DAVIDSON COUNTY NC
Book 1585
Pages 0394-0409
FILED 16 PAGE(S)
01/27/2005 3:37 PM
MARK C. MYERS
Register Of Deeds

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COUNTY OF DAVIDSON)
)
STATE OF NORTH CAROLINA)

DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR DELMAR SUBDIVISION

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS is made this 27th day of January, 2005 by DELMAR, LLC, a North Carolina Limited Liability Company (hereinafter referred to as "Declarant").

STATEMENT OF PURPOSE

Declarant is the owner of certain property in Davidson County, North Carolina, and desires to create thereon an exclusive residential community of single family residences to be named Delmar Subdivision. The initial property is more particularly described on the following maps:

All of the property shown on the Final Plat of Delmar Subdivision, Phase 1, Section 1, as recorded in Plat Book 43 at Page 84 in the Office of the Register of Deeds of Davidson County, North Carolina.

All of the property shown on the Final Plat of Delmar Subdivision, Phase 1, Section 2, as recorded in Plat Book 43 at Page 93 in the Office of the Register of Deeds of Davidson County, North Carolina.

All owner of the property shown on the Final Plat of Delmar Subdivision, Phase 1, Section 3, as recorded in Plat Book 43 at Page 100 in the Office of the Register of Deeds of Davidson County, North Carolina.

Declarant desires to ensure the attractiveness of DelMar Subdivision and to prevent any future impairment thereof, to prevent nuisances, to preserve, protect and enhance the values and amenities of all properties within DelMar Subdivision and to provide for the maintenance and upkeep of all Common Elements in DelMar Subdivision. To this end the Declarant desires to subject the real property described herein to the covenants, conditions, restrictions, easements, charges and liens hereinafter set forth, each and all of which is and are for the benefit of said property and each owner thereof.

Declarant further desires to create an organization to which will be delegated and assigned the powers of owning, maintaining and administering the Common Elements in DelMar Subdivision, administering and enforcing the covenants and restrictions contained herein, and collecting and disbursing the assessments and charges hereinafter created in order to efficiently preserve, protect and enhance the values and amenities in DelMar

Subdivision to ensure the residents' enjoyment of the specific rights, privileges and easements in the common amenities, and to provide for the maintenance and upkeep of the common amenities.

To that end the Declarant has or will cause to be incorporated under North Carolina law, DelMar Subdivision Owners' Association, Inc., as a nonprofit corporation for the purpose of exercising and performing the aforesaid functions.

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

ARTICLE I
DEFINITIONS

Section 1. "Association" shall mean and refer to DelMar Subdivision Owners' Association, Inc., a North Carolina nonprofit corporation, its successors and assigns.

Section 2. "Common Elements" shall mean all real property (including the improvements thereto) 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 all of the area labeled as "Common Elements" on the Map and on any maps of any additions to the Property; it will also include any the pond and any area designated as Open Area as shown on any map.

Section 3. "Declarant" shall mean and refer to DelMar, LLC, its successors and assigns, and also shall mean and refer to any person, firm or corporation which shall also be designated as a "Declarant" by DelMar, LLC, hereafter when such designee becomes vested with title to two or more undeveloped Lots for the purpose of causing dwellings to be constructed thereon, and any such successor in title to DelMar, LLC, shall be a Declarant during such period of time as said party is vested with title to two or more such Lots (whether undeveloped or developed and unconveyed), but no longer. Said designation as a Declarant shall automatically terminate if such party no longer owns at least two (2) Lots.

Section 4. "Development" shall mean and refer to DelMar Subdivision, a single-family residential development proposed to be developed on the Properties by the Declarant.

Section 5. "Lot" shall mean and refer to any plot of land, with delineated boundary lines, appearing on the Map with the exception of the Common Elements and public roads and streets.

Section 6. "Map" shall mean and refer to the maps of the Property as recorded in Plat Book 43 at Pages 84, 93, and 100 in the Office of the Register of Deeds of Davidson County, North Carolina, and the maps of any additions to the Property which may be recorded by Declarant in the Office of the Register of Deeds of Davidson County, North Carolina, hereafter.

Section 7. "Member" shall mean and refer to every person or entity who holds membership in the Association.

Section 8. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of a fee simple title to any Lot, including the Declarant if it owns any Lots, and including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

Section 9. "Property" or "Properties" shall mean and refer to the "Existing Property" as described in Article II, Section 1, and additional real estate dedicated in additional Phases as described in Section 1 and Section 2 in Article II hereof, and such other property as may hereafter be made subject to this Declaration and brought within the jurisdiction of the Association.

ARTICLE II
PROPERTY SUBJECT TO THIS DECLARATION AND WITHIN THE JURISDICTION OF THE DELMAR SUBDIVISION OWNERS' ASSOCIATION, INC.

Section 1. Existing Property. The real property which is and shall be held, transferred, sold, conveyed and occupied subject to this Declaration, and within the jurisdiction of the Association, is located in Davidson County, North Carolina, and is that certain property shown on the Maps recorded in Plat Book 43 at Pages 84, 93, and 100 in the Office of the Register of Deeds of Davidson County, North Carolina (the "Existing Property").

Section 2. Additional Properties.

