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REGISTERED OFFICE
DAVIDSON COUNTY, N.C. 5200

DECLARATION
OF
COVENANTS, CONDITIONS, AND RESTRICTIONS
FOR
SWANSGATE

THIS DECLARATION, made on the date hereinafter set forth by SWANSGATE PROPERTIES LIMITED PARTNERSHIP, a North Carolina limited partnership, hereinafter referred to as "Declarant."

WITNESSETH:

Declarant is the Owner of certain property located in Abbotts Creek Township, Davidson County, North Carolina, more particularly described in Exhibit "A" attached hereto and incorporated herein by reference and desires to develop this property as a residential development to be known as Swansgate. Declarant will convey the foregoing described Property, and/or individual parts of it, subject to certain protective covenants, conditions, restrictions, reservations, and charges as are hereinafter set forth. Declarant intends to provide for open spaces and common areas.

Declarant desires to provide for the preservation and maintenance of the open spaces or common areas and amenities, for the preservation and maintenance of various landscaped areas, and for the preservation and maintenance of various lakes, dams, and parks on the property. Declarant desires to create certain other responsibilities in connection with the use and enjoyment of the property and to this end desires to subject the real property described above, together with such additions as may hereafter be made thereto, to the covenants, conditions, restrictions, easements, charges, and liens hereinafter set forth, each and all of which is and are for the benefit of the property and each Owner thereof.

Declarant has deemed it desirable for the foregoing purpose to create an entity to which has been delegated and assigned the powers of owning, maintaining, and administering the open spaces, common areas, facilities, lakes, ponds, parks, and dams; administering and enforcing these covenants, conditions, and restrictions; collecting and disbursing the assessments and charges hereinafter created; and promoting the recreation, health, safety, and welfare of the Owners and residents of Swansgate. Declarant

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has created Swansgate Homeowners' Association, Inc. as a non-profit corporation for the purpose of exercising the foregoing functions, among others.

NOW, THEREFORE, Declarant hereby declares all of the property described above to be held, sold, and conveyed subject to the following covenants, conditions, and restrictions, all of which are for the purposes hereinabove set forth, and which shall run with the real property, shall be binding on all parties having or acquiring any right, title, or interest in the described property or any part thereof, and shall inure to the benefit of the Association and each Member thereof and each Owner.

ARTICLE I

DEFINITIONS

The following terms when used in this Declaration, or any amendment hereto (unless the context shall otherwise require or unless otherwise specified herein or therein) shall have the following meanings:

SECTION 1. "Association" shall mean and refer to SWANSGATE HOMEOWNERS' ASSOCIATION, INC., its successors and assigns.

SECTION 2. "Owner" shall mean and refer to the record Owner, whether one or more persons or entities, of a fee simple title to any Lot which is a part of the Properties, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

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

SECTION 4. "Common Area" or "Open Space" shall be all that area so designated on maps, surveys, and plats of Swansgate designated for the common use and enjoyment of the Association and all its Members.

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

SECTION 6. "Declarant" shall mean and refer to Swansgate Properties Limited Partnership, and its respective heirs, successors, and assigns.

SECTION 7. "Lot" shall mean and refer to any numbered plot of land shown upon any recorded subdivision map of the Properties with the exception of the Common Area and Open Space and dedicated streets and roads.

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SECTION 8. "Architectural Control Committee" shall mean and refer to the committee organized and appointed to oversee the development and enforcement of architectural control standards and restrictions described herein.

ARTICLE II

PROPERTY RIGHTS

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

(a) the right of the Association to limit and regulate the use of any recreational facility situated upon the Common Area and Open Space;

(b) the right of the Association to suspend the voting rights and right to use of the recreational facilities by an Owner for any period during which any assessment against the Owner's Lot remains unpaid; and, for a period not to exceed sixty (60) days for any infraction of its published rules and regulations;

(c) the right of the Association to grant easements and rights of way, to dedicate or transfer all or any part of the Common Area and Open Space to any public agency, authority, or utility (including any entity authorized by Davidson County or the City of High Point to supply cable television service) for such purposes and subject to such conditions as may be agreed to by the Members and/or the Association.

(d) the right of the Association to impose regulations for the use and enjoyment of the Common Area and Open Space and improvements thereon, which regulations may further restrict the use of the Common Area and Open Space;

(e) the right of the Association, in accordance with its Articles and By-Laws, to borrow money for the purpose of improving the Common Area and Open Space and facilities thereon; and to mortgage, pledge, deed in trust, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred;

(f) the right of the Association to exchange portions of Common Area and Open Space with the Declarant for substantially equal areas of the Properties for the purpose of eliminating unintentional encroachments of homes or other improvements onto

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portions of the Common Area and Open Space.

SECTION 2. DELEGATION OF USE. Any Owner may delegate, in accordance with the By-Laws, his rights of enjoyment of the Common Area and Open Space and facilities to the members of his family, his tenants, or contract purchasers who reside on the property.

