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JEFF L. THIGPEN

REGISTER OF DEEDS

BY: W STEVEN PARRISH

DEPUTY

BK: R 6568**PG: 745-763**

Drawn by-Mail to: Samuel M. Booth, 156 Mayfield Road, Winston Salem, NC 27104

NORTH CAROLINA

GUILFORD COUNTY

**DECLARATION OF COVENANTS CONDITIONS,
RESERVATIONS AND RESTRICTIONS FOR
SADDLE BROOK (Master Association)**

SHUGART MANAGEMENT, INC., a North Carolina corporation (herein Management and Declarant), Management is the current owner of the land described in Exhibit A, attached hereto and incorporated herein by reference and SHUGART ENTERPRISES, LLC, a North Carolina limited liability company (herein Enterprises and Declarant) has and agreement to purchase Lots in Saddle Brook and if the Property is purchased in accordance with the agreement then Enterprises will become the sole Declarant. Declarant desires to create on the property described herein and such land as may hereafter be annexed and subjected to this Declaration, collectively called the Property or Properties, a mixed-use residential community or communities which will contain different types of residential housing and amenities, collectively the Residential Communities. The current conceptual plan for single family detached housing one and two story Townhomes is subject to change from time to time as development progresses, conditions and desires of the Declarant change. The Declarant may annex additional land, not presently owned, which may be subjected to this Declaration in full or in part. The portion of the Property described in **Exhibit A** attached is hereby subjected to this Declaration.

Declarant will set aside certain areas within the Property that will be for the general use of all Residential Communities located within the Property that will be the Master or General Common Area controlled by this Association. Declarant desires to provide for the maintenance and use of the Master Common Areas, and to subject such portions of the Property as Declarant, its successors or assigns, so designates to the terms and conditions of this Declaration.

Each and every one of these covenants, conditions, reservations, and restrictions is for the benefit of each current and future owner of any part of the Property or interest therein to the extent subjected hereto, and shall bind the successors in interest being construed as running with the land.

I. DEFINITIONS

1.1 Master Association: The Master Association will be known as Saddle Brook HOA, Inc., its successors and assigns ("Master Association") which will own, maintain and administer the Master Common Areas brought under its jurisdiction; collect and disburse the assessments and charges herein created, and provide services, promote the recreation, health, and welfare of the Members of the Master Association and there has been incorporated under the laws of the State of North Carolina Saddle Brook HOA, Inc. as a non-profit corporation for the purpose of exercising the foregoing functions, those set forth herein and in other Association documents and those set forth in Chapter 47F of the General Statutes of North Carolina.

1.2 Owner: The record Owner, whether one or more persons or entities, of the fee simple title to any Lot within the Property, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation or leasing part of the Premises.

1.3 Property or Properties: That Property described in Exhibit A, and those portions of the real property described in Exhibit B and such additions thereto that may be subsequently annexed, if any, that is/are subjected to this Declaration by the Declarant by Supplemental or Phase Declaration(s).

1.4 Master Common Area: All real property and improvements thereon included within the Property, which are conveyed to the Master Association by Declarant, by deed or easement as Master Common Area, but excluding that real property which is part of the fee simple title to any lot or the Common Area deeded to a Second Tier Association. The Master Common Area sometimes referred to as the General Common Area, shall be used for the common purposes, benefit, and enjoyment of all Owners and the Declarant as stated herein or as may be set forth in a deed of conveyance from the Declarant.

1.5 Limited Common Area: A part of the Common Area that serves one or more lots, parcels or phases in a particular manner not in common with all the Lots, if any.

1.6 Amenities: Those certain improvements, if any, constructed by Declarant or the Association on a part of the Master Common Area for the use and enjoyment of the Members as stated herein or in accordance with additional terms stated in the conveyance of the area by the Declarant.

1.7 Lot: Any numbered residential Lot(Unit) located within the Property shown upon the recorded subdivision plat and/or revised plat(s) or on plats showing phases or sections, if any, within the Property and subjected to this Declaration.

1.8 Declarant shall mean and refer to Shugart Management, Inc. and Shugart Enterprises, LLC, their successors and/or specific assigns of such right and if

Shugart Enterprises, LLC complies with the agreement to purchase the Lots in the Second Tier Associations within the Property then Shugart Enterprises, LLC shall become the sole Declarant and if it does not then Shugart Management, Inc. shall become the sole Declarant without further documentation.

1.9 Member: The status of each Owner in the Master Association being the Owner of a Lot or Lots located in the Property.

1.10 Board, Board of Directors or Executive Board. Reference to Board, Board of Directors or Executive Board as used in this Declaration shall mean the Members of the Master Board of Directors of this Master Association.

1.11 Second Tier Association. Second Tier Association(s) shall mean and refer to any Owner's Association formed for a part of the Property subjected to this Declaration, for the purpose of collecting assessments from the Lot Owners within the specific Second Tier Association for the purpose of governing the Lots and Second Tier Common Area as stated in the various Second Tier Declarations, including collecting and remitting the assessments due the Master Association from all its Lot Owners.

