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DECLARATION
OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
PENNFIELD

THIS DECLARATION is made on the date hereinafter set forth by ABBOTTS CREEK ASSOCIATES, LLC, a North Carolina Limited Liability company, having an office in Guilford County, North Carolina, hereinafter referred to as "Declarant".

WITNESSETH:

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

ALL of that property shown on the plat entitled "PENNFIELD, PHASE 1, SECTION 1, SHEET 1 OF 2" a map of which is recorded in Plat Book 41, page 24, in the Office of the Register of Deeds of Davidson County, North Carolina.

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

NOW THEREFORE, Declarant hereby declares that all of the property described above shall be held, sold and conveyed subject to the following easements, restrictions, covenants and conditions, which are for the purpose of protecting the value and desirability of, and which shall run with, such real property and be binding on all parties having any right, title or interest in the

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described properties or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each owner thereof.

ARTICLE I
DEFINITIONS

SECTION 1. ALLOCATED INTERESTS. "Allocated Interests" means the common expense liability and votes in the Association allocated to each Lot.

SECTION 2. ASSOCIATION. "Association" shall mean and refer to PENNFIELD HOMEOWNERS' ASSOCIATION, INC., its successors and/or assigns.

SECTION 3. "COMMON AREA" OR "COMMON ELEMENTS". "Common Area" or "Common Elements" shall mean all real property owned by the Association (whether owned in fee or by way of license or easement) or leased by the Association, other than a Lot. The Common Area to be owned by the Association at the time of the conveyance of the first Lot is described as follows;

All of that parcel or tract of land designated "Common Area" as shown on the plat entitled "Final Plat of Pennfield, Phase 1, Section 1, Sheet 1 of 2" recorded in Plat Book 41, Page 24, in the office of the Register of Deeds of Davidson County, North Carolina.

The Association also may acquire additional Common Area with the consent of the Members of the Association entitled to cast at least two-thirds (2/3) of the votes of the Association, who are voting, in person or by proxy, at a meeting duly called for such purpose; provided, however, during any Period of Declarant Control, Declarant must also consent to such action. For such conveyance to be effective, the deed or instrument conveying to the Association additional Common Area must: (1) be executed on behalf of the Association by its duly authorized officers; (2) contain an attestation by the officers executing the instrument on behalf of the Association that the requisite owner approval has been obtained and is evidenced by written acknowledgments signed by the owners approving the amendment and made a part of the minute book of the Association; and (3) be properly recorded in the Davidson County Registry.

The Association shall maintain any lake and any retention or detention ponds, rip rap and other drainage or erosion control devices located on the Common Area now or hereafter conveyed to the Association by Declarant that are required to be maintained by the governmental office(s) having jurisdiction for watershed protection as directed by such governmental office(s). In the event the Association is dissolved or otherwise defaults on its obligation to maintain any such drainage or erosion control device, Declarant, for each Lot owned within the properties, hereby covenants, and each Owner for any Lot, by acceptance of a deed thereof, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay a pro rata share of the cost of the maintenance of such pond or erosion control device.

SECTION 4. COMMON EXPENSES. "Common Expenses" means expenditures made by or financial liabilities of the Association, together with any allocations to reserves.

SECTION 5. DECLARANT. "Declarant" shall mean and refer to Abbotts Creek Associates, LLC, a North Carolina limited liability company, as well as its successors and assigns, pursuant to an express assignment or conveyance of any special declarant rights hereunder to such successors or assigns, all of which rights, including Declarant's voting, architectural review, easement and development rights, shall be assignable and may be apportioned on a lot-by-lot basis.

SECTION 6. EXECUTIVE BOARD. "Executive Board" means the body, regardless of name, designated in this Declaration to act on behalf of the Association.

SECTION 7. FHA; VA. "FHA" shall mean and refer to the Federal Housing Administration of the Department of Housing and Urban Development and "VA" shall mean and refer to the Department of Veterans Affairs.

SECTION 8. LOT. "Lot" shall mean and refer to any separately numbered plot of land shown upon any now or subsequently recorded subdivision plat of the Properties intended for residential development and shall include any improvements constructed thereon. "Lots" shall refer to all such lots collectively. Declarant hereby reserves the right to reconfigure, from time to time and without the consent of the Owners or the Members of the Association, the boundaries of any Lot or Lots owned by Declarant and to create thereby additional Lots, to eliminate existing Lots, or to create additional Common Area; provided, however, in no event shall the Properties contain a greater number of Lots than the number from time to time permitted by, nor shall any Lot within the Properties contain fewer square feet than the minimum number of square feet from time to time required by the City of High Point or other appropriate governmental authority. If Declarant elects to exercise its right to revise the boundaries of one or more Lots owned by Declarant on such a revised plat, each lot shown on the previously recorded plat or plats, the boundaries of which are shown on the revised plat, shall cease to be a "Lot" as defined in this Declaration and each newly configured lot shown on the revised plat shall be a "Lot" as defined in this Declaration.

SECTION 9. OWNER. "OWNER" shall mean and refer to the owner, whether one or more persons or entities, of a fee simple title to any Lot which is a part of the Properties, as hereinafter defined, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

SECTION 10. PERIOD OF DECLARANT CONTROL. "Period of Declarant Control" shall mean and refer to the period of time commencing on the date this declaration is recorded in the office of the Register of Deeds of Davidson County, North Carolina, and continuing until the earlier of: (i) six years from the date this Declaration is recorded in the office of the Register of Deeds of Davidson County, North Carolina; or (ii) such time as Declarant, together with all affiliated entities, including, without limitation, Abbotts Creek Associates, LLC, shall cease to own, at least twenty-five percent (25%) of the lots; or (iii) such time as Declarant shall voluntarily terminate its rights, duties, and obligations as Declarant.

SECTION 11. PROPERTIES OR DEVELOPMENT. "Properties" or "Development"

shall mean and refer to that certain real property herein described, and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

SECTION 12. REASONABLE ATTORNEYS' FEES. "Reasonable Attorneys' Fees" means attorneys' fees reasonably incurred without regard to any limitations on attorneys' fees which otherwise may be allowed by law.

ARTICLE II

PROPERTY RIGHTS

SECTION 1. OWNERS' EASEMENTS OF ENJOYMENT. Every Owner shall have a right and easement of enjoyment in and to the Common Area and the right of access to the Common Area across designated access easements. These rights shall be appurtenant to and shall pass with the title to every Lot, subject to the following provisions:

(a) the easements herein reserved by Declarant or created in favor of the Association including, without limitation, the easements set forth in Article IX hereof;

(b) the right of the Association to permit the use of and to charge reasonable admission and other fees for the use of any recreational facility situated upon the Common Area;

(c) the right of the Association to suspend the voting rights of the Owner(s) of any Lot for any period during which any assessment against such Lots remains unpaid and for any period during which such Lot or any Owner or occupant thereof is in violation of the terms of this Declaration or the published rules and regulations of the Association and for a period not to exceed sixty (60) days after any such violation;

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

(e) the right of the Association, pursuant to Section 47F-3-112 of the Planned Community Act and with the consent of the Members entitled to cast at least eighty percent (80%) of the votes of the Association, to dedicate or transfer fee title to all or any part of the Common Area for such purposes and subject to such conditions as may be agreed to by the Members consenting to such dedication or transfer; provided, however, for so long as Declarant or any affiliated entity, including, without limitation, Abbotts Creek Associates, LLC, shall own any portion of the Properties or shall have the right to annex additional properties pursuant to Article XI, Section 4 hereof, Declarant must also consent to such action and further provided that no such dedication or transfer shall interfere with or obstruct utility services to, or ingress, egress and regress to or from, the Lots or any remaining Common Area or cause any Lot or any remaining Common Area to fail to comply with applicable laws, regulations or ordinances;