ARTICLE III

MEMBERSHIP AND VOTING RIGHTS

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

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

Class A. Class A Members shall be all Owners with the exception of the Declarant, and shall be entitled to one (1) vote for each Lot owned. When more than one person holds an interest in any Lot, all such persons shall be Members. The vote or votes for such Lot shall be exercised as they among themselves determine, but in no event shall more than one (1) vote be cast with respect to any Lot.

Class B. The Class B Member shall be the Declarant and shall be entitled to four (4) votes for each Lot owned. The Class B membership shall cease and be converted to Class A membership on the happening of either of the following events, whichever occurs earlier:

(a) when the total votes outstanding in the Class A membership equal the total votes outstanding in the Class B membership;

(b) on January 1, 2000.

SECTION 3. REPRESENTATION OF DECLARANT ON BOARD OF DIRECTORS. Notwithstanding any earlier provisions of this Declaration, the Declarant shall have the right to designate and select a majority of the Board of Directors of the Association through January 1, 2000. Declarant shall have the right to remove any persons selected by it and to replace such persons with other persons to act and serve in their place for the remainder of the unexpired term of any Director so removed. Any Director designated and selected by Declarant need not be the Owner of a Lot in SWANSGATE. Any person chosen by Declarant to serve on the Board of Directors

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shall not be required to disqualify himself from any vote on any contract or matter between Declarant and the Association where Declarant may have a pecuniary or other interest. The Declarant shall not be required to disqualify itself upon any contract or matter between itself and the Association where the Declarant may have a pecuniary or other interest.

ARTICLE IV

COVENANT FOR MAINTENANCE AND ASSESSMENTS

SECTION 1. CREATION OF THE LIEN AND PERSONAL OBLIGATION OF ASSESSMENTS. Declarant, for each Lot owned within the Properties, hereby covenants, and each Owner for any Lot, by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Association: (1) annual assessments or charges; (2) special assessments for capital improvements, such assessments to be established and collected as hereinafter provided; and, (3) to the appropriate governmental taxing authority: (a) a pro rata share of ad valorem taxes levied against the Common Area and Open Space; and (b) a pro rata share of assessments for public improvements to or for the benefit of the Common Area and Open Space if the Association shall default in the payment of either or both for a period of six (6) months, all as hereinafter provided. The annual and special assessments, together with interest, costs, and reasonable attorney's fees, shall be a charge on the Lot and shall be a continuing lien upon the Lot against which each such assessment is made.

SECTION 2. PURPOSE OF ASSESSMENTS.

(a) The assessments levied by the Association shall be used exclusively for capital improvements to or for the benefit of the Common Area and Open Space, 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 (including a reasonable provision for contingencies and replacements) devoted to this purpose or for the use and enjoyment of the Common Area and Open Space, including but not limited to, the costs of repairs, replacements, and additions, the cost of labor, equipment, materials, management, and supervision, the payment of taxes assessed against the Common Area and Open Space, the procurement and maintenance of insurance and liability insurance in accordance with the By-Laws, the employment of attorneys to represent the Association when necessary, and such other needs as may arise.

(b) Declarant shall maintain all streets within the property until said streets are accepted for purposes of maintenance by a governmental entity. The Association shall

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maintain in good, working condition all street lights or area lights constructed within the property for common benefit, until such time as such street lights or area lights are accepted for maintenance by a public utility or governmental agency. The Association shall have the responsibility of maintaining a sightly appearance along all street rights-of-way and utility easements. The Association shall have the responsibility of constructing, maintaining, and repairing any ponds, lakes, and/or dams on the Properties.

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

SECTION 3. MAXIMUM ANNUAL ASSESSMENT.

(a) The maximum annual assessment for a calendar year shall be an amount established by the Board of Directors as of January 1 of each year. The annual assessment for 1994 is hereby set as \$240.00.

(b) From and after January 1 of the year immediately following the conveyance of the first Lot to an Owner, the maximum annual assessment may be increased each year by not more than 15% above the maximum assessment for the previous year without a vote of the membership.

(c) From and after January 1 of the year immediately following the conveyance of the first Lot to an Owner, the maximum annual assessment may be increased by more than 15% of the maximum assessment for the previous year by a majority vote of each class of Members who are voting in person or by proxy at a meeting duly

called for this purpose.

(d) The annual assessments provided for herein shall commence as to each Lot on the first day of the month following the conveyance of such Lot to someone or an entity other than the Declarant. The first annual assessment shall be adjusted according to the number of months remaining in the calendar year.

(e) Annual assessments shall become due on January 1 of each year and shall become past due on January 31 of each year.