(a) Additional property (the "Additional Property") near the Existing Property or any additions to the Existing Property (including any property located within the boundaries of those certain tracts more particularly described in Exhibit A attached hereto and incorporated herein by reference), may be brought within the scheme of this Declaration in one or more additional Phases and within the jurisdiction of the Association in future stages of development, without the consent of the Association or its members, provided that such annexations occur within fifteen (15) years after the date of the filing of this instrument. Declarant shall not be obligated to subject any Additional Property to this Declaration.

(b) The additions authorized under subsection (a) above shall be made by filing Supplementary Declarations of Covenants, Conditions and Restrictions with respect to the Additional Properties in the Office of the Register of Deeds of Davidson County, North Carolina, which shall extend the scheme of this Declaration and the jurisdiction of the Association to such Properties and thereby subject such additions to the benefits, agreements, restrictions and obligations set forth herein, including, but not limited to, assessments as herein determined. At the time of the filing of each such Supplementary Declaration, there shall be recorded in the Office of the Register of Deeds of Davidson County, North Carolina, a Map or Maps which show the boundary line of each Lot annexed pursuant to such Supplementary Declaration and which delineates all Common Elements annexed pursuant to such Supplementary Declaration.

(c) The obligation for Owners of Lots in any portion of the Additional Properties to pay the assessments described in Article IV hereof shall commence as to such Lots on the date established in Article IV, Section 7. The Owners of such Lots shall have the same voting rights as the Owners of Lots in the Existing Property, and such voting rights shall commence as of the date of the filing of a Supplementary Declaration as described in Section 2(b) of this Article II.

ARTICLE III
MEMBERSHIP, VOTING RIGHTS AND CONTROL OF THE ASSOCIATION

Section 1. Membership. Every Owner of a Lot shall be a Member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Lot.

Section 2. Availability of Documents. The Association shall maintain current copies of the Declaration, the Bylaws and other rules concerning the Development as well as its

own books, records and financial statements available for inspection by all Owners, mortgagees and insurers and guarantors of mortgages that are secured by Lots. All such documents shall be available upon reasonable notice and during normal business hours. In addition, any mortgagee may, at its own expense, have an audited statement prepared with respect to the finances of the Association.

Section 3. Maintenance of Streets and Utilities. All streets and roads will be constructed to specifications designated by the North Carolina Department of Transportation and/or by the City of High Point. Prior to acceptances of the streets and roads for public use, Declarant shall be responsible for maintenance and upkeep of the streets and roads. Any private streets and roads will be maintained by the Homeowners Association. The Homeowners Association will be responsible for the maintenance of said streets and roads; any water lines, sewer lines, storm drainage areas, and/or utility lines within those private streets and roads; all curb and guttering within the streets and roads; and the general right of way of the streets and roads. The assessments established herein, including annual assessments and special assessments for capital improvements, may be used for the construction, reconstruction, repair, or replacement of any private streets or roads in the subdivision.

Section 4. Maintenance. Certain features that are owned by the Association and that are deemed common amenities, being of benefit to all Lots, shall be maintained exclusively by the Association. Said common amenities, if any, shall include, without limitation, sidewalks; common walks; any entry monument; irrigation system and equipment; Common Elements landscaping; street lighting; wet detention ponds as directed by the governmental office having jurisdiction for watershed protection; any street or road prior to its acceptance for public use by any governmental body; the existing pond; and any retaining wall and retaining wall maintenance and access easement. The Common Element open space within the development may be kept in its natural state or periodically manicured and maintained as determined by the board of directors of the Association.

The Association shall not be responsible for the maintenance of any Lots or the improvements within the boundaries thereof. The Owner shall be responsible for same.

Section 5. Reserve Fund. The Association shall establish and maintain an adequate reserve fund for the periodic maintenance, repair, and replacement of all Common Elements which the Association is obligated to maintain. Such reserve fund shall be maintained out of the annual assessments or special assessments described in Article IV hereof.

Section 6. Voting Rights and Classes of Lots. The voting rights of the Membership shall be appurtenant to the ownership of Lots. There shall be two classes of Lots with respect to voting rights:

(a) Class A Lots. Class A Lots shall be all Lots except Class B Lots as defined below. Each Class A Lot shall entitle the Owner(s) of said Lot to one (1) vote. When more than one person owns an interest (other than a leasehold or security interest) in any Lot, all such persons shall be Members and the voting rights appurtenant to said Lot shall be exercised as they, among themselves, determine, but in no event shall more than one (1) vote be cast with respect to any Class A Lot.

(b) Class B Lots. Class B Lots shall be all Lots owned by Declarant which have not been conveyed to purchasers who are not affiliated with the Declarant. The Declarant shall be entitled to three (3) votes for each Class B Lot owned by it. The Class B Lots shall be converted to Class A Lots on the happening of either of the following events, whichever occurs earlier: (i) when the total votes outstanding in the Class A Lots equals the total votes outstanding in the Class B Lots, or (ii) on December 31, 2008.

Section 7. Amendment. Notwithstanding the provisions of Section 5 above, so long as the Declarant owns any Lot, the Bylaws of the Association may not be amended without its written consent.

Section 8. Board of Directors. The Association shall be governed by a Board of Directors in accordance with the Bylaws.