II. COMMON AREA OWNERSHIP AND MAINTENANCE

2.1: Owner's easement of enjoyment: Every Owner in good standing shall have a right of enjoyment in and to the Master Common Area conveyed to this Master Association by Declarant, which shall be appurtenant to and shall pass with the title to every Lot, provided until total development and construction of dwellings on all Lots now or hereafter a part of the Property, the Declarant shall have and reserves the right to adjust the boundaries of Master Common Area, Second Tier Common Area and Lots, it owns or the Owner thereof so consents, by including a part thereof in a Lot, include a part of a Lot in the Master Common Area or create a Lot from the Master Common Area provided the number of Lots shall not exceed that allowed by the governmental authorities having jurisdiction. Any change in the location or size of the Master Common Area, Second Tier Common Area or Lot(s) shall be shown by the recording of a revised plat as to the Lot(s) Second Tier Common area and/or Master Common Area affected and upon such recordation the Lot(s) and Master and Second Tier Common Area shall be as shown thereon and the prior plat as to the revised portions shall no longer apply.

2.2 Delegation of Use: Any Owner may delegate his rights of enjoyment of the Master Common Area to the members of his family, his lessees, contract purchasers who reside on the Property, or his guests. The Board or the Members of the Master Association may adopt Rules and Regulations from time to time may limit the number of guests, in some instances may require the Owner to accompany the guests and may establish Rules and Regulations for the use of the General Common Area. Any rule applying to an Owner shall likewise apply to the Owner's lessee and Guests.

2.3 Master Common Area Restrictions: Master Common Area shall be used, improved and devoted to the welfare and benefit of the Owners and for the general benefit and enhancement of the Property and the use thereof and will be subject to Rules and Regulations adopted initially by the Declarant and from time to time by the Board of Directors and/or the Master Association.

2.4 Rules and Regulations: The Declarant may establish initial Rules and Regulations and thereafter the Board and/or the Master Association will have the power to formulate, publish and enforce reasonable rules and regulations concerning the use and enjoyment of the Master Common Area. Such Rules and Regulations shall be maintained in a place reasonably convenient to the Members affected and available to them for inspection during normal business hours by appointment.

2.5 Master Common Area Offensive Use and Damage: No immoral, improper, offensive or unlawful use shall be made of the General Common Area or the amenities owned or leased by the Association, if any. Each Owner shall be liable to the Association for damage to the Master Common Area caused by the Owner, his family, tenants, guests, agents, contractors, employees or invitees in accordance with Section 47F-3-107 of the General Statutes of North Carolina.

2.6 Regulation of Use of Master Common Area: The Association shall have the power to limit the number of guests, to regulate hours or use and to curtail any use or uses of the Master Common Area it deems necessary or desirable for either the protection of the facilities, if any, or the best interest of Members together with the right to suspend use for a reasonable time and to invoke fines for violation of the published Rules and Regulations and to suspend such use for nonpayment of assessments.

2.7 Master Common Area Construction or Alteration: No person shall undertake, cause, or allow any alteration or construction in or upon any portion of the Master Common Area except with the express written consent of the Association. The Declarant reserves and retains the right to use and/or improve the Master Common Area, grade for drainage and install utilities of all types over and on all Common Area and to impose easements and grant easements to utility companies until the full development of the land it now owns or may acquire and annex together with the right to adjust the boundaries of the Master Common Area by recording corrective plats to correct surveying errors, construction problems, desired changes or mistakes in layout of improvements and to create a Lot or Lots without the consent or approval of the Association or its members.

2.8 Master Common Area Facilities Admission Fees: The Association may charge reasonable deposits for a Member's allowed reserved private use of a common facility, if any, admission and other fees for the use of any Master Common Area in accordance with its policy and Rules and Regulations adopted from time to time for all or a part of the Master Common Area.

2.9 Suspensions and Fines: The Association shall have the power to suspend the right to the use of any Master Common Area, excluding access to a Lot of a Member or any person to whom that Member has delegated his right of enjoyment for any period during which any assessment against his Lot remains unpaid, and for a period not to exceed sixty (60) days for any infraction of its published Rules and Regulations as amended and expanded from time to time to meet current problems and conditions. The Association shall also have the authority to impose fines for failure to comply with this Declaration or the Rules and Regulations as established from time to time. The Member shall be entitled to notice and opportunity for hearing before the Board of Directors or a panel or committee appointed by the Board prior to suspension or levy of fine.

2.10 Conveyance of the Master Common Area by Declarant: The Declarant, its successors and assigns, will determine the Master Common Area and will convey the same to the Association by recorded easement or deed, and the Association shall accept all Master Common Area as conveyed by Declarant. Such conveyance shall be subject to all the restrictions and limitations of this Declaration and limitations stated herein or as stated or modified in the deed of conveyance of the common area.

2.11 Common Area Dedication and Transfer: The Association shall have the right to dedicate, transfer or encumber all or any part of the Master Common Area in accordance with Section 47F-3-112, of the General Statutes of North Carolina as the same may be amended, provided the Declarant has retained the right to grant easements and use all or a part of the Master Common Area until the full development of all the Property it owns with dwellings or may acquire in the furtherance of the development of the Property.

