contained, however, shall be construed so as to modify any waiver by insurance companies or rights of subrogation.

C. In any proceedings arising because of an alleged default by a Unit Owner, if successful, the Association shall be entitled to recover the costs of the proceeding and reasonable attorney's fee as may be determined by the Court, but in no event shall the Unit Owner be entitled to such attorney's fees.

D. The failure of the Association or any Unit Owner to enforce any right, provisions, 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 Unit Owners to enforce such right, provisions, covenant or condition in the future.

E. All rights, remedies and privileges granted to the Association or the Owner or Owners of a Condominium Unit pursuant to any terms, provisions, covenants or conditions of this Declaration or other above-mentioned documents, shall be cumulative, and the exercise of any one or more shall not constitute an election of remedies, nor shall 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.

F. The failure of Developer 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 right of the Developer to thereafter enforce such right, provisions, covenant or condition in the future.

G. The failure of a lender to enforce any right, provision, privilege, covenant or condition which may be granted to it or them by this Declaration or other above-mentioned documents, shall not constitute a waiver of right of said party or parties to thereafter enforce such right, privilege, covenant or condition in the future.

29. RIGHTS RESERVED UNTO INSTITUTIONAL LENDERS. "Institutional Lender or Institutional Lenders", as the terms are used herein shall mean and refer to banks, savings and loan associations, insurance companies, or other reputable mortgage bankers, brokers, or lenders. So long as any institutional lender(s) shall hold a deed of trust or mortgage upon any Condominium Unit or Units, or shall be the owner of any Condominium Unit or Units, such institutional lender(s) shall have the following rights:

A. To examine upon request and at reasonable times and upon reasonable notice, the books and records of the Association; and upon request to be furnished at least one copy of the Annual Financial Statement and Report of the Association prepared by a Public Accountant designated by the Association, such Financial Statement and Report to be available by April 15th of each calendar year.

B. To be given written notice by the Association of the call of any meeting of the membership when such meeting is to consider any amendment to this Declaration, Articles of Incorporation or the By-Laws of the Association, which notice shall state the purpose of such meeting, and to designate a representative to attend.

C. To be given written notice of default by any Owner owning a Condominium Unit encumbered by a mortgage held by the Institutional Lender or First Mortgage Holder, such notice to be sent to the place which it may designate in writing.

D. To be given written notice of any loss to, or taking of, the common elements of the Condominium if such loss or taking exceeds \$10,000.00 or damage to a Condominium Unit is in excess of \$1,000.00.

E. To receive written notice of any condemnation or eminent domain proceeding or proposed acquisition by a condemning authority.

Whenever any Institutional Lender or First Mortgage Holder desires the provisions of this paragraph to be applicable to it, it shall serve written notice of such fact upon the Association by Registered Mail or Certified Mail addressed to the Association and sent to its address stated herein, identifying the Condominium Unit or Units upon which any such Lender or First Mortgage Holder holds any mortgage, or identifying any Condominium Units owned by it, together with sufficient facts to identify such mortgages and which notice shall designate the place to which the notices are to be given by the Association to such Institutional Lender or First Mortgage Holder.

30. RIGHTS OF DEVELOPER TO REPRESENTATION ON BOARD OF DIRECTORS OF THE ASSOCIATION. So long as the Developer owns three (3) or more Condominium Units in Phase One of the Condominium or three (3) or more units in all phases as it

may be expanded by annexation, but in any event no longer than sixty (60) months from recordation of Declaration, Developer shall have the right to designate and select a majority of the persons who shall serve as members of the Board of Directors of the Association.

Whenever Developer shall be entitled to designate and select any person to serve on the Board of Directors of the Association, the manner in which such person shall be designated shall be as provided in the Articles of Incorporation and/or By-Laws of the Association, and Developer shall have the right to remove any person selected by it to act and serve on said Board of Directors 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 Director so removed. Any Director designated and selected by Developer need not be a resident in the Condominium.

• 31. ADDITIONAL PROVISIONS.

A. All pets must be housed and kept inside the units and pets shall not be allowed outside the units unless said pet is on a leash and accompanied by the Unit Owner or the Unit Owner's Representative.

B. No Unit Owner shall have more than two (2) animals as pets.

C. Barking or noisy animals. If any animal anywhere within the Common Area or anywhere within the Unit Owner's Condominium shall make noise to such an extent that said noise or barking can be heard in another unit or heard anywhere in the Common Area, then in such event, the Unit Owner must remove said animal from the Condominium Unit and from the Common Area, and such animal must be housed elsewhere.

D. No business or commercial activity shall be conducted in any Unit or in Common Area or Limited Common Area, provided the Developer shall be allowed to maintain models to market the Condominium Units and to post signs indicating units for sale.