(f) the right of the Association to impose rules and regulations for the use and enjoyment of the Common Area and improvements thereon, which regulations may further restrict the use of the Common Area, and specifically including the right to make permanent and temporary assignments of parking spaces and to establish rules and regulations concerning parking and vehicular traffic flow on and along the streets and roadways, whether public or private, within or abutting the Properties;

(g) the right of the Association to borrow money for the purpose of improving the Common Area and facilities thereon and, with the assent of the Members entitled to cast at least eighty percent (80%) of the votes of the Association, to mortgage, pledge, deed in trust, or hypothecate any or all of its real property as security for money borrowed or debts incurred (any such mortgage shall be effective if it is executed on behalf of the Association by its duly authorized officers and recites that the requisite consent of Members has been obtained and documented in the Minute Book of the Association): provided, however, for so long as Declarant or any affiliated entity, including, without limitation, Abbotts Creek Associates, LLC, shall own any portion of the Properties or shall have the right to annex additional properties pursuant to Article XI, Section 4 hereof, Declarant must also consent to such action and, further provided that no such mortgage, encumbrance, hypothecation, or foreclosure of the lien thereby created shall interfere with or obstruct utility service to, or ingress, egress and regress to or from, the Lots or any remaining Common Area or cause any Lot or any remaining Common Area to fail to comply with applicable laws, regulations or ordinances; and

(h) subject to the prior written consent of FHA or VA, in the event FHA or VA insured Loans have been obtained and secured by Lots, the right of the Association to convey to Declarant or any Secondary Association portions of the Common Area for the purpose of eliminating unintentional conveyances of Common Areas or unintentional encroachments of dwellings or other improvements onto portions of the Common Areas or for the purpose of enhancing the utility of the Common Areas to be retained by the Association; provided, however, no such conveyances shall interfere with or obstruct utility services to, or ingress, egress and regress to or from, the Lots or any remaining Common Area or cause any Lot or any remaining Common Area to fail to comply with applicable laws, regulations or ordinances.

SECTION 2 DELEGATION OF USE. Any owner may delegate, in accordance with the Bylaws, his rights of enjoyment of the Common Area and facilities to the members of his family, his tenants, his guests, or contract purchasers who reside on the Lot of such Owner.

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

SECTION 4. RULES AND REGULATIONS. The Executive Board of the Association may establish reasonable rules and regulations concerning the use of the Common Area and

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

SECTION 5. POWERS OF ASSOCIATION. The Association shall have all the general powers established by Section 47F-3-102 of the Planned Community Act as that section may from time to time be amended.

SECTION 6. POWERS OF EXECUTIVE BOARD. Except as provided in the Declaration, in the Bylaws, in Section 47F-3-103 of the Planned Community Act or in other provisions of the North Carolina Planned Community Act, the Executive Board of the Association may act in all instances on behalf of the Association. In the performance of their duties, officers and members of the Executive Board shall discharge their duties in good faith.

ARTICLE III

MEMBERSHIP AND VOTING RIGHTS

SECTION 1. MEMBERSHIP. Every person or entity who or which is a record owner of a fee or undivided fee interest in any Lot which is subject by covenants of record to assessment by the Association, including Declarant and any affiliated entity, including, without limitations, Abbotts Creek Associates, LLC, shall be a voting Member of the Association. The foregoing is not intended to include persons or entities who hold an interest in a Lot merely as security for the performance of an obligation. Such Membership shall be appurtenant to and may not be separated from ownership of any Lot which is subject to assessment by the Association. On all matters which the Membership shall be entitled to vote, the Member(s) owning each Lot, shall be entitled to one (1) vote. When more than one person holds an interest in any Lot all such persons shall be Members.. The vote of such Lot shall be exercised as they among themselves determine, but in no event shall more than one vote be cast with respect to any Lot.

SECTION 2. DEFAULT RIGHT TO REPRESENTATION ON THE EXECUTIVE BOARD OF THE ASSOCIATION. During any Period of Declarant Control, Declarant shall have the right to designate and select all of the members of each Executive Board of the Association. Whenever Declarant shall be entitled to designate and select any person or persons

to serve on any Executive Board of the Association, the manner in which such person or persons shall be designated shall be as provided in the Articles of Incorporation and/or Bylaws of the Association, and Declarant shall have the right to remove any person or persons selected by it to act and serve on said Executive Board and to replace such person or persons with another person or other persons to act and serve in the place of any member or members of the Executive Board so removed for the remainder of the unexpired term of any member or members of the Executive Board so removed. Any Executive Board member designated and selected by Declarant need not be a resident of the Properties. Except as otherwise provided in the Bylaws with respect to the filling of vacancies, any members of the Executive Board which Declarant is not entitled to designate or select shall be elected by the members of the Association.

SECTION 3. QUORUM FOR MEMBERSHIP MEETINGS. A quorum is present throughout any meeting of the association if persons entitled to cast ten percent (10%) of the votes which may be cast for election of the executive board are present in person or by proxy at the beginning of the meeting. The Members present at a duly organized meeting may continue to transact business until adjournment notwithstanding the withdrawal of enough Members to leave less than a quorum.

In the absence of a quorum at the opening of any meeting of Members, such meeting may be adjourned from time to time by a vote of the majority of the Members voting on the motion to adjourn and at any adjourned meeting at which a quorum is present any business may be transacted which might have been transacted at the original meeting.

ARTICLE IV

COVENANT FOR MAINTENANCE AND ASSESSMENTS

SECTION 1. CREATION OF THE LIEN AND PERSONAL OBLIGATION OF ASSESSMENTS. The Declarant, for each Lot owned within the Properties, hereby covenants, and each Owner for any Lot, by acceptance of a deed therefore, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay: (a) to the Association: (i) annual and other assessments and charges provided for herein, together with interest and late fees, costs and reasonable attorney's fees; (ii) special assessments for capital improvements, such assessments to be established and collected as hereinafter provided; and (b) to the appropriate taxing authority: (i) a pro rata share of ad valorem taxes levied against the Common Area; and (ii) a pro rata share of assessments for public improvements to or for the benefit of the Common Area if the Association shall default in the payment of either or both for a period of six (6) months. All assessments and charges provided for herein, together with interest, any late fees, costs and reasonable attorney's fees, shall be a charge on the land and shall be a continuing lien upon the property against which each such assessment is made when a claim of lien is filed of record in the office of the Clerk of Superior Court, Davidson County, North Carolina. Each such assessment, together with interest, any late fees, costs and reasonable attorney's fees, shall also be the personal obligation of the Owner of such property at the time when the assessment fell due. The personal obligation for the delinquent assessments shall not pass to his successors in title unless expressly assumed by them.

SECTION 2. PURPOSE OF ASSESSMENT.

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

(b) The Association shall establish and maintain an adequate reserve fund for the periodic maintenance, repair and replacement of improvements of the Common Area and those other portions of the Properties which the Association may be obligated to maintain, such reserve fund is to be established out of regular assessments for common expenses.

(c) All monies collected by the Association shall be treated as the separate property of the Association, and such monies may be applied by the Association to the payment of any expense of operating and managing the Properties, or to the proper undertaking of all acts and duties imposed upon it by virtue of this Declaration, the Articles of Incorporation, and the By-Laws of the Association. As monies of any assessment are paid to the Association by the Owner, the same may be commingled with monies paid to the Association by the other Owners. Although all funds and common surplus, including other assets of the Association, and any increments thereof or profits derived therefrom shall be held for the benefit of the Members of the Association, no Member of the Association shall have the right to assign, hypothecate, pledge or in any manner transfer his Membership interest therein, except as an appurtenance to his Lot. When any Owner shall cease to be a Member of the Association by reason of his divestment of ownership of his Lot, by whatever means, the Association shall not be required to account to such owner for any share of the funds or assets of the Association or which any have been paid to the Association by such Owner, as all monies which any owner has paid to the Association shall be and constitute an asset of the Association which may be used in the operation of the Properties.