SECTION 4. SPECIAL ASSESSMENTS FOR CAPITAL IMPROVEMENTS. In addition to the annual assessments authorized above, the Association may levy, in any year, a special assessment applicable to that year only for the purpose of defraying in whole or in part the costs of any construction, reconstruction, or repair or replacement of a capital improvement upon the Common Area and Open Space, including fixtures and personal property related thereon, provided that any such assessment shall have the assent of a majority of the votes of each class of Members who are voting in person or by proxy at a meeting duly called for this purpose. All special assessments shall be fixed at a uniform rate for all Lots and shall be collected as determined by the action of a majority vote of the Association.

SECTION 5. NOTICE AND QUORUM FOR ANY ACTION AUTHORIZED UNDER SECTIONS 3 AND 4. Written notice of any meeting for the purpose of taking any action authorized under Section 3 or 4 shall be sent to all Members not less than fifteen (15) days nor more than sixty (60) days in advance of the meeting. At the first such meeting called, the presence of Members or of proxies entitled to cast sixty percent (60%) of all the votes of each class of membership shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

SECTION 6. EFFECT OF NONPAYMENT OF ASSESSMENTS: REMEDIES OF THE ASSOCIATION. Any assessment not paid by January 31 of each year shall bear interest from that date at a ten percent (10%) rate per annum. The Association may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien created herein against the property in the same manner prescribed by the laws of the State of North Carolina for the foreclosures of Deeds of Trust, and interest, costs, and reasonable attorney's fees for representation of the Association in such action or foreclosure shall be added to the amount of such assessment. No Owner may waive or otherwise escape liability for the assessment provided for herein by non-use of the Common Area and Open Space or abandonment of his Lot nor shall damage to or

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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 7. 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 and Open Space or assessments for public improvements to or for the benefit of the Common Area and Open Space, 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. 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 Owner, his heirs, devisees, personal representatives, and assigns, and the taxing or assessing governmental authority may either bring an action at law against the Owner or may elect to foreclose the lien against the Lot of the Owner.

SECTION 8. SUBORDINATION OF THE LIEN TO MORTGAGES. The liens provided for herein shall be subordinate to the lien of any first mortgage or deed of trust. Sale or transfer of any Lot shall not affect the assessment lien or liens provided for in the preceding sections. However, the sale or transfer of any Lot which is subject to any such bona fide 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. No such sale or transfer shall relieve such Lot from liability for any assessments thereafter becoming due or from the lien thereof, but the liens provided for herein shall continue to be subordinate to the lien of any first mortgage or deed of trust.

SECTION 9. EXEMPT PROPERTY. All property dedicated to, and accepted by, a local public authority and all properties owned by a charitable or nonprofit organization exempt from taxation by the laws of the State of North Carolina shall be exempt from the assessments created herein. However, no land or improvements devoted to dwelling use shall be exempt from said assessments.

ARTICLE V

ARCHITECTURAL CONTROL

SECTION 1. THE ARCHITECTURAL CONTROL COMMITTEE. An Architectural Control Committee consisting of three (3) or more persons shall be appointed by the Class B Member. When the Class

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B membership expires, the Board of Directors of the Association shall appoint a new committee of three or more persons. The Architectural Control Committee shall designate a chairman among them. The Class B member, and subsequently the Board of Directors of the Association, may remove a committee member and appoint a new one at any time, with or without cause or reason.

SECTION 2. PURPOSE. The Architectural Control Committee shall regulate the external design, appearance, use, location, and maintenance of the Properties and of improvements thereon in such a manner so as to preserve and enhance values and to maintain a harmonious relationship among structures and the natural vegetation and topography. To that end, no construction, improvements, alterations, repairs, change of paint colors, plantings, excavations, changes in grade or other work which in any way alters the exterior of any Lot or the improvements located thereon from its natural or improved state existing on the date such Lot was first conveyed in fee by the Declarant to an Owner shall be made or done without the prior written approval of the Architectural Control Committee. No building, fence, wall, residence, or other structure shall be commenced, erected, maintained or improved, altered, removed, made or done without the prior written approval of the Architectural Control Committee.

SECTION 3. PROCEDURE. At least thirty (30) days prior to the anticipated commencement of any landscaping, construction of any structure, repair or improvement on any Lot, the Owner of such Lot (or his duly appointed agent) shall submit to the Chairman of the Architectural Control Committee a survey of the Lot, which survey shall show each Lot corner. There shall further be shown on said survey the proposed location of all proposed and existing structures or improvements, including driveways, patios, decks and hallways, and of all improvements that will result in the creation of impervious surfaces as defined by any applicable governmental agency enforcing stormwater or watershed regulations relating to density of construction or allowed impervious surface development. There shall further be provided to the Architectural Control Committee sufficient building elevations and other site plans, including a statement of exterior building materials and proposed exterior colors, to allow the Architectural Control Committee to appropriately and accurately evaluate what is proposed for construction of the Lot. There shall be submitted two copies of all information required to be submitted.