ARTICLE IV
COVENANT FOR MAINTENANCE ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligation for Assessments. The Declarant, for each Lot owned within the Properties, hereby covenants, and each Owner of any Lot by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Association annual assessments or charges, damage assessments, and special assessments for capital improvements, established and collected as hereinafter provided. Any such assessment or charge, together with interest, costs, reasonable attorneys' fees and any other administrative costs or fees, shall be a charge and a continuing lien upon the Lot against which each such assessment or charge is made. Each such assessment or charge, together with interest, costs and reasonable attorneys' fees, shall also be the personal obligation of the Owner of such Lot at the time when the assessment fell due. The personal obligation for delinquent assessments or charges shall not pass to an Owner's successors in title unless expressly assumed by them.

Section 2. Purpose of Annual Assessments. The annual assessments levied by the Association shall be used as follows:

(a) to maintain any landscaping within the boundaries of the Common Elements;

(b) to keep the Common Elements clean and free from debris and to maintain same in a clean and orderly condition;

(c) to pay all ad valorem taxes levied against the Common Elements and any other property owned by the Association;

(d) to maintain any entrance sign, landscaping and lighting fixtures at the entrance to the Property within the sign, fence and landscape easement area shown on any Map;

(e) to restore any Common Elements improvements in the event of destruction or damage;

(f) to pay the premiums on all hazard and liability insurance carried by the Association;

(g) to pay all legal, accounting, and other professional fees incurred by the Association in carrying out its duties as set forth herein or in the Bylaws;

(h) to pay all costs for repair and/or maintenance of any permanent wet detention pond; which will include but not be limited to the cost of repairs, replacements and additions, and the cost of labor, equipment, materials management, and supervision for such repairs, replacements, and additions;

(i) to pay all costs and assessments for public and private improvements made to or for the benefit of the Common Elements;

(j) to pay all costs associated with the maintenance of all property owned or maintained by the Association;.

(k) to maintain a contingency reserve in order to fund unanticipated expenses of the Association;

(l) to pay any other reasonable costs or expenses designated by the Board from time to time.

(m) to maintain and repair any street or road prior to its acceptance for maintenance for public use by any governmental body.

(n) to repair and maintain the existing pond located on the property.

(o) to repair and maintain the retaining walls and retaining wall maintenance and access easements, as further described in Article IX of this Declaration.

(p) to manage the swimming pool and amenities, if necessary, as described in Article VIII of this Declaration.

Section 3. Maximum Annual Assessment. Until January 1 of the calendar year following the conveyance of the first Lot by the Declarant to another Owner, the maximum annual assessment for each Lot shall be $ 480.00

(a) The maximum annual assessments established above may be increased, effective January 1 of each calendar year following the conveyance of the first Lot by the Declarant to another Owner, without a vote of the membership, by an amount not to exceed 15% of the maximum annual assessment of the previous year. If the annual assessment is not increased by the maximum amount permitted under the terms of this provision, the difference between any actual increase which is made and the maximum increase permitted for that year shall be computed and the assessment may be increased by that amount in a future year by action of the Board of Directors without a vote of the membership, in addition to the maximum increase permitted under the terms of the preceding sentence.

(b) From and after January 1 of the year immediately following the conveyance of the first Lot to an Owner, said maximum annual assessments may be increased without limitation by a vote of the members entitled to cast at least 2/3 of the votes of the association, who are voting, in person or by proxy, at a meeting duly called for this purpose; provided, however, during any period of Declarant control, Declarant must also consent to such action.

(c) The Board of Directors may fix the annual assessments at amounts not in excess of the maximum. If the Board of Directors shall levy less than the Maximum Regular Annual Assessment for any calendar year and thereafter, during such calendar year, determine that the important and essential functions of the Association cannot be funded by such lesser Assessment, the Board may, by majority vote, levy a Supplemental Assessment. In no event shall the sum of the initial and Supplemental Assessments for that year exceed the applicable Maximum Regular Annual Assessment.

Section 4. Special Assessments for Capital Improvements. In addition to the annual assessments authorized above, the Association may levy, in any assessment year, a special assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of any Common Elements (specifically including the Retaining Walls and the existing pond), including improvements, fixtures, and personal property related thereto, provided that any such assessment requires the same assent of the Members as provided in Section 3 (b) of this Article.

Section 5. Assessment Rate. Both annual and special assessments must be fixed at a uniform rate for all Lots.

Section 6. 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 shall be sent to all Members not less than thirty (30) days nor more than sixty (60) days in advance of the meeting. At such meeting, the presence of Members or of proxies entitled to cast ten percent (10%) 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 ½ of the required quorum at the preceding meeting. The requirement for a quorum shall continue to be reduced by 50% from that required at the previous meeting as previously reduced, until such time as a quorum is present. No subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

Section 7. Date of Commencement of Annual Assessments; Due Dates. The annual assessments provided for herein shall commence as to all Lots on the first day of the first month after the first conveyance of a Lot upon which a residence has been constructed. The first annual assessment shall be adjusted according to the number of months remaining in the calendar year. The Board of Directors shall fix the amount of the annual assessment against each Lot at least thirty (30) days in advance of each annual assessment period. Written notice of the annual assessment shall be sent to every Owner. 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. A properly executed certificate of the Association as to the status of assessments on a Lot is binding upon the Association as of the date of its issuance. In no event shall a mortgagee of a Lot be required to collect any unpaid assessments owed by the Owner of such Lot.