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

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

(b) Until December 31, 2004, the maximum annual assessment shall be EIGHT HUNDRED FORTY and No/100 Dollars (\$840.00) per Lot. The Maximum annual assessment for each calendar year thereafter shall be established by the Executive Board and may be increased by the Executive Board without approval by the Membership by an amount not to exceed ten percent (10%) of the maximum annual assessment of the previous year. The maximum annual assessment for each calendar year thereafter may be increased without limit by a vote of the Members entitled to cast at least two-thirds (2/3), if 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 Executive Board may fix the annual assessment at an amount not in excess of the maximum, subject to the provisions of section 6 of this Article.

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

SECTION 5. NOTICE AND QUORUM FOR ANY ACTION AUTHORIZED UNDER SECTIONS 3 AND 4. Written notice of any meeting called for the purpose of taking action authorized under Section 3 or 4 of this Article shall be sent to all Members not less than fifteen (15) days nor more than sixty (60) days in advance of the meeting. At the first meeting called, the presence of Members or of proxies entitled to cast ten percent (10%) of all votes of the Association shall constitute a quorum. If the required quorum is not present, another meeting

may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. The requirement for a quorum shall continue to be reduced by fifty percent from that required at the previous meeting as previously reduced, until such time as a quorum is present.

SECTION 6. COMMENCEMENT OF ANNUAL ASSESSMENTS. The annual assessments provided for herein shall commence as to a Lot as follows:

(a) On the first day of the first month following the date a vacant Lot is conveyed by Declarant. The first annual assessment shall be adjusted according to the number of months remaining in the calendar year. As to a vacant Lot, the amount of the assessment shall be one-half (1/2) of the normal annual assessment.

(b) If a Lot remains vacant six months after conveyance of the Lot by Declarant, then the full annual assessment shall be due and payable.

(c) Upon issuance of a certificate of occupancy, or upon conveyance of a lot upon which a residence has been constructed, the full amount of the annual assessment shall be due and payable, pro-rated for the calendar year, as of the first day of the first month following such conveyance.

As to Lots owned by the Declarant or any affiliated entity, including, without limitation, Abbotts Creek Associates, LLC, the amount of assessment shall be one-fourth (1/4) of the normal annual assessment.

SECTION 7. WORKING CAPITAL ASSESSMENT. In addition to the annual assessments authorized above, at the time of the first sale of each Lot, the first occupant thereof shall pay to the Association an amount equal to two-twelfths (2/12ths) of the then current annual assessment established by the Association. Such funds shall be used by the Association to establish a Working Capital Fund, the purpose of which is to 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 these Bylaws.

SECTION 8. EFFECT OF NONPAYMENT OF ASSESSMENTS; REMEDIES OF THE ASSOCIATION. Any assessment not paid within thirty (30) days after the due date shall bear interest from the due date at a rate from time to time established by the Association not to exceed eighteen percent (18%) per annum. In addition, the Association may charge a reasonable late fee, the amount of which shall be established from time to time by the Executive Board of the Association, for assessments not paid within thirty (30) days after the due date. After notice and an opportunity to be heard, the Association may suspend privileges or service provided by the Association (except rights of access to Lots) during any period that assessments or other amounts due and owing to the Association remain unpaid for a period of thirty (30) days or longer, which suspension may continue without further hearing until the delinquency is cured. The Association may bring an action at law against the Owner personally obligated to pay the same to foreclose the lien created herein against the property in the same manner as prescribed

by the laws of the State of North Carolina for the foreclosure of a mortgage or deed of trust on real estate under power of sale, and interest, late fees, costs and reasonable attorney's fees for representation of the Association in such action or foreclosure shall be added to the amount of such assessment. No Owner may waive or otherwise escape liability for the assessment provided for herein by nonuse of the Common Area or abandonment of his Lot nor shall damage to or destruction of any improvements on any Lot by fire or other casualty result in any abatement or diminution of the assessments provided for herein.

SECTION 9. EFFECT OF DEFAULT IN PAYMENT OF AD VALOREM TAXES OR ASSESSMENTS FOR PUBLIC IMPROVEMENTS BY ASSOCIATION. Upon default by the Association in the payment to the governmental authority entitled thereto of any ad valorem taxes levied against the Common Area or assessments for public improvements to the Common Area, which default shall continue for a period of six (6) months, each owner of a lot in the development shall become personally obligated to pay to the taxing or assessing governmental authority a portion of such unpaid taxes or assessments in an amount determined by dividing the total taxes and/or assessments due the governmental authority by the total number of Lots in the Development. If such sum is not paid by the owner within thirty (30) days following receipt of notice of the amount due, then such sum shall become a continuing lien on the Lot of the then Owner, his heirs, devisees, personal representatives and assigns, and the taxing or assessing governmental authority may either bring an action at law or may elect to foreclose the lien against the Lot of the Owner.

SECTION 10. SUBORDINATION OF THE LIEN FOR ASSESSMENTS TO THE LIEN OF FIRST MORTGAGE. When the holder of a first mortgage or first deed of trust of record, or other purchaser of a lot obtains title to the Lot as a result of foreclosure of a first mortgage or first deed of trust or deed in lieu of foreclosure, such purchaser and its heirs, successors, and assigns, shall not be liable for the assessments against such Lot which become due prior to the acquisition of title to such Lot by such purchaser. Such unpaid assessments shall be deemed to be common expenses collectible from all Owners including such purchaser, its heirs, successors and assigns. Such sale or transfer of any Lot which is subject to any such first mortgage or deed of trust, pursuant to a foreclosure thereof or any proceeding in lieu of foreclosure thereof, shall extinguish the lien of such assessments as to the payment thereof which became due prior to such sale or transfer; provided, however, no such sale or transfer shall relieve such Lot or the Owner thereof from liability for any assessments thereafter becoming due or from the lien thereof.

SECTION 11. EXEMPT PROPERTY. All property dedicated to and accepted by a public authority and all properties owned by a charitable or non-profit organization exempt from taxation by the laws of the state of North Carolina shall be exempt from the assessments created herein. However, no land or improvement devoted to dwelling use shall be exempt from said assessments.

ARTICLE V

ARCHITECTURAL CONTROL

SECTION 1. IMPROVEMENTS. No improvements, alterations, repair, change in paint color, excavation, change in grade, planting, landscaping or other work which in any way alters the exterior of any Lot or the improvements located thereon from their natural or improved state existing on the date such Lot was first conveyed in fee by the Declarant to an Owner other than Declarant shall be commenced, erected or maintained upon any Lot and no building, fence, wall, residence or other structure shall be commenced, erected, maintained, improved, altered, or removed 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 Executive Board of the Association or by an architectural committee composed of three (3) or more representatives appointed by the Board (the "Architectural Control Committee"). Temporary seasonal exterior decorations shall not require the prior approval of the Executive Board or the Architectural Control Committee, but if any such decorations are determined, in the sole discretion of the Executive Board or Architectural Control Committee, to be distasteful or otherwise disruptive of the aesthetics or visual harmony of the community, the Executive Board or the Architectural Control Committee may require that such decoration promptly and permanently be removed. In the event that an Owner neglects or fails to remove any such decorations at the request of the Executive Board of the Architectural Control Committee, the Association may provide for such removal. In order to enable the Association to accomplish the foregoing, there is hereby reserved to the Association the right to unobstructed access ever and upon each Lot at all reasonable times for such purpose and the cost of such removal shall be added to and become a part of the assessment to which such Lot is subject. Notwithstanding the foregoing, nothing herein contained shall prevent or interfere with the right of Declarant to improve and develop the properties, including the Lots, as Declarant chooses, so long as said development follows the general plan of development of the Properties previously approved by the City of High Point. Accordingly, Declarant need not seek or obtain the approval of the Architectural Control Committee for improvements erected on the Properties by or at the direction of Declarant. In addition, for so long as Declarant or any affiliated entity owns any Lot or has the right to annex any Additional Property pursuant to Section 4, Article XI thereof, Declarant or its affiliate may approve any plans and specifications rejected by the Executive Board of the Architectural Control Committee for the construction or alteration of improvements on any Lot provided the construction or alteration approved by Declarant or its affiliate comport with the general scheme of development approved by the City of High Point. Such approval by Declarant or its affiliate shall operate and have the same effect as approval by the Executive Board or the Architectural Control Committee.