2.12 Wet Detention and Retention Ponds: If there are any drainage, wet detention, retention or erosion control ponds upon the Master Common Area included in the Lot assessment shall be funds for the purpose of repairing, maintaining, replacing and operating the ponds, pipes, rip rap, drains and all equipment associated therewith, and other water quality or erosion control devices required, and installed in accordance with the requirements of the governmental office(s) having jurisdiction for watershed protection. If the Association should be dissolved or cease to exist, then in that event all Owners of a Lot in the Property shall be responsible for a pro rata share of the expense by dividing the total number of Lots into the costs of operating, maintaining, repair and replacement of the water quality ponds and equipment. If governmental requirements are not met then the same may be complied with by the governmental authority having jurisdiction and all Lot Owners shall be personally liable for a pro rata share of the costs and if not paid when requested each Owner shall become personally liable and each Lot may be foreclosed upon to obtain funds to pay for such requirements.

III. PERMITTED AND PROHIBITED USES

3.1 Parking: All Owners by acceptance of a deed for a Lot agree not to park their vehicles on the access ways or streets adjoining and running though the Master Common Area in the Property at any time or allow any occupant of a dwelling to do so unless the parking is temporary, not an obstruction to the flow of traffic and except as is authorized by the Master Association. The Master Association may designate parking areas, duration of stay and adopt regulations concerning parking to address situations as they occur in such areas of the Property.

3.2 Nuisance: No Owner will do or permit to be done any act upon the Property, which may be, is, or may become a nuisance. Any question of whether an activity constitutes a nuisance shall be determined in the discretion of the Board of Directors or the committee to which such matters has been delegated with the right of hearing or appeal to the Board of Directors. Some acts or events that will be considered a nuisance, not to the exclusion of others, are: Loudspeakers or other sound producing devices played at a late hour, anytime at an excessive volume; household pets allowed to roam; failure to remove and dispose of droppings of the pet; excessive barking or other annoying animal noise of a household pet.

3.3 Signs: No sign of any character shall be displayed or placed upon any part of the Master Common Area except the Master Association's signs, Declarant's signs; governmental signs, signs erected or approved by Declarant during development and sale of the Lots and thereafter by the Board of the Master Association.

3.4 Pets - Animals: No poultry, cattle, farm animals, or livestock of any kind shall be kept on and no enclosure therefor shall be erected or maintained on the Master Common Area. No animals of any kind may be kept, bred or maintained on the Property for any commercial purposes. Pets shall not be permitted to run loose and must be confined within the dwelling, by Owner held leash or approved fence. Provided, further, that such permitted pets must not constitute a danger or nuisance to other Owners or the Master Common Area as determined in the sole discretion of the Board of Directors of the Master Association with notice and right to hearing prior to fine or other enforcement action by the Board of Directors. Such action may include the requirement that the Owner remove the animal from the Property due to non compliance.

3.5 Trucks, Tractors, Trailers, Boats, ATVs, Go-carts, Motor homes, Campers Unlicensed vehicles: Following conveyance of a Lot by the Declarant to an Owner no trailers, boats, all terrain vehicles, go-carts, campers, motor homes or unlicensed vehicles of any nature shall be kept on or stored on any part of the Property except within an enclosed garage or other enclosure approved by the Board or committee charged with regulation unless the appropriate committee so

authorizes in writing. Such vehicles shall not be operated on the Property except to load to exit the premises and to unload to return to the storage area. No trucks, (other than pick-up trucks, mini vans, sports utility vehicles), farm machinery of any nature, including tractors and riding mowers, shall be parked on any Lot except in an enclosed garage or approved enclosure. Provided trucks parked temporarily as is necessary for moving the Owner's personal property to and from the Property and to perform construction, repairs and renovations are permitted. The Master Association for its Members may provide an area on the Master Common Area for parking of certain types of vehicles, which may be for common use, or a fee charged for use thereof. There is no current plan to construct such facility however, if provided, use to Members may be on a first come first serve basis or lottery to its capacity and will be used in accordance with the policy rules and regulations adopted from time to time by the Board.

3.6 Exterior Maintenance: The exterior maintenance repair and replacement of improvements on Lots including landscaping, shall be the duty and responsibility of the Owner of such Lot, except where specifically provided otherwise herein or in an Second Tier Declaration, and shall not be the responsibility of the Master Association unless specifically assumed by it. If in the opinion of the Board any Second Tier Association and/or Owner shall fail to discharge his or its repair, maintenance, replacement or upkeep responsibilities, including the routine mowing of grass, pruning of shrubs and watering thereof, in a reasonable and prudent manner to a standard harmonious with that of other development on the Properties and such failures are not handled by the Second Tier Association within which the Lot in violation is located, the Master Association, through its Board and at the discretion of the Board of Directors, and following ten (10) days written notice to correct or a reasonable time if correction requires longer to correct, to the Owner and the Board of the Second Tier Association, may enter upon the Lot, Dwelling Unit or Second Tier Common Area and make or cause to be made maintenance work, repairs or replacements as may be deemed reasonably required by the Association. The Association or its agents shall have a license and easement granted automatically by any Owner of a Dwelling and the Members of the Second Tier Association owning Common Area for the purpose of accomplishing the foregoing. The costs incurred by the Association in rendering such services plus a service charge of fifteen percent (15%) of such costs shall be added to and become a part of the assessments to which such Lot is subject, and should the action be for the benefit of the Second Tier Common Area then against all Owners in the specific Second Tier Association which shall be immediately due and payable and may be enforced as other assessments. This is a right of the Master Association and not an obligation. The Master Association in the discretion of the Board may pursue other action of enforcement. The Owner and/or Second Tier Association through its Board will have notice and the opportunity of a hearing prior to the Master Association performing such correction which opportunity of hearing may occur during the notice period.