Section 8. Damage Assessment. In the event the Association finds that an Owner has damaged any of the Common Elements, the Association may levy an assessment on such Owner's Lot for the purpose of paying for the cost of any construction, reconstruction, repair or replacement of any damaged component of the Common Elements, including any sidewalks and street lighting fixtures serving the Development, and the amount of said assessment shall be a lien with respect to said Lot, enforceable as provided in Section 10 herein.

Section 9. Working Capital Assessment. In addition to the assessments authorized above, at the time of the first conveyance of a Lot upon which a residence has been constructed, the first occupant thereof shall pay to the Association an amount equal to two-twelfths (2/12 ths) of the then current annual assessment established by the Association. Such funds shall be used by the Association to establish a Working Capital Fund, the purpose of which is to insure that the Association will have sufficient monies available to meet its operational needs. No such payments made into the Working Capital fund shall be considered advance or current payment of regular assessments. All monies paid into the Working Capital Fund shall be held and administered by the Association in accordance with the terms of the Declaration and the Bylaws.

Section 10. Effect of Nonpayment of Assessments: Remedies of the Association. Any assessment not paid within thirty (30) days after the due date shall bear interest from the due date at the lesser of (i) eighteen percent (18%) per annum, or (ii) the then current maximum rate of interest allowed by law of the State of North Carolina. In addition to such interest charge, the delinquent Owner shall also pay such late charge as may have been theretofore established by the Board of Directors of the Association to defray the costs arising because of late payment. The Association may bring an action at law against the delinquent Owner or foreclose the lien against the Lot, and interest, late payment charges, costs and reasonable attorneys' fees of such action or foreclosure shall be added to the amount of such assessment. No Owner may waive or otherwise escape liability for the assessments provided for herein by not using the Common Elements or abandoning his Lot. Failure to pay an assessment when due on a particular Lot shall not constitute an event of default under any mortgage or deed of trust encumbering such Lot.

Section 11. Subordination of the Lien to Mortgages. The lien of the assessments provided for herein shall be subordinate to the lien of any first mortgage or deed of trust on a Lot or any mortgage or deed of trust to the Declarant. Sale or transfer of any Lot shall not affect the assessment lien. However, the sale or transfer of any Lot pursuant to mortgage foreclosure, or any proceeding in lieu thereof, shall extinguish the lien of such assessments as to payments which became due prior to such sale or transfer; provided, however, that the Board of Directors may, in its sole discretion, determine such unpaid

assessments to be an annual or a special assessment, as applicable, collectable pro rata from all Owners, including the foreclosure sale purchaser. Such pro rata portions are payable by all Owners notwithstanding the fact that such pro rata portions may cause the annual assessment to be in excess of the maximum permitted under Section 3. No sale or transfer shall relieve the purchaser of 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 mortgage or deed of trust as above provided.

ARTICLE V
ARCHITECTURAL CONTROL

Section 1. Architectural Committee. Except for improvements made upon the Properties, or any Lot, by Declarant, or except as otherwise provided under this Declaration, no building, fence, wall or other structure or improvement shall be commenced, erected or maintained upon the Properties, nor shall any exterior addition to or change or alteration therein 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 Architectural Committee. For purposes of this Article V, the Declarant shall function as the Architectural Committee (the "Committee") so long as Declarant is a Class B Member of the Association and does not surrender its right of architectural control. After the termination of the Declarant's right to be the Committee, the Board of Directors of the Association shall appoint the members of the Committee to carry out the functions set forth in this Article. In the event the Committee fails to approve or disapprove such design and location within thirty (30) days after said plans and specifications have been submitted to it, approval will not be required and this Article will be deemed to have been fully complied with.

Section 2. Definitions. For purposes of this Article V, the following terms shall have the following meanings unless the context clearly requires a different meaning:

(a) "accessory building" means every detached garage, carport, tool shed, storage or utility building, detached guest quarters, detached servants' quarters or other similar building constructed on a Lot or incidental thereto which is not a dwelling;

(b) "buildings" means accessory buildings and dwellings;

(c) "dwelling" means a building constructed for single family residential use but excluding detached servants' quarters and guest quarters; and

(d) "improvements" or "structures" mean buildings, walls, fences, decks, patios, planters, statuary, terraces, swimming pools, tennis courts or anything else constructed or placed on a Lot.

Section 3. General Guidelines. The placement and construction of improvements on the Lots shall be subject to the following general requirements:

(a) Since the establishment of standard inflexible building setback lines for the location of dwellings on Lots tends to force construction of dwellings both directly behind and directly to the side of other dwellings with detrimental effects on privacy, preservation of important trees, and other concerns, no specific setback lines are established by these covenants except as shown on the Map, which comply with the regulations and guidelines of the applicable governmental authorities. In order to assure, however, that location of dwellings will be staggered where practical and appropriate, so that the maximum amount of view will be available to each dwelling, and that all structures will be located with regard to the topography of each individual Lot, taking into consideration the elevation contours of the Lot, the location of large trees and fields and similar considerations, the Declarant reserves unto itself, its successors and assigns, the right to control absolutely and solely to decide the precise site and location of any structure, improvement, dwelling, building, and accessory building upon all Lots and every Lot

within the subdivision; provided, however, that such location shall be determined only after reasonable opportunity is afforded the Owner to recommend a specific site, and in any event, all buildings shall be constructed beyond the minimum setback lines established on the Map.