Prior to grading and/or construction on any Lot, a Soil Erosion and Sedimentation Control Plan shall be submitted to the Architectural Control Committee for approval. Any builder and/or homeowner shall comply with the Soil Erosion and Sedimentation Control Plan approved by the Architectural Control Committee. Any clean-up on a Lot shall be the responsibility of the property owner and/or builder.

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Within thirty (30) days after receipt of all required information, the Architectural Control Committee shall give in writing to the Owner of the Lot notice about whether or not the requested improvements are approved. Unless a response is given by the Architectural Control Committee within thirty (30) days, the plan shall be deemed approved. The response of the Association may be an approval, a denial, an approval with conditions, or a request for additional information. A request for additional information shall be deemed a determination that the information submitted was inadequate, and the thirty (30) day time for response shall only commence upon receipt of the requested additional information. If approval with conditions is granted, and construction then begins, the construction shall be deemed approval by the Owner of the Lot of the conditions imposed.

Any Owner of any Lot disagreeing with the finding of the Architectural Control Committee may appeal the decision to the Board of Directors of the Association by giving written notice of appeal to the President of the Association within fifteen (15) days following receipt of notice of denial. The Board of Directors of the Association shall then review the plans, giving the Chairman of the Architectural Control Committee the opportunity to present to the Board of Directors of the Association specific reasons why the plans were denied, in the presence of the Owner of the Lot or his agent, and the Owner of the Lot or his agent may present information challenging the findings of the Architectural Control Committee. The decision of the Architectural Control Committee shall only be overridden by two-thirds (2/3) vote of the Board of Directors of the Association.

All notices required to be given herein shall be given in writing, hand-delivered or mailed postage prepaid, return receipt requested, and the Architectural Control Committee shall be obligated to specify the particular grounds upon which denial of any application is founded. One set of plans, denoted as approved (or approved with specified conditions) shall be retained by the Architectural Control Committee and the other shall be returned to the applicant.

As a condition to the granting of approval of any request made under this Article, the Architectural Control Committee may require that the Owner requesting such change be liable for any cost of maintaining or repairing the approved project. If such condition is imposed, the Owner shall evidence his consent thereto by a written document in recordable form satisfactory to the Architectural Control Committee. Thereafter, the Owner, and any subsequent Owner of the Lot, by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree that any cost of maintenance and repair of such improvement shall be a part of the annual assessment or charge set forth in Article IV, Section 1, and subject to the lien rights described in said Article IV.

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Notwithstanding any of the provisions of these Restrictive Covenants, including the provisions of this Article V, until Declarant by written instrument or as otherwise described herein transfers approval authority to the Association, no Owner of any Lot shall be required to submit plans to the Architectural Control Committee, nor shall Architectural Control Committee approval be required until such time. Declarant shall review all such requests for change or improvement, in accordance with the review standards established for the Architectural Control Committee in this Article V, and Declarant shall approve or deny such request in accordance with such standards, and in accordance with the procedures, and within the time limits, set out herein.

ARTICLE VI

USE RESTRICTIONS

1. The Property shall be used for residential purposes only, and no structure shall be erected or allowed to remain on any Lot except one detached single-family dwelling.

2. No resubdivision of any single Lot shall be allowed, if any resulting Lot will be smaller in size than any of the Lots resubdivided, prior to resubdivision. Nothing contained herein shall prohibit conveyance of more than one Lot, or portions of contiguous Lots, as long as the resulting Lot or Lots are greater in size than those originally subdivided. The deed of conveyance of any such resubdivided or recombined Lots shall restrict the construction thereon to one single family residential home per redivided Lot, so that the maximum number of homes which can be constructed within the subdivision shall not increase. Upon the recombination of any Lots to reduce the total number of allowable building Lots within the subdivision, for purposes of membership in the Association and for purposes of the payment of assessments, any recombined Lots shall be considered a single Lot. Furthermore, should any Lot be determined by Declarant to be unbuildable, and should such Lot then be deeded to the Association as Common Area, or dedicated by Declarant as a recreation or Open Space for the benefit of the Association, all by document duly recorded in the office of the Register of Deeds of Davidson County, there shall be no further assessments owed from the date of such recordation; however, any assessments prepaid shall not be reimbursed.

3. The Property shall not be used for business, manufacturing, or commercial purposes, nor shall any animals or fowls be kept or allowed to remain on said property for commercial purposes, and no animals other than household pets shall be kept or allowed to remain on said Property for any purpose, nor shall anything be done on said Property which is a nuisance or an annoyance to the community.

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4. Declarant reserves an easement for and the right at any time in the future to grant rights of way for the installation and maintenance of public or private utilities across, on, or under said Property at a distance of not more than 10 feet from the rear and side lines of each lot, but such rights of way must be used so as to interfere as little as possible with the use of said Lot by the Owners of the same.

5. The main building on any Lot shall not be erected or allowed to remain facing in any direction except toward the street abutting the front of said Lot, except with the written consent of Declarant. No structure shall be built closer to the front property line than fifty feet, unless otherwise approved by the Architectural Control Committee.