3.7 Leases: Any lease agreement between an Owner and a lessee for the lease of Owner's Lot and/or dwelling shall provide in the terms of the lease that the leased

premises is subject to the provisions of this Master Declaration of Covenants, Conditions, Reservations, and Restrictions, the Articles of Incorporation, Bylaws and Rules and Regulations of the Master as well as the Second Tier Association and that any failure by the lessee to comply with the terms of such documents shall be a default under the terms of the lease. All leases shall be in writing and the Association may require a copy be provided to the Association. Failure of a lessee to comply shall result in action by the Association against the Owner. Failure to comply will allow the Association to suspend the rights of the Owner and thereby the right of the lessee to the use of the Association's Common Area, excluding access to the dwelling. The Association may impose fines and take other action for failure to comply, which will also require notice, and opportunity for hearing before enforcement.

3.8 Commercial activity: Following conveyance of a Lot by Declarant no commercial or business activity of any type shall be conducted thereon except for a private office within the dwelling provided the office is in accordance with all requirements of the Second Tier Declaration and applicable laws and ordinances of governmental authorities having jurisdiction. Offices of the Declarant during development, offices for Master and or Second Tire Association's business will be allowed. The Master Association may allow, regulate, limit or prohibit any temporary commercial use such as yard sales or benefits for a charitable or non charitable purpose or other purposes. The greater requirements of the Master or the Second Tier Association having jurisdiction may be enforced.

3.9 Pools: No above ground swimming pool shall be permitted on the Property.

3.10 Buffer Yards: The uses of any buffer yards shown on the plats over the portions of any Lot(s) must be used and maintained by the Owner in accordance with Second Tier Association rules adopted from time to time and the zoning and code regulations of the governmental authorities having jurisdiction thereof.

IV. SETBACKS, WALLS AND FENCES

4.1 Setbacks and building separation: Setbacks and separation for all structures at the time of construction shall be in accordance with the zoning and building code requirements of the governmental authorities having jurisdiction, as the same may be amended by any adjustment board unless a greater requirement is placed upon a Lot by a Second Tier Declaration.

V. STREETS, EASEMENTS AND RIGHTS OF WAY

5.1 Easements reserved: Declarant reserves from all Lots, Master Common Area, Second Tier Common Area and streets within the Property easements for installation and service of utilities or drainage systems with full rights of ingress and egress for itself, its agents, utility companies, employees, and its successors and assigns over any part of the Property including a Lot for the purpose of

installing and servicing the utilities, drainage and correction of problems for which the easements are reserved herein or of record. Master and Second Tier Common Area shall be subject to easements for walkways, vehicles related to management, construction by Declarant, water lines, sanitary sewers, storm drainage facilities, gas lines, telephone and electric power line, street and other lighting, television lines and other utilities, some of which may be exclusive, together with ingress, egress and regress and otherwise as shall have been established by the Declarant whether by express easement or by the recording of a plat dedicating an easement or by the Declarant subsequently creating, dedicating or establishing an easement for correction, necessary or desirable to the full development of the Property. The Declarant reserves and retains the right to dedicate streets and/or access easements over the established Common Area or any Lot owned by it for another Tier or Phase, individual dwelling, parcel or amenity in the further development of the Property, including service to land which is not subjected to this Declaration, resulting from an unanticipated event or in the opinion of the Declarant such granting or dedication would be desirable in the further development of the Property or the real property owned by Declarant. Such access way, if not public, may be Limited Common Area for the purpose of maintenance, repair and replacement. The Association shall have the power and authority to grant and establish further easements upon, over, under and across the Master Common Area. Some utility and cable easements may be exclusive for a term years.

The Declarant reserves and retains an easement for ingress, egress and regress over all dedicated streets, private access ways and over the Master Common Property until such time as the Properties are fully developed as the same may be expanded. Such access may be in connection with a parcel of land that is not being brought under the jurisdiction of this Declaration.

5.2 Obstructions: No fill, structures, including walls, fences, paving, or planting, shall be erected upon any part of the Property, which will interfere with any easement for the construction, or maintenance of any utility or drainage system for the benefit of the Properties or a Lot or with the rights of ingress and egress provided above. No grade changes that change the natural or developed grade of a Lot or uses of a Lot shall be made that creates an obstruction or undesirable change in flow of drainage. The party creating such interference with the installation or servicing of a utility or drainage for the benefit of any part of the Properties, shall be solely responsible for the costs of circumventing or removing the interfering fill, structure, planting or other obstruction to alleviate the flow or easement obstruction.

VI. DURATION OF COVENANTS, CONDITIONS, RESERVATIONS, AND RESTRICTIONS

6.1 Term: The covenants, conditions, restriction, and reservations herein set forth shall continue in full force and effect, as the same may be amended and

supplemented, until terminated by written consent of 80% of the voting authority of the Members of the Association in accordance with the Planned Community Act, Chapter 47F of the General Statutes of North Carolina, provided no amendment shall take away any right of the Declarant until full development and sale of all the Property, as it may be expanded, has occurred without the written consent of the Declarant. Any such termination shall also require compliance with FHA/VA regulations in force at such time if there are FHA/VA insured loans within the Property.