(b) All storage areas and facilities must be screened and hidden from view.

(c) Unless specifically otherwise approved in writing by the Committee, all structures constructed or placed on any Lot shall be built of substantially new materials and no used structures shall be relocated or placed on any such Lot.

(d) All structures approved by the Committee must be completed within six (6) months after the receipt of such approval; provided, however, the Committee may waive this requirement if construction delays have been caused by strikes, war, fire, acts of God or other events which render the completion of construction within such time impossible.

(e) All driveways, turning areas and parking areas shall be paved and must be completed prior to the occupancy of any dwelling on the Lot. If any driveway is to cross a drainage ditch, the Owner will be required to install, at his own expense, all necessary culverts and coverings prior to the commencement of any other construction on the Lot. The installation of the culvert and any covering must be approved by the Committee and by any local, state or other governing agency or authority.

(f) The Committee shall have the right to approve or disapprove the design and construction of all mailboxes.

(g) The Committee shall have the right to approve decorative statues, birdbaths, fountains, ornaments, figurines, or any other decorative fixture in the front or side yard.

Section 4. Approval of Plans, Specifications, and Construction. In addition to the requirements imposed by all applicable governmental agencies governing the issuance of building permits and certificates of occupancy, no structure shall be erected on any Lot without the approval of the Committee as provided in this Section.

(a) Prior to commencing any construction or reconstruction on a Lot, the Owner thereof shall submit to the Committee one set of all building plans and specifications (the "Plans") covering such construction which have been prepared by a qualified registered architect or reviewed, approved and sealed by a registered architect for the specific use of the Owner submitting the same. The Plans shall contain the following: (i) foundation plans, (ii) elevation drawings of all exterior walls, (iii) roof plan, (iv) plot plan showing location and orientation of all structures proposed to be built on the Lot, (v) the square footage of the proposed structures on a floor-by-floor basis, (vi) a list and description of all proposed building materials, and (vii) the location of any driveway, and, where the driveway is to cross a drainage ditch adjacent to any roadway, the installation of the culvert and covering to be used under the proposed driveway.

(b) The Committee shall have the absolute and exclusive right to refuse to approve the proposed Plans. In passing upon such Plans, the Committee may take into consideration the suitability and desirability of the proposed construction and the proposed materials for the Lot involved, the harmony of the external design with the natural features, the existing structures of the surrounding neighborhood, and the appearance of such proposed improvements as viewed from neighboring Lots. Refusal to approve the proposed Plans may be based by the Committee on any grounds, including purely aesthetic considerations. If the Committee approves the construction of such improvements, it shall issue a letter evidencing such approval. No alterations in the external appearance of any structure shall be made without approval by the Committee as provided herein; provided, however, that no approval by the Committee granted hereunder shall constitute or be

construed as approval by Declarant or any other person of the structural stability or quality of any structure.

(c) Upon completion of approved construction, the Committee shall inspect the construction to ensure that the approved Plans were complied with by the Owner. If the construction is approved by the Committee and the Owner so requests, the Committee will issue to the Owner a letter of compliance. The letter of compliance shall be issued by the Committee without fee; provided, however, that in the event that the Committee's first inspection of the construction reveals deviations or deficiencies from the approved Plans, the Committee may charge a fee of $50 for every subsequent inspection which is necessary to ensure compliance with the approved Plans. Any such fee must be paid before the issuance of the compliance letter.

(d) Notwithstanding the foregoing, the Declarant shall not be subject to the provisions set forth in this Article V, Section 4.

ARTICLE VI
USE RESTRICTIONS

Section 1. Subdivision of Lots. No Lot shall be subdivided by sale or otherwise so as to reduce the total Lot area shown on the Map, except by and with the written consent of the Declarant and provided same is also permitted under applicable governmental regulations and private restrictions affecting said Lot.

Section 2. Reserved Easements. The Declarant reserves for itself, its successors and assigns, a permanent easement in and the right any time in the future to grant a permanent right-of-way over, under and along an area uniformly ten (10) feet in width along the rear and five (5) feet in width along the side lines of each Lot for the installation and maintenance of poles, lines, conduits, pipes and other equipment necessary or useful for furnishing electrical power, gas, water, sewer, telephone service and other utilities, as well as within those areas shown as easements on the Map. Within such areas, no structures, planting, fences or other material shall be placed or permitted to remain which may damage or interfere with the installation or maintenance of utilities or which may obstruct or retard the flow of water through drainage channels in such areas. The area of each Lot containing the easement and all improvements thereon shall be maintained continuously by the Owner of the Lot except for those improvements for which a public authority or utility company is responsible. In the event that any Lot is subdivided pursuant to Section 1 hereof, an easement uniformly ten (10) feet in width shall exist both along the rear and five (5) feet in width along the side lines of the Lot both as shown on the Map and along the rear and side lines as exist upon the Lot as so subdivided; provided, however, that upon request by the Owner of the subdivided Lot, the Declarant may release the easement reserved along the rear or side line of the Lot if doing so would not interfere with the installation or maintenance of any utilities or the drainage within the Property. In the event two or more Lots are combined into one building Lot with the residence to be constructed over the common interior lot lines, the easements reserved along side lines shall be released provided that the easements have not previously been used for the installation of utilities and their release shall not interfere with the drainage within the Property.