6. No residence of a temporary character shall be erected or allowed to remain on said Property and no trailer, basement, tent, shack, garage, barn, or other outbuilding erected on said Property shall be used as a residence either permanently or temporarily, except that construction and/or sales trailers of a temporary nature may be authorized in writing by Declarant. All homes must be constructed substantially on-site, and no modular homes shall be located on any Lot. No home constructed elsewhere shall be allowed to be conveyed into and located on a Lot within the property.

7. No street, access way, or alley shall be laid out or opened across or through said Property except as shown on any recorded subdivision plat of the property by Declarant. Declarant reserves the right to convert any Lot or Lots to a street, access way, or alley and to open any Lot or Lots for access through or across said Lot or Lots to the Property or to other property adjacent to the Property.

8. Any motor home, trailer or boat, or any other type of recreational vehicle must be parked in the rear of any residence in this subdivision, and cannot be parked or placed on or in any street, or in any side yard or drive or driveway located in any side yard of any Lot; provided, further, no motor home, trailer or boat shall be used as a residence either permanently or temporarily. No utility vehicle or truck (to the extent that a truck is rated as a one ton truck or larger) shall be allowed to remain on any street, right-of-way, or on any Lot or on any Common Area or Open Space overnight, unless it is enclosed within a garage that has been constructed in accordance with the provisions of these Restrictive Covenants.

9. All private driveways must be paved with concrete, brick, or blacktop plant mix. No gravel or dirt driveway shall be built on any Lot and no gravel or dirt driveway shall be permitted to exist on any Lot.

10. No Lot shall be used or maintained as a dumping ground for rubbish. Trash, garbage, or other waste shall not be kept except in sanitary containers, either underground or placed at the rear of the main residence and placed in such a manner that same cannot be seen from the roads or streets adjacent to the Lot on which said residence is situated. All incinerators or other equipment for the storage or disposal of such material shall be kept in a clean and sanitary condition.

11. No TV antenna, basketball backboards, play houses, swings, sliding boards or other child's play apparatus, or pet lots, shall be affixed or placed in the front yard of any residence, and any such equipment shall be a minimum of 15 feet from the side and/or rear Lot lines. No television or radio antenna, or other similar device, shall be located on any Lot without prior approval of the Architectural Control Committee. No satellite or microwave dish or disc shall be located on any lot without the prior approval of the Architectural Control Committee; in general no dish or disc with a diameter greater than 3' will be permitted.

12. No junk automobiles or any other type salvage shall be stored on any Lot, Common Area or Open Space.

13. The Developer will cause to be installed meter boxes and yokes on each property line, for domestic or residential use and also for use by a sprinkler system. Each Lot Owner is encouraged but not required, to install and maintain a water sprinkler system for irrigation of the front and side yards of the Lot.

14. During development of the Property, Declarant will install a sidewalk in front of each Lot. After installation of the sidewalk, and upon the conveyance of a Lot to an Owner, any repairs, maintenance, or improvements necessary as a result of damage to the sidewalk will be the responsibility of the Owner of the Lot. The Owner of the Lot must restore and repair any sidewalk damage which occurs during construction of a residence on the Lot, prior to occupancy of the residence.

15. An Owner of a Lot may not withdraw, remove, or divert any water from a lake, pond, stream, creek, or other standing or running water located on the property for any purpose.

16. Any alteration, amendment, change to, or any violation of any of these restrictions in this instrument may be waived or released in whole or in part, at any time, by Declarant by an instrument in writing suitable for recording in the office of the Register of Deeds. Declarant may assign or transfer this authority to another person or entity by an appropriate instrument in writing recorded in the Office of the Register of Deeds of Davidson County.

17. The invalidation of any one or more of the foregoing

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covenants and restrictions by judgment, court order or otherwise, shall not in any way affect any of the other covenants and restrictions, which shall remain in full force and effect.

ARTICLE VII

BUILDING GUIDELINES

SECTION 1. PHILOSOPHY. These guidelines are developed to implement the design philosophy of Swansgate and are intended to provide direction to Lot Owners and Builders in the planning, design and construction of a residence. The primary emphasis is upon quality of design and compatibility of all improvements, without unduly restricting Lot Owners' and Builders' ability to exercise individuality in their construction of a residence on a Lot. It is the purpose and intent of these guidelines to develop Swansgate as a harmonious and aesthetically pleasing residential community, while preserving and enhancing the natural beauty of the area.

SECTION 2. BUILDINGS.

2.1 DWELLING TYPES. Each Lot may contain only one detached single-family private dwelling and one private garage and only such other accessory structures as approved by the Architectural Control Committee.

2.2 DWELLING SIZE. The square footage requirements set forth below are for enclosed heated floor area and are exclusive of the areas in heated or unheated basements, vaulted ceiling areas and attics, unheated porches of any type, attached or detached garages, carports and unheated storage areas, decks and patios.