SECTION 2. PROCEDURES.

(a) Any person desiring to make any improvement, alteration or change described in Section 1 above shall submit the plans and specifications therefore, showing the nature, kind, shape, height, materials and location of the same, to the Executive Board of the Association or

the Architectural Control Committee which shall evaluate such plans and specifications in light of the purposes of this Article

(b) Upon approval by the Architectural Control Committee of any plans and specifications submitted pursuant to this Declaration, a copy of such plans and specifications, as approved, shall be deposited for permanent record with the Architectural Control Committee and a copy of such plans and specifications bearing such approval, in writing, shall be returned to the applicant submitting the same. Approval for use in connection with any Lot of any plans and specifications shall not be deemed a waiver of the Architectural Control Committee's right, in its discretion, to disapprove similar plans and specifications or any of the features or elements included therein if such plans, specifications, features or elements are subsequently submitted for use in connection with any other Lot. Approval of any such plans and specifications relating to any Lot, however, shall be final as to that Lot and such approval any not be reviewed or rescinded thereafter, provided that there has been adherence to, and compliance with, such plans and specifications, as approved, and any conditions attached to any such approval. As a condition to the granting of approval of any request made under this Article, the Association may require that the Owner(s) requesting such change be liable for any cost of maintaining, repairing and insuring the approval alteration. If such condition is imposed, the Owner(s) shall evidence consent thereto by a written document in recordable form satisfactory to the Association. Thereafter, the Owner(s), and any subsequent Owner(s) of the Lot, by acceptance of a deed therefore, whether or not it shall be so expressed in such deed, are deemed to covenant and agree that the cost of maintaining, repairing and insuring such alteration shall be a part of the annual assessment or charge set forth herein, and subject to the lien rights described herein.

(c) Neither Declarant, nor any other member of the Association's Executive Board or Architectural Control Committee, shall be responsible or liable in any way for any defects in any plans or specifications approved by them, nor for any structural defects in any work done according to such plans and specifications. Further, neither Declarant, nor any member of the Association's Executive Board or Architectural Control Committee, shall be liable in damages to anyone by reason of mistake in judgment, negligence, misfeasance, malfeasance, or nonfeasance arising out of or in connection with the approval or disapproval of any such plans or specifications or the exercise of any other power or right provided for in this Declaration. Every person who submits plans or specifications for approval agrees, by submission of such plans and specifications, and every owner of any Lot agrees, that he or she will not bring any action or suit against Declarant, or any member of the Association's Executive Board or architectural Control Committee, to recover any such damage.

SECTION 3. FEES AND BONDS. The Association is specifically authorized, but is not required, to charge application or processing fees for approval of plans, and to require the posting of reasonable bonds or deposits prior to commencement of construction to protect the Association against damage to streets or Common Areas, or costs incurred in causing correction of any construction or site work performed otherwise and in accordance with approved plans.

ARTICLE VI

EXTERIOR MAINTENANCE

SECTION 1. MAINTENANCE OF COMMON AREA AND LOTS. The Association shall maintain the Common Area. Each Owner shall be responsible for the exterior maintenance of his or her dwelling and Lot, as follows: painting, replacement and care of roofs, gutters, downspouts, exterior building surfaces, lawn, trees, shrubs, driveways, walks and other exterior improvements. In the event that the Owner neglects or fails to maintain his or her Lot and/or the exterior of his or her dwelling in a manner consistent with other Lots and dwellings in PENNFIELD, the Association shall provide such exterior maintenance as required above. The Association shall give written notice to the Owner of the specific items of exterior maintenance or repair the Association intends to perform, and the Owner shall have twenty (20) days from the date of mailing of said notice within which to perform such exterior maintenance. The determination as to whether an Owner has neglected or failed to maintain his or her Lot and/or dwelling in a manner consistent with other Lots and dwellings in PENNFIELD shall be made by the Board of Directors of the Association, in its sole discretion. In order to enable the Association to accomplish the foregoing, there is hereby reserved to the Association the right to unobstructed access over and upon each Lot at all reasonable times to perform maintenance as provided in this Article. The Association shall be responsible for the exterior maintenance except for the following: glass, screens, doors and hardware, light bulbs, plumbing, electrical outlets, HVAC equipment, water and sewer lines and additions.

SECTION 2. MAINTENANCE LIEN. In the event the Association performs such exterior maintenance, repair, or replacement, the cost of such maintenance, replacement or repairs shall be added to and become a part of the assessment to which such Lot is subject and shall further be enforceable as a lien against the Lot as set out herein.

SECTION 3. NEGLIGENT ACTS. In the event the Association determines that the need for maintenance, repair or replacement, which is the responsibility of the Association hereunder, is caused through the willful or negligent act of an Owner or the family, guests, lessees, or invitees of any Owner, and is not covered and paid for by insurance, in whole or in part, then the Association may perform such maintenance, repair or replacement at such owner's sole cost and expense, and all costs thereof shall be added to and become a part of the assessment to which such Owner is subject and shall become a lien against the Lot of such Owner.

ARTICLE VII

BUILDING GUIDELINES

SECTION 1. PHILOSOPHY. These guidelines are developed to implement the design philosophy of PENNFIELD and are intended to provide direction to builders and contract home buyers in the planning, design and construction of dwellings and related structures. The primary emphasis is upon quality of design and compatibility of all improvements, without unduly restricting builders' and home buyers' ability to exercise individuality in their construction of a

dwelling on a Lot. It is the purpose and intent of these guidelines to develop PENNFIELD as a harmonious and aesthetically pleasing residential community while preserving and enhancing the natural beauty of the area

SECTION 2. RESIDENTIAL USE OF PROPERTY. All Lots shall be used for single-family and twin home, residential purposes only, and no business or business activity shall be carried on or upon any Lot at any time, except with the written approval of the Executive Board; provided, however, that nothing herein shall prevent Declarant or any builder of homes in PENNFIELD approved by Declarant from using any Lot owned by Declarant or such builder of homes for the purpose of carrying on business related to the development, improvement and sale of property in PENNFIELD; and provided further that, to the extent allowed by applicable zoning laws private offices may be maintained in dwellings located on any of the Lots so long as such is incidental to the primary residential use of the dwellings.

Each Lot may contain only one detached single-family private dwelling or one twin home, private garages, and only such other accessory structures as may be approved by the Architectural Control Committee.

SECTION 3. SETBACKS AND BUILDING LINES. Each dwelling which shall be erected on any Lot shall be situated on such Lot in accordance with the building and setback lines approved for each Lot in writing by the Architectural Control Committee before commencement of Lot-clearing preparatory to construction, unless a variance shall have been granted by the Declarant or Declarant shall have amended the plat. In no event shall any dwelling be erected and located upon any such Lot in a manner which violates the requirements and provisions of any applicable zoning ordinances and subdivision regulations.

SECTION 4. PARTY WALLS.

(a) Each wall which is built as a part of the original construction of the homes upon the property and placed in the dividing line between the lots shall constitute a party wall, and, to the extent not inconsistent with the provisions of this Section, the general rule of law regarding party walls and liability for property damage due to negligence or willful acts or omissions shall apply thereto.

(b) The cost of reasonable repair and maintenance of a party wall shall be shared by the Owners who make use of the wall in proportion to such use.