VII. MEMBERSHIP AND VOTING RIGHTS

7.1 Every Owner of a Lot shall be a Member of the Master Association. Membership shall be appurtenant to and may not be separated from ownership of any Lot in the Property.

7.2 The Association may have two classes of voting membership:

Class A. Class A Members shall be all Owners, except Declarant, and shall have one (1) vote for each lot owned and will be obligated to pay a pro rata assessment based on the total membership to meet the approved budget of the Association. The assessment due would be obtained by dividing the total number of lots subjected to this declaration into the sum due under the adopted budget and that amount would equal the assessment due from each Lot Owner. Prior to full development, annexation of all property to be annexed, the sum due from the Class B member, based on the Lots then subjected to this declaration, shall be subtracted from the approved budget and the amount remaining shall be divided by the number of Class A members to arrive at the assessment due.

Class B. The Class B Member shall be the Declarant, Management and/or Shugart or their specific assigns of such right, and shall be entitled to three (3) votes for each Lot owned and shall be assessed twenty-five percent (25%) of the assessment amount levied on the Class A Members for each Lot improved with an unoccupied dwelling or model dwelling it owns subjected to this Declaration. The Class B membership shall cease and be converted to Class A membership when seventy-five percent (75%) of the total number of Lots subjected to this Declaration and including land owned by the Declarant for annexation, if any, are sold to Owners other than the Declarant on or before Ten (10) years from the date of recording of the sale of the first Lot subjected to this Declaration, whichever comes first. The Class B membership may be reinstated should it be terminated by untimely annexation of Lots, upon such annexation, but not beyond the ten-year limitation.

When more than one Class A Member holds an interest in any Lot, all such persons shall be Members. The Class A vote for such Lot shall be exercised as

they among themselves determine, but in no event shall more or less than one vote be cast with respect to any Class A Lot.

The Declarant will hold the first meeting of the Members as soon as deemed necessary or desirable following the sale of a Lot improved with a dwelling to an Owner. A quorum for annual meetings will be Members present at the call of the roll constituting ten per cent (10%) of the total vote of the Association, as it will increase from time to time until the development is complete. The date of subsequent annual meetings will be established by the Declarant and inserted into the By Laws.

The Master Association shall be governed by a Board of Directors which shall initially consist of three members appointed by the Declarant during Declarant's control and subsequently shall be composed of the number set forth in the by-laws and elected by the Members

VIII. COVENANT FOR ASSESSMENTS

8.1 Creation of the Lien and Personal Obligation for Assessments. The Declarant for each Lot owned hereby covenants, and each Owner of any Lot by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Master Association: (1) annual assessments or charges, (2) special assessments for capital improvements, such assessments to be established and collected as hereinafter provided, and (3) direct assessments as hereinafter defined. The annual, special and direct assessments, together with interest, costs, and reasonable attorney's fees, shall be a charge on the Lots and shall be a continuing lien upon the Property against which each such assessment is made and when filed of record in the Office of the Clerk of Superior Court in the county in which the Lot lays, shall be a lien upon the Lots to all who acquire an interest therein. Each such assessment, together with interest, costs and reasonable attorney's fees, shall also be the personal obligation of the person who was the Owner of such Lot at the time when the assessment was levied and any heir or devisee shall be deemed to have consented to make such payments. The personal obligation for delinquent assessments shall not pass to the successors in title by deed unless expressly assumed by them, however lien filed prior to the recording of the deed shall be in full force and effect upon the Lot.

The Owners of Lots within Second Tier Properties shall pay to such Second Tier Association assessments which shall include the sum due as assessments to the Master Association for the Lots and Common Area in the Second Tier Association and the Second Tier Association shall pay to the Master Association the sum due the Master Association for all Lots and Common Property in the Second Tier Association. Failure of the Second Tier Association to pay the sum due the Master Association shall not relieve the Lots and Owners in such Second Tier Association for the sum due the Master Association which the Master

Association can collect as stated in paragraph 8.6 below.

8.2 Direct Assessments. Each Owner shall have the obligation to maintain and keep in good repair and replace the improvements on his Lot, including the routine watering of grass and shrubs, and other maintenance and replacement to present a good exterior appearance and each Second Tier Association is obligated to maintain the Tier Common Property so that a good appearance is presented. If any Lot Owner or Tier Association shall fail to comply then the Board of Directors may proceed as set forth in paragraph 3.6, hereof. Amounts incurred in the foregoing manner shall be deemed "Direct Assessments" and shall be due on demand in addition to any other assessments herein provided for.