Any dwelling erected upon any Lot shall contain not less than the following heated floor areas:

	<u>Minimum Total Heated Area</u>	<u>Minimum Ground Floor Heated Area</u>
1 story	2,400	2,400
1 1/2 story, split level, tri-level and others	2,800	1,800
2 story, 2 1/2 story	3,000	1,500

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.

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2.3 MAXIMUM HEIGHT. The maximum height for a house is two and one-half (2 1/2) stories above ground; provided, that the Committee shall have the right, because of steep topography or similar reasons, to allow greater heights on rear and side elevations.

2.4 CEILINGS. Interior ceiling heights shall be a minimum of nine (9) feet on the first (street grade) floor, and eight (8) feet on all other floors.

2.5 GARAGES. Every house shall have a garage for not less than two (2) or more than four (4) vehicles. Garage doors are required, and may not face the front elevation street unless approved by the Committee, which approval will be given only where particular hardship would otherwise result because of lot size, configuration, topography or other circumstances deemed sufficient by the Committee. All garage doors must have operating remote control door openers. Single bay garage doors are preferred over double width doors. All interior walls and ceilings of garages must be finished. Carports are not allowed.

2.6 EXTERIOR MATERIALS AND SUPPLIES. Exterior construction materials shall be at least eighty percent (80%) of the following materials: brick, stucco, stone, and/or hardboard. No vinyl or aluminum shall be allowed except in soffits, eaves and window trims.

The exterior colors and materials used on a house 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.

2.7 ROOFS. Roofs and roof pitches shall be in proportion to the overall size and shape of the residence. Except as specifically approved otherwise, the minimum roof slope shall be nine in twelve. Acceptable roofing materials are wood shingles, wood shakes, natural or man-made slate, tile or 280 pound per square minimum weight composition fiberglass shingles, commonly known as architectural or dimensional shingles. All specific roof materials to be used must be approved in writing by the Architectural Control Committee prior to commencement of construction.

2.8 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.

2.9 CHIMNEYS. Chimneys 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 house. Exposed metal flues and wood chases shall not be used.

2.10 HVAC EQUIPMENT. No air conditioning or heating apparatus shall be installed on the ground in front of, or attached to any front wall of, any residence on a Lot. No air conditioning or heating apparatus shall be installed on or adjacent to the side wall of a residence on a Lot unless the same shall be screened from view from the street abutting such Lot and any adjacent Lot by a masonry or stucco wall, or by other means approved in writing by the Architectural Control Committee.

2.11 MAILBOXES AND HOUSE NUMBERS. All mailboxes and newspaper boxes must be of a standard color, size and design as approved by the Architectural Control Committee and may be installed only in a location approved by the Architectural Control Committee. House numbers may be displayed on buildings or mailboxes only as approved by the Architectural Control Committee.

SECTION 3. FOUNDATION AND DESIGN

3.1 GENERAL. The location and design of each residence and all other improvements shall be tailored to the specific features of each Lot. All improvements shall be sited so as to minimize disruption to the existing natural setting, including nature trees, drainage ways and views.

3.2 DRIVEWAYS, SIDEWALKS AND UTILITIES. The Architectural Control Committee may also establish particular areas of the Lot in which the driveway, sidewalks and utility lines may be located, depending on Lot size, shape, topography, vegetation and other factors.

SECTION 4. FENCES AND WALLS

4.1 LOCATION AND DESIGN. The location, materials, size and design of all fences and walls must be approved in advance in writing by the Architectural Control Committee. The terms "fences" and "walls" shall include planted hedges and rows. Generally, fences and walls shall be of wood, stucco, stone, brick or planted hedges, shall be equally attractive on both sides, and shall be related architecturally to the house design. Fences and walls shall be run or curved where practical between existing trees to avoid unnecessary cutting.

4.2 MAXIMUM HEIGHT. Fences and walls shall not exceed six (6) feet in height, except that fences enclosing approved

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tennis courts may be ten (10) feet high if located at least six (6) feet from all property lines.

4.3 RETAINING WALLS. The use of retaining walls on Lots will generally be permitted where their omission would result in excessive slopes, erosion, excessive maintenance or extensive clearing. Retaining walls visible from streets or from adjoining Lots must be constructed of, or faced with, material of a type approved by the Architectural Control Committee. All such walls must be designed to be structurally sound and properly drained.

4.4 GRADING AND DRAINAGE. Grading must be designed to conform as much as possible to the natural site contours. Any minor grading that occurs on Lots shall produce rounded contours rather than sharp angles and shall allow for transition at the head and toe of slopes.

The creation of fill sections to artificially elevate residences will generally be disallowed. In the event of a low-lying homesite or in areas where such artificial elevation will not adversely affect views from surrounding Lots, filling to provide elevation may be acceptable.