(c) If a party wall is destroyed or damaged by fire or other casualty, an Owner who has use of the wall may restore it, and if the other Owner thereafter makes use of the wall, he shall contribute to the cost of restoration in proportion to such use without prejudice, however, subject to the right of any such Owner to call for a larger contribution for the other under any rule of law regarding liability for negligent or willful acts of omissions.

(d) Notwithstanding any other provision of this section, an Owner who by his negligent or willful act causes the party wall to be exposed to the elements shall bear the whole cost of furnishing the necessary protection against the elements.

(e) The right of any Owner to contribution from any other Owner under this Section shall be appurtenant to the land and shall pass to such Owner's successors in title.

(f) In the event of any dispute arising concerning a party wall, or under the provisions of this Section, each party shall choose one arbitrator, and such arbitrators shall choose one additional arbitrator, and the decision shall be by majority of all the arbitrators.

SECTION 5. WALLS AND FENCES. No fence or wall shall be erected, placed or altered on any Lot nearer to any street than the front building line of the dwelling unless the same be a retaining wall of masonry construction which does not in any event rise above the finished grade elevation of the earth embankment so retained, reinforced, or stabilized. The exposed part of any retaining wall shall be made of clay, brick, natural stone, stucco, or railroad ties, or may be veneered with brick or natural stone. No fencing shall be allowed in the front yard nor shall fencing be allowed past the rear house corner toward the front yard except when the Architectural Control Committee gives written approval. No chain link fencing shall be allowed. In addition to any other remedies, either Declarant or the Architectural Control Committee shall have the right, but not the obligation, at any time, without liability to Owner for trespass, to enter upon any Lot and remove any improvement constructed or maintained in violation of this Declaration. All proposed fencing must be approved by the Architectural Control Committee.

SECTION 6. SUBDIVISION OF LOT. One or more Lots or parts thereof may be subdivided or combined to form one single building Lot when approved, in writing, by the Declarant. In such event, the building line requirements provided herein shall apply to such Lots as resubdivided or combined, and side line easements as shown on the plat shall be moved to follow the new side line so that the easement will run along the newly established side line.

SECTION 7. EXTENSION OF TERRACES, EAVES, ETC.; DETACHED GARAGES AND ACCESSORY BUILDINGS. For the purpose of determining compliance with the foregoing line requirements, terraces, stoops, eaves, wingwalls, and steps extending beyond the outside wall of a structure shall not be considered as part of the structure. No side yard shall be required for any detached garage or accessory outbuilding which has been approved, in writing, by the Architectural Control Committee; provided, all such detached structures must be to the rear of the main dwelling, must not encroach upon the Lot of an adjacent owner, and must be in compliance with any applicable zoning ordinances and subdivision regulations.

SECTION 8. MINIMUM BUILDING SIZE REQUIREMENTS. The minimum square feet requirements for each dwelling to be erected on a Lot shall be determined by the outside measurement of enclosed heated area exclusive of porches, basements, garages, stoops, terraces and breezeways, and shall be as follows: one-story dwellings shall contain a minimum of one thousand eight hundred (1,800) heated square feet.

Notwithstanding the foregoing requirements, the Architectural Control Committee shall have the right, in its sole and absolute discretion, because of restrictive topography, Lot dimensions, unusual site-related conditions, or other reasons, to allow variances of up to ten percent (10%) of such minimum square footage requirements by a specific written variance.

SECTION 9. EXTERIOR MATERIALS AND SUPPLIES. Exterior construction materials shall be at least eighty percent (80%) of one of the following materials: brick, stucco, stone, wood, hardboard or masonry-based siding. All exterior walls shall be generally of like materials so as to present a uniform appearance on all sides. No vinyl or aluminum shall be allowed except in soffits, eaves, gable eaves and window trims. Concrete or cinder blocks used in foundation or wall construction shall not be visible from the exterior of a dwelling.

The exterior colors and materials used on a dwelling shall blend together to create a harmonious whole. To this end, samples of proposed exterior materials and colors must be submitted to the Architectural Control Committee as part of the final plans. Trim colors shall not contrast strongly with the exterior wall color. The color of a masonry foundation shall, generally blend, rather than contrast with the exterior wall color.

SECTION 10. ROOFS. Roofs and roof pitches shall be in proportion to the overall size and shape of the dwelling. Except as specifically approved otherwise, the minimum roof slope shall be 7/12 or greater. The acceptable roofing material is fiberglass shingles. All specific roof materials to be used must be approved in writing by the Architectural Control Committee prior to commencement of construction.

SECTION 11. PORCHES AND DECKS. Porches and decks shall be designed with substantial, well-proportioned railings, flooring and support posts meeting building code requirements. Space below decks shall be screened with lattice, shrubbery or other means appropriate to the house design.

SECTION 12. CHIMNEYS. All chimneys extending above the eave line shall be full foundation based and made of brick, stone, stucco or other material approved in writing by the Architectural Control Committee, and of a design, location and material appropriate to the dwelling. Wood chases shall not be used. Particular design or construction needs requiring an exception must be approved by the Architectural Control Committee.

SECTION 13. DELIVERY RECEPTACLES AND PROPERTY IDENTIFICATION. All mailboxes and newspaper boxes must be of a standard color, size, and design, and must be installed in a location approved by the Architectural Control Committee. Dwelling identification numbers may be displayed on mailboxes only as approved by the Architectural Control Committee. Property identification numbers must be visible on all dwellings and must be aesthetically appropriate for the design of each particular dwelling.

SECTION 14. GARAGES. Every dwelling shall have a garage for not less than one (1) nor more than two (2) vehicles. Garage doors are required. All garage doors must have operating remote control door openers. All interior walls and ceilings of garages must be finished. Carports are not allowed.

SECTION 15. DRIVEWAYS. Construction of each dwelling must include a concrete driveway extending from the street curb line to the rear line of the sidewalk, and a concrete, brick or paving stone driveway extending from the sidewalk to the entrance of the garage.

Asphalt driveways or parking pads are not permitted, unless approved by the Declarant. All driveways must be of a uniform quality.

SECTION 16. GENERAL CONSTRUCTION AND LANDSCAPING.

(a) All structures must be constructed in a high-quality, workmanlike manner, of new materials, and in compliance with all applicable building, fire, and zoning codes and regulations.

(b) All dwellings must be attractively landscaped with such landscaping completed within sixty (60) days after the completion of construction of the dwelling on the Lot. All landscaping must be completed in such a manner that there will be no erosion or sedimentation. Rear portions of corner Lots must be landscaped.

(c) All electrical, telephone, cable and other utility lines serving a Lot shall be underground unless the Declarant or the Association grants a specific permission for above-ground lines in writing.

(d) No structure may be designed or constructed so as to be aesthetically offensive or unappealing, or out of character with the nature and quality of the dwellings in PENNFIELD, as contemplated by these restrictions.

(e) All dwellings located within 450 feet of the western boundary of the property adjacent too Guilford County Tax Parcel 475-1-83 through 91 (Swansgate Subdivision) shall be single story with a maximum height of 28 feet.

SECTION 17. COMPLETION OF CONSTRUCTION. The Association shall have the right to take appropriate legal action, whether at law or in equity to compel the immediate completion of any dwelling not completed within one (1) year from the date of commencement of construction.

SECTION 18. REQUIREMENTS. The Declarant or the Architectural Control Committee may, for good cause, waive violations of the setbacks and building lines provided for in Section 3 of this Article VII and the building requirements provided for in Section 8 of this Article VII. Such waiver shall, be in writing and recorded in the Davidson County Registry. A document executed by the Architectural Control Committee shall be, when recorded, conclusive evidence the requirements of Section 3 and 8 of Article VII have been complied with. The Declarant or the Architectural Control Committee may also handle violations of setback and boundary lines by amending the Plat. Nothing contained herein shall be deemed to allow the Declarant or the Architectural Control Committee to waive violations which must be waived by an appropriate governmental agency.