8.3 Purpose of General Assessment: The assessments levied by the Association shall be used exclusively to promote recreation, health, security, safety and welfare of the residents of the Properties to the extent the Members desire and in particular for the maintenance and replacement of wet detention or retention ponds and equipment, maintenance and replacement of landscaping located upon the Master Common Property, excluding limited common area, the acquisition, improvement and maintenance of property, services and facilities devoted to this purpose for the maintenance, use and enjoyment of the Master Common Area, including but not limited to, the cost of management, repairs, replacements and additions, the cost of labor, equipment, materials, utilities, desired security, lighting, including decorative lighting, if any, and lighting, if any, that may be located in the public or private right of way of streets, road medians (which lighting may be located within a area within a Second Tier Association's streets or Common Area), (lighting provided by this Association shall be only that the Board of Directors or a majority of the Members elect to furnish, if any) management and supervision, payment of governmental taxes and assessments, if any, assessed or levied against the Master Common Area, the procurement and maintenance of liability and other types of insurance deemed necessary or desirable, including director's insurance and fidelity bonds related to the Association and to the Master Common Area, its facilities and use in accordance with this Declaration, the employment of managers, attorneys and accountants to represent the Association when necessary, the establishment and funding of reserve account(s) for future maintenance, repair and replacement of capital improvements, maintenance, repair and replacement of those portions of the Common Property and improvements thereon that are the responsibility of the Association and to cover unforeseen operating contingencies or deficiencies arising from unpaid assessments or liens, as well as emergency expenditures and other matters as authorized by the Board of Directors and such other common needs as may arise. While security is an item that a part of the assessments collected may be spent on such services may or may not be provided, the Master and/or any Tier Association is not to be deemed liable for the security of persons or property.

8.4 Maximum Annual Assessments. Until the first annual meeting of the Members and the adoption of a budget, the maximum annual assessment: for a

Class A Member shall be Two Hundred Forty Dollars (\$240.00) per Lot; for a Class B Member the assessment for any Lot containing an unoccupied, unsold home or model home shall be twenty-five percent (25%) of the regular assessment for Class A Members. Assessment shall commence as to a Lot upon a dwelling being substantially completed thereon as evidenced by a certificate occupancy being issued or equivalent.

8.5 Uniform Rate of Assessment. Both annual and special assessments must be fixed at a uniform rate as provided for the Class A and B Members. The assessments may be collected on a monthly, quarterly or annual basis in advance as the Board of Directors may direct, or the membership may approve, except as herein provided. Without regard to the foregoing, where there is a change in ownership, and no lien has been filed for past due assessments, annual and special assessments, in such event, shall become collectible on such change of ownership in twelve monthly installments from the date the assessment was levied so that a new owner acquiring title will be obligated for the assessment for the pro rata remainder of the month title is acquired in and for the remainder of the assessment due thereafter. Should an Owner default the Board of Directors may file notice of claim of lien for the entire annual, special, or direct assessment past due and remaining due for the assessment year, including interest and costs. The assessment year for regular assessments shall be the calendar year. No Owner may waive nor otherwise escape liability for any the assessment provided for herein due to non-use or inability to use or abandonment of his Lot.

8.6 Enforcement of Collection. Filing of lien and enforcement thereof for the collection of all assessments provided for in this Declaration shall be in accordance with the Planned Community Act, Section 47F-3-116, of the General Statutes of North Carolina as the same may be amended from time to time. The assessment shall be and remain the personal obligation of the Owner of the Lot at the time the assessment was levied and suit may be filed, claim made therefore in bankruptcy or collected in any other manner provided by law for debts due, including costs and reasonable attorney fees associated therewith in addition to the rights against the Lot. The Association may pursue either or both remedies without bar to the other remedies. Any amount collected from any action would be a credit against the total due. Any amount not collected shall be a common expense of the Association.

8.7 Date of Commencement of Assessment, Due Dates. The annual, special and all other assessments provided for herein may be collected on a quarterly, semi annual or annual basis as determined by the Board of Directors. Assessments shall commence as to each Lot subjected to this Declaration in advance on the first day of the month following substantial completion of the dwelling constructed thereon, as evidenced by the issuance of a certificate of occupancy or equivalent for that unit or Lot. The first annual assessment as established by the Declarant shall be adjusted according to the number of months remaining in the calendar year and ensuing thereafter. Subsequently the Board of Directors shall have the right each year to increase the amount of the

prior year assessment by up to ten per cent (10%) upon a majority vote of the members of the Board. If the Board so elects it shall notify all Members of the Association by hand delivery or U. S. Mail of the new assessment amount. If no increase is made then no action is required. If a budget in excess of the cap is proposed or it is deemed necessary due to a shortage of funds due to increased expense in excess of that anticipated prior to the end of the annual year, then the following shall apply:

At least thirty (30) days in advance of the assessment meeting, the Board shall establish and fix the amount of the proposed assessment. Within thirty (30) days of the adoption of the proposed budget, the Board shall provide to all of the Owners a summary of the budget and a notice of the meeting to consider ratification of the budget. The 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 15 nor more than 60 days after mailing of the summary and notice. The budget is ratified unless at that meeting the Owners of a majority of the Lots present reject the proposed budget. In the event the proposed budget is rejected, the periodic budget last ratified by the Owners as it may have been increased by the Board of Directors shall be continued until such time as the Owners ratify a subsequent budget proposed by the Board.