4.5 EROSION AND SEDIMENT CONTROLS. During any clearing, grading and construction activities on a Lot, all run-off, erosion, and sediment beyond that which occurs in the natural, undisturbed condition of the Lot must be contained within and upon the Lot. In addition, individual trees or tree groups which are designated for preservation must also be protected from run-off, erosion or sediment damage.

ARTICLE VIII

EASEMENTS

SECTION 1. UTILITIES. Easements for installation and maintenance of utilities (including cable television service) and drainage facilities are reserved as shown on the recorded plat(s) of the Property. Within these easements, no structures, planting, or other material shall be placed or permitted to remain which may interfere with the installation and maintenance of utilities, or which may change the direction of flow of drainage channels in the drainage easements, or which may obstruct or retard the flow of water through drainage channels in the easements. An easement is hereby established for the benefit of the City of High Point and Davidson County (and any other person or firm providing services to the Properties under agreement with or at the direction of the Association) over such part of each Lot, the Common Area, and the Open Space as may be reasonably necessary for the setting, removal, and reading of water, gas, and electric meters, and the maintenance and replacement of water, sewer, and drainage facilities and for

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the fighting of fires and collection of garbage. A driveway and/or sidewalk may cross an easement adjacent to a street.

SECTION 2. GENERAL EASEMENTS. Walks, drives, utilities, Common Area, and Open Space shall be subject to such easements for walkways, water lines, sanitary sewers, storm drainage facilities, gas lines, telephone and electric power lines, television antenna lines, and other utilities. Installers and servicers of such utilities shall have the right of ingress, regress, and egress over and across the Common Area and Open Space. The Association shall have the power and authority to grant and establish such other and further easements as may be necessary across the Common Area and Open Space.

ARTICLE IX

ANNEXATION OF ADDITIONAL PROPERTIES

SECTION 1. ANNEXATION BY DECLARANT. The Declarant may annex additional areas or lands by recording in the Davidson County Registry a Declaration of Covenants, Conditions, and Restrictions duly executed by Declarant describing the lands annexed and incorporating by reference the provisions of this Declaration, and making such modifications or additions to this Declaration as may be necessary or desirable for the annexed area. The additional land shall be deemed annexed to SWANSGATE on the date of recordation of the Declaration of Annexation, and no other action or consent shall be necessary.

ARTICLE X

DUTIES AND OBLIGATIONS OF ASSOCIATION

SECTION 1. POWERS OF ASSOCIATION. The Association shall have all powers deemed necessary by its Board of Directors as necessary or desirable to carry out fully and sufficiently its obligations as described herein. These powers shall include the power to procure professional assistance, including the services of an engineer, lawyer, accountant, or other professional. The Association shall have an affirmative obligation to maintain all Common Area and Open Space notwithstanding whether or not such Common Area is used by one or more of its Members, and no Member shall be entitled to avoid the payment of dues or assessments by virtue of lack of utilization of any Common Area or Open Space. Such services may be provided by the Association directly, a subsidiary owned by the Association or by contract with a third party.

SECTION 2. RULES. The Board of Directors may from time to time establish rules for use of any Lot within the property in order to protect the value of Lots, the aesthetic qualities of the Subdivision and the tranquility of the Owners of Lots. Said rules

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may include, but are not limited to, reasonable restrictions on pets, rental use of homes, and parking of cars, trailers, boats, campers, and other vehicles on Lots and streets. All such rules shall be effective after written notice of adoption is mailed to the record Owners of all Lots. All such rules shall be enforceable as though set out within these Restrictive Covenants.

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 other Common Area or costs incurred in causing correction of any construction or site work performed otherwise and in accordance with approved plans.

SECTION 4. SIGNAGE. The Association shall maintain in good condition all subdivision identification signs, whether constructed on a street right-of-way or on an easement reserved on any Lot. The Association shall further pay, as a common expense, any cost associated with the lighting, landscaping (including irrigation), and general maintenance for such sign, and the property upon which it is situated. It is specifically understood and agreed that any median within any street within the subdivision shall be a Common Area.

SECTION 5. 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.

(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 assumption of self management by the Association.

(c) To receive notice of any condemnation of the Common Areas and Open Space or any portion thereof.

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

SECTION 6. REQUIREMENTS OF INSTITUTIONAL LENDER. Whenever

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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 Association, or any Owner, shall have the right to enforce, by any proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens and charges now or hereafter imposed by the provisions of the Declaration, the Articles of Incorporation, or By-Laws of the Association. Failure by the Association or by any Owner to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter. The Association shall have the right to request that law enforcement, public safety, and animal control officers come on the Properties to facilitate the enforcement of the laws, codes, and ordinances of any governmental authority.