ARTICLE VIII

USE GUIDELINES

SECTION 1. OBSTRUCTIONS TO VIEW AT INTERSECTIONS. No part of any structure nor the branches of trees, shrubs and other vegetation shall be permitted to obstruct the

view at street intersections. If located in the Common Area, the prevention or removal of such obstructions shall be the responsibility of the Association. If located upon or extending from an Owner's Lot, the prevention or removal of such obstructions shall be the responsibility of the owner.

SECTION 2. USE OF OUTBUILDINGS AND SIMILAR STRUCTURES. No structure of a temporary nature (unless approved by the Architectural Control Committee) shall be on or allowed to remain on any Lot, and no trailer, camper, shack, tent, garage, barn or other structure of a similar nature shall be used as a residence on a Lot or the Common Area, either temporarily or permanently.

SECTION 3. LIVESTOCK AND PETS.

(a) No animals, livestock or poultry of any kind shall be bred, raised or kept on any Lot, except that dogs, cats, or other small household pets may be kept provided that such is not for any commercial purposes. Such household pets must not constitute a nuisance or cause an unsanitary condition. No structure for the care, housing or confinement of any pet shall be constructed or maintained on any part of the Common Area. Pets shall be under leash at all times when walked or exercised on any part of the Common Area.

(b) Upon the written request of any Owner, the Board of Directors may conclusively determine, in its sole and absolute discretion, whether, for purposes of this section, a particular pet is a generally recognized house pet or such pet is a nuisance. The Board shall have the right to require the owner of a particular pet to remove such pet from the Development if such pet is found to be a nuisance or in violation of these restrictions. An Owner maintaining a household pet or nuisance, or allowing an occupant or visitor to do so, shall be responsible to the Association for the cost of any repair of any damage to the Common Area caused by the household pet or nuisance. Any cost of repair shall be added to and become a part of any assessment next coming due to which such Owner and his Lot or dwelling are subject.

SECTION 4. OFFENSIVE ACTIVITIES. No noxious, offensive or illegal activities shall be carried on upon any Lot, nor shall anything be done thereon which is or may become an annoyance or nuisance to the owners of other Lots in PENNFIELD. Without limiting the generality of the foregoing provisions, no exterior speakers, horns, whistles, bells, or other sound devices, except security and fire alarm devices used exclusively for such purposes, shall be located, used, or placed within the Development.

All trash and debris must be placed in appropriate containers or properly bundled for disposal, and must be properly disposed. No Owner shall dump, deposit, place or discard, or allow another to dump, deposit, place or discard any trash or debris upon any portion of the Development. Any Owner, or his family, tenants, guests, invitees, servants, or agents, who dumps, deposits, places or discards any trash or debris upon any portion of the Development shall be liable to the Association for the actual costs of removal thereof. Such sum shall be added to and become a part of any assessment next becoming due to which such Owner and his Lot or dwelling is subject.

SECTION 5. SIGNS. No advertising signs or billboards shall be erected on any Lot or Common Area. This restriction shall not apply to: (a) signs used for identifying and advertising the Development, for selling Lots and/or houses within the Development, or for identifying builders and contractors during construction; (b) informational or directional sign required by law or approved by the Board of Directors; and (c) temporary signs approved by the Board of Directors, in its sole and absolute discretion, for a valid and reasonable purpose in the best interests of the Owners. Prohibition of or approval and posting of signs shall not conflict with any law or ordinance of a governing authority.

SECTION 6. AESTHETICS, NATURE GROWTH, SCREENING, UNDERGROUND UTILITY SERVICE. Trees which have a diameter in excess of six inches (6") measured two feet (2') above ground level and distinctive flora shall not be intentionally destroyed or removed except with the prior approval, in writing, of the Architectural Control Committee. Builders shall include the proposed removal of such trees and flora in the specifications submitted for a proposed dwelling.

Lawn care equipment and similar implements shall be stored inside or screened to conceal them from view of neighboring Lots and streets when not in actual use. Garbage receptacles are to be kept in rear yards or screened in side yards. Garbage receptacles shall not be in front yards except for collection.

SECTION 7. ANTENNAE. No radio or television transmission or reception towers, discs, or antennae shall be erected on any structure or within the Development without the prior written approval of the Architectural Control Committee. In no event shall free standing transmission or receiving towers, satellite dishes or disks be permitted that exceed one (1) meter in diameter, or that extend more than two feet (2') above the eave line of a building. No antenna, disc or satellite dish may be placed in the front or side setback area. No antenna, disc or satellite dish may be located on a Lot unless it is not visible from the street and unless it is aesthetically screened from view from adjacent Lots.

SECTION 8. MOBILE AND MODULAR HOMES, TRAILERS, ACCESSORY BUILDINGS.

(a) No mobile home, manufactured home, modular home, trailer, recreational vehicle, or other like structure or vehicle shall be located or installed on any Lot to be used as a residence. As used herein, mobile home, manufactured home or modular home shall mean a structure assembled in whole or in part in a location other than on the Lot itself, transportable in one or more sections, any section of which, during transport, is four feet (4') or more in width and ten feet (10') or more in length, which may or may not be built on a permanent chassis and which is designated to be used as a dwelling with or without a foundation when connected to the required utilities. Use of the building process known as "panelized construction" shall be allowed, but be subject to the approval of the Executive Board or the Architectural Control Committee.

(b) Except for dog houses and for utility buildings approved by the Architectural Control Committee, no accessory building previously constructed elsewhere shall be moved onto any Lot; provided, however, that trailers to be used as sales offices for development or for

construction purposes shall be allowed only during sales or construction periods.

SECTION 9. PARKING OR STORAGE OF VEHICLES. No mobile home or house trailer shall be parked or stored on a Lot, street or Common Area except as provided in section 8 above. School buses, commercial vehicles and trucks over one (1) ton capacity shall not be parked or stored overnight on any street or Lot except as necessary for dwelling 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, construed, or applied to prevent the temporary, nonrecurrent parking of any recreational vehicle for a period not to exceed forty-eight (48) hours upon any Lot.

SECTION 10. GARBAGE AND REFUSE DISPOSAL. No Lot shall be maintained as a dumping ground for trash, garbage or other waste. Such trash, garbage or waste shall be kept in sanitary containers designed for that purpose. All equipment or implements of the storage or disposal of such trash, garbage or waste shall be kept in clean, sanitary condition. If such trash, garbage, waste or other discarded materials are found on any Lot, the same shall be removed by the Lot Owner or at the owner's expense upon written request of the Association.

SECTION 11. 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. No elevation changes shall be permitted which materially affect surface grade of surrounding Lots, unless approved in writing by the Architectural Control Committee.

SECTION 12. DISPOSAL SYSTEM. The wastewater collection system with pumps, wastewater treatment works and/or disposal facilities (the "Disposal System") operated for sanitary sewage disposal purposes and located within the Common Areas shall be properly maintained and operated by the Association in accordance with the operational Agreement made between the Association and the North Carolina Environmental Management Commission and in conformity with law and the provisions of the permit for construction, operation, repair and maintenance of the Disposal System. The entire Disposal System is hereby declared a Common Element and the Disposal System shall receive the highest priority for expenditure of the Association except for federal, state and local taxes and insurance. The Disposal System shall be maintained out of the Common Expenses and in order to insure the availability of funds to repair, maintain or construct the Disposal System beyond the routine operation and maintenance expenses, the Association shall create a fund out of the Common Expenses which shall be separate from the routine maintenance allocated for the Disposal System and shall be part of the yearly budget. In the event the Common Expense allocation and separated fund(s) are not adequate for the construction, repair and maintenance of the Disposal System, a special assessment shall be levied by the Association to cover such necessary costs, there shall be no limit on the amount of such as the case may be, nor any of their agents, employees, or contractors shall be liable for any damages to any person which may result from the exercise of any right conferred upon them as set forth in this Section.