8.8 Subordination of the Lien to Deeds of Trust. The liens provided for herein shall be subordinate to the lien of any first deed of trust or mortgage filed prior to a lien for assessments by the Association and will be extinguished upon foreclosure of the mortgage or deed of trust, but the personal obligation of the Owner of the Lot when the assessment fell due shall survive. No such foreclosure sale shall relieve such Lot from liability for any assessments, monthly or otherwise, which is due or may be collected from the date of foreclosure conveyance forward and the lien thereof, but the liens provided for herein shall continue to be subordinate to the lien of any subsequent first deed of trust filed prior to a lien for assessments being filed by the Association.

IX. ARCHITECTURAL CONTROL.

9.1 Purpose. The Declarant has or will provide for the establishment of an Architectural Review Committee ("ARC") in each Second Tier Association in order to provide and maintain certain standards as to harmony of external design and location in relation to surrounding structures and topography in the Property. If a Second Tier Association fails to appoint an Architectural Control Committee and handle requests and problems as they arise in each of the Second Tier Associations the Board of this Master Association shall advise the Board of the Second Tier Association that it will be taking jurisdiction of the Architectural Control if the Second Tier Board does not handle the fact situation set forth in the notice within 45 days of the notice by reporting the Second Tier Board's action back to the Board of this Master Association. Failure of the Second Tier Board or its committee to handle the fact situation in accordance with the Second Tier

Declaration and report such action shall allow the Master Board of Directors or an Architectural Review Committee appointed by them to assume jurisdiction and enforce the Architectural review and control provisions of the Second Tier Association.

X. SPECIAL DECLARANT'S RIGHTS.

10.1 Any right reserved or retained by the Declarant in this Declaration, any supplemental declaration, any Second Tier Declaration, the by-laws or the articles of incorporation(s) shall not be subject to amendment, deletion or change by the Association or its Members without Declarant's written permission until such right terminates or until the full development of the Premises together with any land the Declarant may subsequently acquire for annexation into the Association. Any one or more of the rights retained by the Declarant may be assigned in part or in full or on a Lot by Lot basis. One or more of the specific rights may be surrendered at different times by such written notice(s) to the Board of Directors.

10.2 Declarant reserves the right to annex additional land now owned or which may be acquired which adjoins or is in the general area of the land described in Exhibit A, which Declarant may acquire at a future date.

10.3 Declarant reserves and retains the right to amend this Declaration and all other Association documents in order to meet any requirement to make Lots eligible for loans which may be guaranteed or insured by the Department of Housing and Urban Development, Veterans Administration, Federal Housing Administration, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association or other governmental or quasi governmental lending or insuring agency or companies which may have regulations, policies or requirements in conflict with this Declaration or other Association documentation. Such amendment(s) will be recorded by the Declarant and will not require the joinder of the Association or any Member.

Provided, withstanding any language herein or in any of the other Association documents, so long as there is a Class B member annexation of additional Properties, mergers, consolidations, mortgaging of common area, dissolution, amendment of the Articles of Incorporation and this Declaration shall require HUD/VA or FHA approval if loan guaranties by such agencies exist in the Property.

10.4 Declarant reserves the right to appoint the majority of the members of the Board of Directors of this Association, as it may be expanded, until each Lot is fully developed and improved with a dwelling. Declarant may assign such right or surrender such right at anytime henceforth in part or in full upon written notice to the Board of Directors of the Association.

10.5 Until the initial sale of the last Lot by the Declarant any restrictions, covenants, reservations or conditions set forth herein may be extended, removed,

modified or changed by securing the written consent of the Declarant which written consent, if given, shall be duly executed, acknowledged and recorded in the Office of the Register of Deeds where the property affected lays, and which consent may be given or withheld within the uncontrolled discretion of the Declarant its successors or specific assigns of such right.

10.6 Declarant retains the right until final development of all Lots with dwellings to add to or take away Common Area by adding it to a Lot or Lots or by incorporating a part of a Lot(s) owned by Declarant or consented to by the Owner into the Common Area, to adjust Master and Second Tier Common boundaries, however Lots in excess of the number allowed by governmental authorities will not be allowed.

10.7 Any right reserved by the Declarant (Management or Shugart as the case may be) shall include its successors and specific assigns to which such rights, in part or in full, have been assigned and accepted by the assignee.

XI. GENERAL.

11.1 Approvals Following Meeting. At any place herein or in the Association documents where it is required that a certain percentage of Members approve or consent to any matter, such percentage requirement may be obtained after any required meeting at which a minimum quorum was present, provided the motion for approval was not defeated at the meeting, by obtaining the signatures of Members sufficient to meet the required percentage of membership vote within 60 days of the adjournment of the meeting.

11.2 Conflicts. Planned Community Act. This Declaration is not intended to be in conflict with Chapter 47F, of the General Statutes of North Carolina, as it may be amended, and if any of the terms and conditions hereof are not in compliance with such Act, then the Act shall control in such instances and this Declaration is expanded to incorporate matters set forth in the Act that are not covered hereby.

11.3 Notices. Any notice required to be sent to a Member under the provision of this Declaration shall be deemed to have been properly sent when personally delivered or mailed, post paid, to the last known address of the Member last shown in the books of the Association. Notice to any one of the Owners, if title to a lot is held by more than one, shall constitute notice to all Owners of such Lot.