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

SECTION 3. AMENDMENT. The covenants and restrictions of this Declaration shall run with and bind the land for a term of twenty (20) years from the date this Declaration is recorded, after which time they shall be automatically extended for successive periods of ten (10) years. This Declaration may be amended during the first twenty (20) year period by an instrument signed by not less than ninety percent (90%) of the Lot Owners, and thereafter by an instrument signed by not less than seventy-five percent (75%) of the Lot Owners, provided that no amendment shall alter any obligation to pay ad valorem taxes or assessments for public improvements, as herein provided, or affect any lien for the payment thereof established herein. Any amendment must be properly recorded in the Davidson County Registry.

SECTION 4. MINOR AMENDMENT. Declarant, and its successors or assigns, shall be allowed to amend these Restrictive Covenants, notwithstanding any other provision contained herein, and without joinder of any other party, for the purpose of correcting any discovered error contained herein, clarifying any ambiguity contained herein, or adding or deleting any incidental provisions deemed in the sole discretion of Declarant to be in the best

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interest of the Subdivision, and the Owners therein. This right may be exercised, and shall be effective, only upon the recordation of a "Corrected Declaration" in the office of the Register of Deeds of Davidson County, which Corrected Declaration shall specifically reference this document, and the provision impacted.

SECTION 5. WAIVER. Declarant reserves and retains the right and authority to waive any minor variance from, violation of, or compliance with any of the covenants, restrictions, and conditions contained herein as to any Lot. Declarant shall incur no liability for the granting of such waiver.

SECTION 6. ASSIGNMENT. Declarant fully reserves the right, by recordation of an assignment in the office of the Register of Deeds of Davidson County, to assign all of its rights, duties, and obligations contained herein, including specifically, but not as a limitation, its approval rights as established hereinbefore, to a third party. If such assignment is made, the assignee shall have full rights, duties, and responsibilities as though named Declarant herein. Following the date of such assignment, Declarant shall have no further duties, rights, or obligations hereunder.

IN WITNESS WHEREOF, the undersigned, being the Declarant herein, have caused this instrument to be executed by its duly authorized General Partners, this the 11 day of July, 1997.

SWANSGATE PROPERTIES LIMITED PARTNERSHIP,
a North Carolina limited partnership

By: William B. Millis (SEAL)
WILLIAM B. MILLIS, General Partner

By: R. Dale Britt (SEAL)
R. DALE BRITT, General Partner

By: William E. Price, Jr. (SEAL)
WILLIAM E. PRICE, JR., General Partner

NORTH CAROLINA

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GUILFORD COUNTY

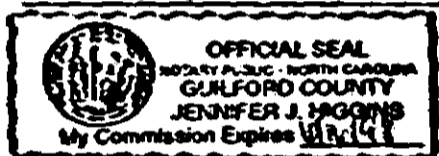
I, Jennifer J. Higgins, a Notary Public, do hereby certify that WILLIAM B. MILLIS, R. DALE BRITT, and WILLIAM E. PRICE, JR., General Partners of SWANGATE PROPERTIES LIMITED PARTNERSHIP, personally appeared before me this day and acknowledged the due execution of the foregoing instrument.

Witness my hand and notarial seal/stamp, this 11 day of July, 1994.

Jennifer J. Higgins
NOTARY PUBLIC

My Commission Expires:

6/16/98



North Carolina - Davidson County
The foregoing (or annexed) certificate(s) of
.....
.....
Notary Public (Notario Publico) is certified to be correct
this 11 day of August, 1994
Ronald F. Callicott, Register of Deeds
Jennifer J. Higgins

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EXHIBIT "A"

TRACT 1:

BEING all of Lots 1 through 19 inclusive of the final plat of Swansgate Subdivision, Phase I, Sheet I of VI, as per plat thereof recorded in Plat Book 24, Page 57 in the Office of the Register of Deeds of Davidson County, North Carolina.

TRACT 2:

BEING all of Lots 20 through 35 inclusive and Lots 51 through 53 inclusive of the final plat of Swansgate Subdivision, Phase I, Sheet II of VI, as per plat thereof recorded in Plat Book 24, Page 58 in the Office of the Register of Deeds of Davidson County, North Carolina.

TRACT 3:

BEING all of Lots 54 through 61 inclusive, Lots 69 through 70 inclusive, Lots 79 through 80 inclusive, and Lots 93 through 101 inclusive of Swansgate Subdivision, Phase I, Sheet IV of VI, as per plat thereof recorded in Plat Book 24, Page 59 in the Office of the Register of Deeds of Davidson County, North Carolina.

TRACT 4:

BEING all of Lots 62 through 68 inclusive and Lots 71 through 78 inclusive of Swansgate Subdivision, Phase I, Sheet V of VI, as per plat thereof recorded in Plat Book 24, Page 60 in the Office of the Register of Deeds of Davidson County, North Carolina.

TRACT 5:

BEING all of Lots 81 through 92 inclusive of Swansgate Subdivision, Phase I, Sheet VI of VI, as per plat thereof recorded in Plat Book 24, Page 61 in the Office of the Register of Deeds of Davidson County, North Carolina.