ARTICLE IX

EASEMENTS

SECTION 1. UTILITIES. Easements for installation and maintenance of utilities and drainage facilities are reserved on, over and across the Common Area. Easements for installation and maintenance of utilities and drainage facilities are reserved on, over and across any Lot as indicated on recorded plats. Within these easements, and as indicated on recorded plats, no structures, planting or other material may be placed or permitted to remain which may interfere with the installation and maintenance of utilities, or which may change the direction of flow of drainage channels in the drainage easements, or which may obstruct or retard the flow of water through drainage channels in the easements. An easement is hereby established for the benefit of the City of High Point and County of Davidson (and any other person or firm providing services to the Development under agreement with or at the direction of the Association) over all Lots and Common Area as may be reasonably necessary for the setting, removal and reading of water meters, for the maintenance and replacement of water, sewer, and drainage facilities, and for the fighting of fires and collection of garbage. The Association shall have the power and authority to grant and establish upon, over, and across the Common Area such additional easements as are necessary or desirable for the providing of services or utilities to the Common Area or Lots.

SECTION 2. SIGN EASEMENTS. Easements for the maintenance of subdivision signs, landscaping, and lighting surrounding same are reserved on, over and across the Common Area. Easements for the maintenance of subdivision signs, landscaping, and lighting surrounding same are reserved on, over and across any Lot as indicated on recorded plats. Declarant hereby grants, gives and conveys to the Association a perpetual, nonexclusive easement over any portions of Lots designated as "sign easements" on the plats, to maintain, repair, and replace the subdivision signs which may be located thereon, as well as the lighting, fixtures and landscaping thereon. The costs of all such maintenance, repair and replacement shall be part of the common expenses of the Association, payable by the Owners as set out in Article IV hereof. In addition to the easement granted above as to the portion of Lots designated "sign easements" or "landscaping easements," Declarant hereby gives, grants and conveys to the Association the right of ingress, egress, and regress over other portions of such Lots as shall be reasonably necessary to effectuate the purposes stated above. The easements hereby granted shall run with the land in perpetuity and be binding upon and inure to the benefit of all persons and entities now owning or subsequently acquiring all or part of the Development.

SECTION 3. EASEMENT FOR ENTRY. In addition to the right of the Board to exercise self-help as provided in Section 1, the Association shall have the right, but shall not be obligated, to enter upon any property within the Development for emergency, security, and safety reasons, which may be exercised by officers of the Board, and all police, fire and ambulance personnel, and similar emergency personnel in the performance of their respective duties. Except in an emergency situation, entry shall only be during reasonable hours and after notice to the Owner, and the entering party shall be responsible for any damage caused. This right of entry shall include the right of the Association to enter any Lot or dwelling to cure any conditions which may increase the possibility of a fire, slope erosion, or other hazard, in the event an Owner or occupant fails or refuses to cure the condition upon request by the Board.

SECTION 4. EASEMENT FOR MAINTENANCE. Declarant hereby expressly reserves a perpetual easement for the benefit of the Association across such portions of the Properties, determined in the sole discretion of the Association, as are necessary to allow for the maintenance required under Article VI. Such maintenance shall be performed with a minimum of interference to the quiet enjoyment to Lots. Reasonable steps shall be taken to protect such property, and damage shall be repaired by the person or entity causing the damage, at its sole expense.

SECTION 5. EASEMENT FOR ACCESS TO COMMON AREA. Easements for access to the Common Area on, over and across any Lot are reserved as indicated on the recorded plat. The Association shall have the obligation to maintain these easement areas. Each owner shall have the right to use these easement areas for access to the Common Area, subject to the provisions of Article 2 of this Declaration.

SECTION 6. CONSTRUCTION AND SALE PERIOD EASEMENT. Notwithstanding any provisions contained in this Declaration, the Bylaws, the Articles of Incorporation of the Association, use restrictions, rules and regulations, design guidelines, and any amendments thereto, until Declarant's right unilaterally to property subject to this Declaration terminates, and thereafter so long as Declarant owns any property in the Properties for development and/or sale, Declarant reserves an easement across all Properties for Declarant and any builder or developer approved by Declarant to maintain and carry on, upon such portion of the Properties as Declarant may reasonably deem necessary, such facilities and activities as such builder's or developer's development, construction, and sales activities related to Properties, including, but without limitation; (a) the right of access, ingress, egress and regress for vehicular and pedestrian traffic and construction activities over, under, on or in the Properties may be necessary, including without limitation, any Lot; (b) the right to tie into any portion of the Properties with driveways, parking areas and walkways, the right to tie into and/or otherwise connect and use (without a tap-on or any other fee for so doing), replace, relocate, maintain and repair any device which provides utility or similar services, including, without limitation, electrical, telephone, natural gas, water, sewer and drainage lines and facilities constructed or installed in, on, under and/or over the Properties; (d) the right to grant easements over, under, in or on the Properties, including, without limitation, the Lots, for the benefit of neighboring properties for the purpose of tying into and/or otherwise connecting and using sewer and drainage lines and facilities constructed or installed in, on, under and/or over the properties; (e) the right, in the sole discretion of Declarant, to construct recreational facilities on Common Area; (f) the right to carry on sales and promotional activities in the Properties; and (g) the right to construct and operate business offices, signs, construction trailers, model residences and sales offices. Rights exercised pursuant to such reserved easement shall be exercised with a minimum of interference to the quiet enjoyment of affected property, reasonable steps shall be taken to protect such property, and damage shall be repaired by the person causing the damage at its sole expense. This Section shall not be amended without the Declarant's express written consent until the Declarant's rights hereunder have terminated as hereinabove provided.

ARTICLE X

RIGHTS RESERVED UNTO INSTITUTIONAL LENDERS

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

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

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

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

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

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

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

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

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

ARTICLE XI

GENERAL PROVISIONS

SECTION 1. ENFORCEMENT. The Owner(s) of each Lot shall be governed by and shall comply with the provisions of this Declaration, the Bylaws of the Association and all rules and regulations of the Association adopted pursuant thereto, as any of the same are now constituted or as they may be amended from time to time. A default by any Owner shall entitle the Association or the Owner(s) of any of the other Lots to the following relief:

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

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

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

(d) If an Owner is legally responsible for damage inflicted on any Common Area, the Association may direct such Owner to repair such damage, or the Association may itself cause the repairs to be made and recover damages from the responsible Owner if damage is inflicted on any Lot by an agent of the Association in the scope of the agent's activities as such agent, the Association is liable to repair such damages or to reimburse the Owner for the cost of repairing such damages. The Association shall also be liable for any losses to the Owner. When any such claim for damages against an Owner or the Association is less than or equal to the jurisdictional amount established for small claims by North Carolina General Statute 7A-210, any aggrieved

party may request that a hearing be held before an adjudicatory panel appointed by the Executive Board of the Association to determine if an Owner is responsible for damages to any common Area or the Association is responsible for damages to any Lot. If the Executive Board fails to appoint an adjudicatory panel to hear such matters, such hearings shall be held before the Executive Board. Such panel shall accord to the party charged with causing damages notice of the charge, opportunity to be heard and to present evidence and notice of the decision. This panel may assess liability for each damage incident against each Owner charged or against the Association not in excess of the jurisdictional amount established for small claims by North Carolina General Statute 7A-210. When the claim exceeds the jurisdictional amount established for small claims by North Carolina General Statute 7A-210, liability of any Owner charged or the Association shall be determined as otherwise provided by law. Liabilities of Owners determined by adjudicatory hearing or as otherwise provided by law shall be assessments secured by lien under Section 17E-3-116 of the Planned Community Act. Liabilities of the Association determined by adjudicatory hearing or as otherwise provided by law may be offset by the Owner against sums owing to the Association and if so offset, shall reduce the amount of any lien of the Association against the Lot at issue.