Section 3. Residential Use of Property. All Lots shall be used for residential purposes only and no structure shall be erected, placed or permitted to remain on any Lot other than one single-family dwelling, and any necessary structure customarily incidental to such residential use. No garage constructed on any Lot shall be used for living quarters of any kind for guests, members of the family, or domestic employees. The construction and maintenance of "garage apartments" on any Lot is expressly prohibited. Notwithstanding the foregoing, a Lot may be used by a professional home builder as a "model home" and for sales or marketing purposes so long as such professional home builder owns at least one other Lot on the Property upon which is built, is being built, or is planned to be built, a home for sale to third parties.

Section 4. Minimum Size of Dwelling. Single-family dwellings shall contain not less than 1200 square feet of finished ground floor area. "Finished ground floor area" herein referred to shall not include basements, attached or detached garages, unheated areas, carports or open porches of any type.

Section 5. Building Restrictions. No building on a Lot shall be located nearer to the front, side, or rear line of each such Lot than as shown on the building setback lines and side lines shown on the Map. For the purposes of this covenant, eaves and stoops shall not be considered as part of a building; provided, however, this shall not be construed to be deemed to permit the encroachment of any improvement onto another Lot. A contractor or builder shall also have the right to place a construction trailer on any Lot for temporary use during construction but shall immediately remove the trailer upon completion of the construction.

Section 6. Building Line Requirements. The minimum setback lines described hereinabove and as shown on the Map are not intended to create uniformity of setback. They are meant to create a sense of spaciousness and to avoid monotony. For such purposes, it is the Declarant's intent that setback lines may be staggered where appropriate. The Declarant reserves the right to select the precise site location of each house or other structure on each Lot and to arrange the same in such manner and for such reasons as the Declarant deems sufficient; provided, however, the Declarant shall make such determination so as to ensure that the development of the Lots subject to this Declaration is consistent with the provisions set forth herein.

Section 7. Outbuildings and Similar Structures. No trailer, camper or other structure of a temporary nature shall be erected or allowed to remain upon any Lot, and no trailer, camper, shack, tent, garage, barn or other structure of a similar nature shall be used as a residence either temporarily or permanently upon any Lot; provided, however, that this Section shall not be construed to prevent the Declarant from permitting any party building a structure upon any Lot to erect or maintain temporary structures during construction. No wells shall be installed, used or maintained on any Lot for human domestic water consumption nor shall any well be connected in any manner whatsoever to the water mains, laterals and piping serving the dwelling which furnish domestic water from sources beyond the boundaries of the Lots.

Section 8. Nuisances and Unsightly Materials. No noxious, offensive or illegal activity shall be carried on upon any Lot, nor shall anything be done thereon which may be or become an annoyance to the neighborhood. No person may keep any animal upon any part of the Lot except that any owner then occupying a residence upon a Lot may keep customary household pets upon such Lot, provided that such pets are not kept, bred or maintained for any commercial purposes or in such a manner as to become a nuisance to the other Owners or residents of the subdivision.

Section 9. Maintenance of Lots. Each Owner shall keep his Lot in an orderly condition and shall keep the improvements thereon in a suitable state of repair, promptly repairing any damage thereto by fire or other casualty. No clothes-line may be erected or maintained on any Lot. No Lot shall be used in whole or in part for storage of rubbish of any character whatsoever nor for the storage of any property or thing that will cause any noise that will disturb the peace and quiet of the occupants of surrounding Lots, and no trash, rubbish, stored materials, wrecked or inoperable vehicles or similar unsightly items shall be allowed to remain on any Lot outside an enclosed structure; provided, however, that the foregoing shall not be construed to prohibit temporary deposits of trash, rubbish or other debris for collection by governmental or other similar garbage and trash removal units. In the event that any Owner fails or refuses to comply with any of the foregoing, the Declarant may demand that the Owner promptly comply with the same by mailing a notice thereof to the Owner at his address, specified in his contract to purchase such Lot and by posting such notice on the Lot. If the Owner has not complied therewith within five (5) days thereafter, the Declarant may enter and correct the same at Owner's expense. Each Owner, by acquiring a Lot(s) subject to these restrictions, agrees to pay such cost promptly upon demand by Declarant. No such entry as provided herein shall be deemed a trespass.

Section 10. Signboards. No signboard, billboard or advertising sign of any description shall be displayed upon or above any Lot, with the exception of:

(a) Signs displaying or marketing a Lot as a "Model Home" and listing applicable sales information regarding the construction and sale of homes on such Lot and other Lots, which signs shall not exceed four feet by eight feet in dimension, shall refer only to the Lot on which displayed, and shall be limited to one sign per Lot;

(b) Signs stating "For Rent" or "For Sale," which signs shall not exceed two feet by three feet in dimension, shall refer only to the Lot on which displayed, and shall be limited to one sign per Lot; and

(c) The name of the resident of any Lot and the street address, the design of which shall be furnished to Declarant and shall be subject to approval by Declarant.

Section 11. Antennas, Satellite Dishes or Discs. No satellite dishes or discs, radio or television aerial, antennas, towers or any other external electronic equipment or devices may be installed or maintained on any exterior of any structure erected on a Lot or elsewhere upon any Lot or within the Property without the prior written approval of the Committee pursuant to Article V hereof and, so long as Declarant shall own a lot, without the prior written approval of Declarant, which approval Declarant may withhold in its sole and absolute discretion; provided, however, that satellite dishes which are eighteen (18) inches or less in size, may be installed without such approval.