E. No tractor-trailer trucks or other unusually large vehicles, equipment or machinery may be parked for more than one (1) hour in any Common Area.

F. No boats, campers or unlicensed vehicles may be allowed within any Common Area without the express written consent of the Board of Directors of the Condominium.

G. No Unit Owner shall occupy more than two (2) parking spaces in the Common Area without the express written consent of the Board of Directors of the Condominium.

32. MISCELLANEOUS.

A. In the event that any of the terms, provisions or covenants of this Declaration are held to be partially or wholly invalid or unenforceable, such holding shall not effect, alter, modify or impair in any manner any of the other terms, provisions or covenants hereof or the remaining portions of any term, provisions or covenants held to be partially invalid or unenforceable.

B. The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan of Condominium ownership. Throughout this Declaration, whenever appropriate, the singular

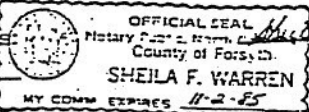
358P1412

STATE OF NORTH CAROLINA - COUNTY OF FORSYTH

I, Sheila F. Warren, Notary Public of Forsyth County, North Carolina, do hereby certify that CHARLES S. TARA, General Partner of FOREST OAKS ASSOCIATES, a North Carolina General Partnership, personally appeared before me this day and acknowledged on behalf of and as an act of deed of said partnership, the execution of the foregoing Declaration of Condominium.

Witness my hand and official seal, this the 20 day of March, 1982.

My commission expires: 11-2-85



Notary Public

NORTH CAROLINA - COUNTY OF FORSYTH

I, Karan W. Pitts, Notary Public of Forsyth County, North Carolina, hereby certify that Ann C. Walsh personally came before me this day and acknowledged that he is Asst. Secretary of STANDARD SAVINGS AND LOAN ASSOCIATION, a corporation, and that by authority duly given and as the act of the corporation, the foregoing Declaration of Condominium was signed in its name by its Sec. Vice President, sealed with its corporate seal, and attested by himself as its Asst. Secretary.

Witness my hand and notarial seal, this the 29th day of March, 1982.

My commission expires: July 10, 1984

Notary Public

NORTH CAROLINA - COUNTY OF ~~Forsyth~~ Guilford

I, Cherry R. Sweeney, Notary Public of ~~Forsyth~~ Guilford County, North Carolina, hereby certify that Larry I. A. Thompson personally came before me this day and acknowledged that he is Secretary of HOME FEDERAL SAVINGS AND LOAN ASSOCIATION (successor to Winston-Salem Savings and Loan Association) a corporation, and that by authority duly given and as the act of the corporation, the foregoing Declaration of Condominium was signed in its name by its President, sealed with its corporate seal and attested by himself as its Secretary.

Witness my hand and notarial seal, this the 26th day of March, 1982.

My commission expires: 5/23/84

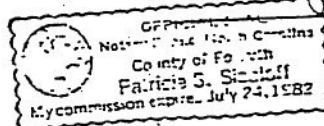
Notary Public

STATE OF NORTH CAROLINA - COUNTY OF FORSYTH

I, Patricia S. Sicheloff, a Notary Public of Forsyth County, North Carolina, do hereby certify that Richard E. Hane, Trustee, personally appeared before me this day and acknowledged the execution of the foregoing Declaration.

Witness my hand and notarial seal, this the 24th day of March, 1982.

My commission expires: July 24, 1982



Notary Public

DELA1358P1414

STATE OF NORTH CAROLINA - COUNTY OF FORSYTH

I, Janet H. Turner, a Notary Public of Forsyth County, North Carolina, do hereby certify that James M. Wooten personally came before me this day and acknowledged that he is Secretary of SHUGART ENTERPRISES, INC., a Corporation and a General Partner of FOREST OAKS ASSOCIATES, a North Carolina General Partnership, and that by authority duly given and as the act of the corporation, the foregoing Declaration of Condominium was signed in its name by its President, sealed with its corporate seal, and attested by himself as its Secretary.

Witness my hand and notarial seal, this the 28 day of March.

My commission expires: May 22, 1984

Janet H. Turner
Notary Public

STATE OF NORTH CAROLINA - COUNTY OF FORSYTH

The foregoing certificates of Shirley F. Wilson, Karen W. Little,
+ Patricia S. Siskel, Janet H. Turner Notary Public Forsyth Co., N.C.
+ Cheryl R. Shoffner (Convey) N.P. Guilford Co., N.C.

are certified to be correct.

This the 20th day of March, 1982.

EUNICE AYERS, REGISTER OF DEEDS

By Joceli H. Halden
Deputy

PROPRATE FEE \$1.00 PAID

RECORDED
INDEXED
FILED

MAR 23 2 02 PM '82

REGISTER OF DEEDS
FORSYTH CO., N.C.

W.D. 00-1-CC

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