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

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

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

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

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

SECTION 3. AMENDMENT. The covenants and restrictions of this Declaration shall in run with the land and bind the land for a term of twenty (20) years from the date this Declaration is recorded, after which time they shall be automatically extended for successive periods of ten (10) years unless terminated as hereinafter provided. This Declaration may be amended with the

consent of the Owners entitled to cast at least sixty-seven percent (67%) of the votes of the Association and may be terminated with the consent of the Owners entitled to cast at least eighty percent (80%) of the votes of the Association; provided, however, so long as Declarant or any affiliated entity, including, without limitation, Abbotts Creek Associates, LLC, owns any Lot or may annex Additional Property pursuant to the provisions hereinafter set forth, this Declaration may not be amended or terminated without Declarant's consent; no amendment purporting to revoke or curtail any right herein conferred to Declarant shall be effective unless executed by Declarant; and no amendment relating to the maintenance or ownership of any permanent detention or retention pond shall be effective unless reviewed and approved by the governmental office having jurisdiction for watershed protection. Any amendment must: (1) be executed on behalf of the Association by its duly authorized officers; (2) contain an attestation by the officers executing the amendment on behalf of the Association that the requisite Owner approval has been obtained and is evidenced by written acknowledgment(s) signed by the Owners approving the amendment and made a part of the Minute Book of the Association; and (3) be properly recorded in the Office of the Register of Deeds, Davidson County, North Carolina. For the purpose of this section, additions to existing property by Declarant pursuant to Section 4 of this Article shall not constitute an "amendment". In the event this Declaration is terminated in accordance with the provisions hereinabove provided, Declarant, for each Lot owned within the Properties, hereby covenants, and each Owner for any Lot, by acceptance of a deed therefore, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay a pro rata share of the cost of the maintenance of all permanent retention or detention ponds.

SECTION 4. ANNEXATION

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

(b) Additional land within the area described in Adjoining Properties attached hereto as Schedule "A" and incorporated herein by reference, together with any other property located adjacent to the properties (collectedly, "Additional Property") may be annexed by the Declarant without the consent of Members within ten (10) years of the date of this instrument; provided that, in the event FHA or VA insured loans have been obtained to purchase Lots, FHA and VA determine that the annexation is in accord with the general plan from time to time approved by them. For the purpose of determining whether property is adjacent to the properties, the rights of way of public roads and utilities, as well as rivers and streams, shall be deemed not to separate otherwise adjacent property. Declarant shall have no obligation of any kind to annex the Additional Property and, should Declarant elect to annex all or any portion of the Additional Property, Declarant shall have no obligation of any kind to annex the Additional Property in any particular sequential order. Should Declarant elect to annex all or any portion of the intends that the provisions of this Declaration on the one hand, and the Articles of Incorporation and Bylaws of the Association on the other, be interpreted, construed, and applied to avoid inconsistencies or conflicting results. If such conflict necessarily results, however, Declarant intends that the provisions of this Declaration control anything contained in the Articles of

Incorporation or Bylaws of the Association.

IN WITNESS WHEREOF, the undersigned, being the Declarant herein, has caused this instrument to be executed in its name as of the 14 day of January, 2004.

ABBOTTS CREEK ASSOCIATES, LLC

BY: PHD ENTERPRISES, INC.,
Member/Manager

By: H. L. Dalton
Hunt Dalton, President

STATE OF NORTH CAROLINA

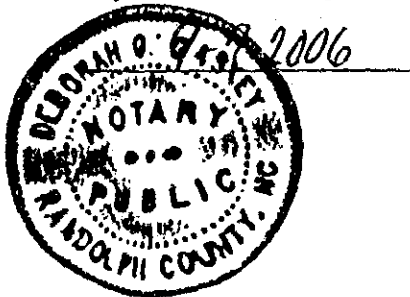
COUNTY OF DAVIDSON

I, Deborah G. Gaskey, a Notary Public of the County of Randolph, State of North Carolina, do hereby certify that Hunt Dalton personally appeared before me this day and acknowledged that he is President of PHD ENTERPRISES, INC., a North Carolina corporation and Member/Manager of ABBOTTS CREEK ASSOCIATES, LLC, a North Carolina Limited Liability Company, and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by him as its President on behalf of the LLC.

Witness my hand and official stamp or seal this the 14 day of January, 2004.

Deborah G. Gaskey
Notary Public

My commission expires:



North Carolina—Davidson County
The foregoing (or annexed) certificate(s) of _____

Deborah G. Gaskey
Notary Public (Notaries Public) is certified to be correct
this 23 day of Jan 04

Donald W. Callicutt, Register of Deeds

SCHEDULE "A"

ADDITIONAL PROPERTY

TRACT I: BEGINNING at a point located on the northerly right of way of West Lexington Avenue said point being the southeastern point of the parcel of land owned by Billie Sue Johnson as recorded in Deed Book 879, Page 1000; thence North 15 degrees 42 minutes 25 seconds West 308.98 feet to a point; thence South 74 degrees 14 minutes 25 seconds West 431.24 feet to a point; thence North 86 degrees 21 minutes 05 seconds West 101.73 feet to a point said point being the southwest corner of a parcel of land owned by Joe H. Leonard as recorded in Deed Book 1016, Page 437; thence North 2 degrees 18 minutes 37 seconds East 168.52 feet to a point; thence North 2 degrees 18 minutes 37 seconds East 90.73 feet to a point; thence North 2 degrees 53 minutes 56 seconds East 79.08 feet to a point; thence North 2 degrees 56 minutes 46 seconds East 615.10 feet to a point; thence North 2 degrees 57 minutes 30 seconds East 125.04 feet to a point; thence North 2 degrees 57 minutes 02 seconds East 124.99 feet to a point; thence North 2 degrees 55 minutes 26 seconds East 197.53 feet to a point; thence North 2 degrees 56 minutes 05 seconds East 246.26 feet to a point; thence North 2 degrees 59 minutes 20 seconds East 195.57 feet to a point said point being the northeast corner of Lot 87 of Swansgate Subdivision, Phase 1, Sheet VI of VI as recorded in Plat Book 24, Page 61; thence South 50 degrees 59 minutes 33 seconds East 481.14 feet to a point said point being the northwest corner of the parcel of land owned by Loretta M. Bouldin as recorded in Deed Book 684, Page 38; thence South 51 degrees 06 minutes 04 seconds East 196.71 feet to a point said point being the northeast corner of Whitener Foundation, Inc. parcel of land that is conveyed by this deed; thence South 12 degrees 59 minutes 05 seconds East 1,098.73 feet to a point; thence South 12 degrees 56 minutes 17 seconds East 336.19 feet to a point said point located on the northerly right of way line of West Lexington Avenue; thence following the northerly right of way line of West Lexington Avenue South 58 degrees 10 minutes 32 seconds West 286.34 feet to a point; thence South 62 degrees 04 minutes 39 seconds West 110.30 feet to the point and place of BEGINNING containing 27.248 acres, more or less. See survey by Jamestown Engineering Group, Inc. dated April 4, 2003, Job No. 2001081.

SAVE AND EXCEPT Lots 1, 2, 3, 4, 5, 22, 23, 24, 25, 26 and 27, Pennfield Subdivision, Phase 1, Section 1, Sheet 1 of 2, map of which is recorded in Plat Book 41, Page 24, in the Office of the Register of Deeds of Davidson County, North Carolina.

TRACT II: The property of Robert A. Brinson and wife, Ann W. Brinson, Deed Book 968, Page 914, Davidson County Registry, TM 19-14 and Loretta M. Bouldin, Deed Book 684, Page 38, Davidson County Registry, TM 19-63.