Section 12. Fences. Except as may be approved by the Architectural Control Committee, no fence or wall shall be erected on any Lot closer to the street than the rear building corner except for temporary decorative fencing installed by a builder on a model home. Perimeter fencing and privacy fencing around patios, decks, or pools may not exceed six (6) feet in height and must be approved prior to construction by the Architectural Control Committee. Chain link fencing is expressly prohibited, except that 2 x 4 mesh may be used with split rail fencing to contain animals within the yard.

Section 13. Metal Garages, Carports, Buildings and Accessory Structures. No metal carport, metal garage or metal storage building shall be erected on any Lot or attached to any residence located on the Lot. No building or accessory structure of any kind shall be placed on any Lot except that one (1) utility building or noncommercial greenhouse may be located in the rear one-quarter (1/4) of any Lot so that it is directly behind the residence as viewed from a point on a line of sight perpendicular to the street. No chain link or metal fabricated animal enclosures shall be placed on any Lot. All playground equipment including, without limitation, sandboxes, wading pools, trampolines, swings, gym sets, soccer goals, basketball goals, etc., shall only be placed or kept in the rear of residences and garages and shall not be placed or kept in the street, sidewalk, or right of way.

Section 14. Above-Ground Pools. No above-ground pools shall be erected on a Lot.

Section 15. Parking or Storage of Vehicles. No mobile home or house trailer shall be parked or stored on the Lot or street. School buses, commercial vehicles and trucks over one (1) ton capacity shall not be parked or stored overnight on any street or the Lot except as necessary for construction or utility construction purposes. Boats, boat trailers, motor homes, motorcycles, campers or other recreational vehicles may be parked or stored only within enclosed garages or screened from the adjacent street. The foregoing shall not be interpreted, constructed, or applied to prevent the temporary, nonrecurrent parking of any recreational vehicle for a period not to exceed seventy-two (72) hours upon the Lot.

Section 16. Excavation and Change of Elevations. No Lot Owner shall excavate or extract, or permit or allow another to excavate or extract, earth within the Development for any business or commercial purpose.

ARTICLE VII
EASEMENTS

Easements Reserved by Declarant. Declarant reserves easements for the installation and maintenance of driveways, walkways, parking areas, telephone and electric power lines, cable television lines, water and sewer lines, drainage ditches and for other utility installations over the Properties. Each Owner, by his acceptance of a deed to a Lot, acknowledges such reservations and the rights of Declarant to transfer such easements to the Association or to such utility companies as Declarant may choose. The easements reserved by the Declarant include the right to cut any trees, bushes or shrubbery, make any grading of the soil or take any similar action reasonably necessary to provide economical utility installation and to maintain the overall appearance of the Development. Certain easements reserved by the Declarant and the Association for the benefit of themselves and others are shown on the Map. Within any such easements, no structure, planting or other material shall be placed or permitted to remain which may interfere with the installation of utilities, or which may change the direction of flow or drainage channels in the easements or which may obstruct or retard the flow of water through drainage channels in the easements. In addition, the Declarant shall have the continuing right and easement to maintain all sewer and water lines located on the Lots.

ARTICLE VIII
SWIMMING POOL AND AMENITIES

Section 1. Designation of Land. The Declarant may subsequently designate land upon which the construction of a swimming pool, club house, parking lot, picnic area, and/or other amenities may be constructed (in this section called "Amenities"). Due to the size of the Development, it is possible that one or more of the Amenities will have to be limited to the use of some and not all of the Members. Therefore, Declarant may subsequently convey some or all of the Amenities to an entity or entities separate from Delmar Homeowners Association. In such event, the Amenities will be independently supported from funds of the membership using the same and not by general membership and general assessments of the Delmar Homeowners Association. If any one or more of the Amenities is conveyed to Delmar Homeowners Association for the general use of the Delmar Homeowners Association memberships, then such Amenity will be supported by the general assessments and be available for use by all Members in accordance with Rules and Regulations adopted by Delmar Homeowners Association.

Section 2. Membership. The entity created for membership in any Amenity will be non-profit and will adopt a budget to provide for expenses of operation, including insurance, repair, and replacement of any Amenity for each year of operation, together will a reserve fund for future major repairs and replacement of any Amenity. Membership will be voluntary on the basis offered by the entity of ownership. Declarant will designate the priority of Members offered membership; if such membership is not obtained from Members, then the membership may be offered to the general public in order to obtain sufficient membership to fund the operation and replacement of the Amenity.

ARTICLE IX
RETAINING WALLS

Section 1. General. In order to develop the property, Declarant has been required to construct retaining walls, lying partially on various Lots and partially on Common Elements. These retaining walls are also designated as " Common Elements," and there are also maintenance and access easements for the retaining walls, all as shown on the various plats of the property.

Section 2. Maintenance of Retaining Walls. The Association will be responsible for the maintenance, repair, upkeep, replacement and restoration of any retaining wall. Without limiting the generality of the foregoing sentence, the Association shall be

responsible for the following that may be necessary or required for the maintenance and stability of the retaining walls:

(a) Repair, replacement, and restoration of the GEO-GRID anchor material, or any other anchor material that might be necessary or required for the stability of the earth adjacent to the retaining wall.