11.4 Enforcement. In addition to all other enforcement provisions and remedies at law or in equity, enforcement of this Declaration shall be an appropriate civil proceeding by an Owner, the Declarant or the Association against any person or persons violating or attempting to violate the terms of the Declaration, either to restrain violation or to recover damages, or both, and against the Lot owned by such persons to enforce any lien created by the Declaration. Failure to enforce

any terms of this Declaration shall not be deemed a waiver of the right to do so thereafter.

11.5 Default by Association: Upon default by the Association in the payment to the jurisdiction entitled thereto of any assessments for public improvements or ad valorem taxes levied against the Common Areas, which default shall continue for a period of six (6) months, each owner of a lot in the Property, subjected to this Declaration, shall become personally obligated to pay to the jurisdiction a portion of the taxes and assessments in an amount determined by dividing the total taxes and/or assessments due to the jurisdiction by the total number the Lots in the Property subjected to this Declaration. If the sum due from each such Owner is not paid within thirty (30) days following receipt of notice of the amount due, the sum shall become a continuing lien on the Lot(s) of the non paying Owner, its successors, his heirs, devisees, personal representatives and assigns. The taxing or assessing jurisdiction may either bring an action at law against the Owner personally obligated to pay the same, or may elect to foreclosed the lien against the Lot(s) of the Owner or proceed with both actions.

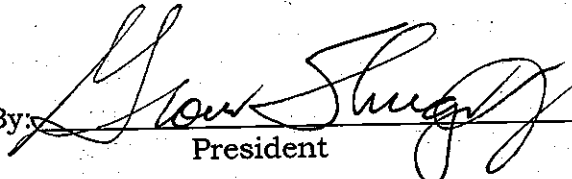
11.6 Severability. Invalidation of any one of these covenants, conditions, reservations or restrictions by judgment or court order shall in no way affect any other provision, which shall remain in full force and effect.

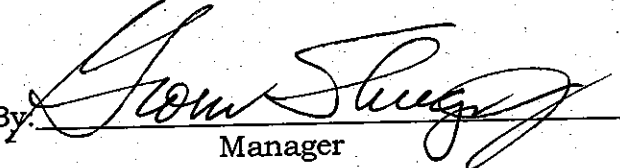
11.7 Association Documents. In the event of conflict in the Association's Documents then the Documents shall control in following order: First, this Declaration as it may be amended; Second, the Articles of Incorporation; Third, the By Laws; and Fourth the Rules and Regulations.

In Testimony Whereof, the duly authorized Manager of Shugart Enterprises, LLC has executed this instrument for and on behalf of the limited liability Company and a duly authorized Officer of Shugart Management, Inc. has executed for and on behalf of the corporation, this 6th day of July, 2006.

SHUGART MANAGEMENT, INC.

SHUGART ENTERPRISES, LLC (Seal)

By: 
President

By: 
Manager

NORTH CAROLINA - FORSYTH COUNTY

I, a Notary Public of the County of Davidson and State aforesaid, certify that Grover Shugart, Jr., who is known to me and being by me duly sworn says that he is a Manager of **SHUGART ENTERPRISES, LLC**, a North Carolina limited liability company, and that the foregoing instrument was voluntarily and duly executed by him for an on behalf of said limited liability company. WITNESS my hand and official stamp or seal, this 6th day of July, 2006.

My commission expires: Nov 19, 2008

Judith S. Shook
Print name: JUDITH S SHOOK Notary Public

**JUDITH S SHOOK
NOTARY PUBLIC
DAVIDSON COUNTY, NC**

NORTH CAROLINA - FORSYTH COUNTY

I, a Notary Public of the County of Davidson and State aforesaid, certify that Grover Shugart, Jr., who is known to me stated that he is the President of **SHUGART MANAGEMENT, INC**, a North Carolina corporation, and that the foregoing instrument was voluntarily and duly executed by him as President for an on behalf of said corporation. WITNESS my hand and official stamp or seal, this 6th day of July, 2006.

My commission expires: Nov 19, 2008

Judith S. Shook
Print name: JUDITH S SHOOK Notary Public

**JUDITH S SHOOK
NOTARY PUBLIC
DAVIDSON COUNTY, NC**

EXHIBIT A
TO DECLARATION FOR SADDLE BROOK

TRACT ONE: (One Story Towns)

Being Known and Designated as **Lots 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 49, 50, 51 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100, 101, 102, 103, and 104**, as shown on the Plat of **SADDLE BROOK, PHASE ONE**, as recorded in **Plat Book 166** **pages 10-11**, in the Office of the Register of Deeds of Guilford County, North Carolina, to which reference is made for a more particular description.

TRACT TWO: (Detached Dwellings)

Being Known and Designated as **Lots 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15 and 16**, as shown on the as shown on the Plat of **SADDLE BROOK, PHASE ONE**, as recorded in **Plat Book 166** **pages 10-11**, in the Office of the Register of Deeds of Guilford County, North Carolina, to which reference is made for a more particular description.

EXHIBIT B

That real property acquired by Shugart Management, Inc. from Rayle, Bolejack and Landreth, as shown on that Annexation Map recorded in Plat Book 158 page 103, in the Office of the Register of Deeds of Guilford County, North Carolina, and such other land that may be owned or subsequently purchased that is annexed by Declarant and subjected to this Declaration.