(b) Removal, replacement, and displacement of any earth lying adjacent to any retaining wall.

(c) Repair and maintenance of any access and maintenance easement necessary or required for the retaining wall.

(d) Change in any slope or grade necessary to maintain the stability of the retaining wall.

(e) Addition or extension of any retaining wall that might be necessary.

(f) Repair and restoration of any property or landscaping to its original condition.

(g) Repair, maintenance, restoration, or replacement of any railing or other safety equipment installed in connection with any retaining wall.

Section 3. Lot Owner Requirements. By acceptance of a deed for any Lot upon which a retaining wall and/or wall maintenance and access easement exists, the Lot Owner agrees as follows, for the Owner, agents, employees, Tenants, and any other occupants or visitors to the Lot:

(a) To allow the repair and maintenance of any retaining wall and/or wall maintenance and access easement, as described in Section 2.

(b) To allow persons and equipment to come on, over, and about the Lot for purposes of repair and maintenance of the retaining wall and/or wall maintenance and access easement.

(c) To grant a general non-specific easement for any person or equipment to go upon any portion of the Lot for purposes of repair and maintenance of retaining wall and/or wall maintenance and access easement.

(d) To do nothing which might impair the stability or effectiveness of the retaining wall and/or wall maintenance and access easement.

(e) To place or permit to remain no structure, planting, or other material which may interfere with the maintenance, stability, or effectiveness of the retaining wall and/or wall maintenance and access agreement.

Section 4. Safety. For safety reasons, no person shall be allowed to go about, climb, or play upon any portion of any retaining wall.

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 this Declaration. 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.

Section 2. Severability. Invalidation of any one of these covenants or restrictions by judgment or order shall in no way affect any other provisions which shall remain in full force and effect.

Section 3. Amendment. This Declaration may be amended prior to January 1, 2020 only by an instrument signed by the Owners of not less than ninety percent (90%) of the Lots and by the Declarant, so long as any such Declarant still owns any Lots. After January 1, 2020, this Declaration may be amended by an instrument signed by the Owners of not less than seventy-five percent (75%) of the Lots.

Section 4. FHA/VA Approval. Notwithstanding anything to the contrary contained in this Declaration, 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: (i) annexation of additional properties other than those defined as "Additional Properties" herein, (ii) dedication of Common Elements for public use, (iii) amendment of this Declaration, (iv) mergers and consolidations, and (v) dissolution of the Association.

Section 5. Waiver of Unintentional Violations. Declarant reserves the right, but shall not be obligated, to waive in writing any violation of the designated and approved building location line or either side lot line, provided that such violation does not exceed ten percent (10%) of the applicable requirements and the violation thereof was unintentional.

Section 6. Default by Association. Upon default by the Owner's Association in the payment to the jurisdiction entitled thereto for any assessments for public improvements or ad valorem taxes levied against 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 jurisdiction a portion of the taxes or assessments in an amount determined by dividing the total taxes and/or assessments due to the jurisdiction by the total number of lots in the development. If the sum is not paid by the owner within thirty (30) days following receipt of notice of the amount due, the sum shall become a continuing lien on the property of the owner, his heirs, devisees, personal representatives, and assigns. The taxing or assessing jurisdiction may either bring an action at law against the owner personally obligated to pay the same, or may elect to foreclose the lien against the property of the owner.

Section 7. Amendments to Declaration of Covenants, Conditions and Restrictions. Amendments to this Declaration of Covenants, Conditions, and Restrictions relating to the maintenance and ownership of the permanent wet detention ponds shall not be permitted without review and approval by governmental office having jurisdiction for watershed protection. No Amendment to this Declaration shall be permitted which eliminates the obligation of the Association to maintain the existing pond and the retaining walls.

Section 8. Planned Community Act. Except as otherwise provided herein, all applicable required terms of the North Carolina Planned Community Act (the Act) set forth in NCGS Chapter 47F are incorporated herein by reference. To the extent any conflict exists between the terms hereof and a required provision of the Act, the required provisions of the Act shall govern and control such conflict.

IN WITNESS WHEREOF, the Declarant and Builder have caused this instrument to be executed by its officers thereunto duly authorized and their corporate seals to be hereunto affixed, all the day and year first above written.

DECLARANT:

DELMAR, LLC, a North Carolina Limited Liability Company
(SEAL)

By: _____
Manager

STATE OF NORTH CAROLINA
COUNTY OF GUILFORD

I, Tammie L. Brown, **a Notary Public for said County and State, do hereby certify that Kenneth B. Lindholm, Manager of Delmar, LLC, a limited liability company, personally appeared before me this day and acknowledged the due execution of the foregoing instrument on behalf of the company.**

Witness my hand and official stamp or seal, this 27th **day of** January**, 2005.**

Tammie L. Brown **My commission expires:** 4-14-07
Notary Public

TAMMIE L. BROWN
NOTARY
PUBLIC
RANDOLPH COUNTY, N.C.

North Carolina – Davidson County
The foregoing certificate(s) of
Tammie L. Brown
Notary Public (Notaries Public) is certified to be correct
this 27 day of Jan 2005
Mary C. Myers, Register of Deeds
Martha A. Stanley Deputy