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Register Of Deeds

STATE OF NORTH CAROLINA DECLARATION OF COVENANTS, CONDITIONS
AND RESTRICTIONS OF
COUNTY OF STOKES FRIENDS OF HORSESHOE
PLANNED RESIDENTIAL DEVELOPMENT

This DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS (herein "Declaration") is made and entered into to be effective the 22nd day of April, ~~1995~~, by FRIENDS OF HORSESHOE, LTD. (herein "Declarant"). 1996

RECITALS

A. Declarant is the owner of all of that real property within the "Friends of Horseshoe Planned Residential Development" as shown on plat thereof recorded in Plat Book 6 at Page 56 in the Office of the Register of Deeds of Stokes County, North Carolina. All of said real property is referred to herein as the "Development".

B. All Lots within the Development shall be used for residential purposes only. No structure shall be erected or permitted to remain on any Lot other than a detached, single-family dwelling and other outbuildings incidental to the residential use of said dwelling, all as more specifically set forth herein. The Common Areas shall be for the benefit solely of the Lot Owners, their tenants and guests, in accordance with the terms hereinafter set forth.

C. The Owners of the Lots shall automatically become Members of the Association and shall pay assessments to the Association for the purpose of maintaining and improving the Common Areas and paying the costs of other expenses for the general benefit of the Development, all as hereinafter set forth.

NOW, THEREFORE, Declarant does hereby declare, dedicate and subject the Development and all of the real property located therein to the terms and conditions hereof which shall run with the title to all of said property.

Section 1 - Definitions

Section 1.1. Architectural Control Committee: "Architectural Control Committee" shall mean and refer to the Architectural Control Committee established by the Association for the purpose of administering architectural control as provided in Section 6 of this Declaration.

Section 1.2. Association: "Association" shall mean and refer to Friends of Horseshoe Homeowners Association, Ltd., a North Carolina non-profit corporation to be formed, its successors and assigns.

Section 1.3. Bylaws: "Bylaws" shall mean and refer to the Bylaws of the Association as the same may be amended from time to time and which are in effect on the subject occasion. In the event of any inconsistency between the Bylaws and the Declaration, the provisions set forth in the Declaration shall control.

Section 1.4. Common Area: "Common Area" shall mean all real property as shown on the Development plat other than the Lots.

Section 1.5. Common Expenses: "Common Expenses" shall mean all expenses incurred and to be incurred by the Association for the following: (a) maintenance of and improvements to be erected upon the Common Area, (b) construction and maintenance of roadways on the Common Area, (c) expenses, if any, incurred by the Association for the exterior maintenance of improvements on one or more Lots, (d) expenses, if any, incurred by the Association for the maintenance of the yards on one or more Lots, (e) expenses incident to the property administration and management of the Association, (f) reasonable reserves for capital improvements or repairs on the Common Area, and (g) expenses deemed by the Association to be Common Expenses and which are lawfully assessable against the owners as provided in this Declaration and in the Bylaws not inconsistent herewith.

Section 1.6. Lot: "Lot" shall mean and refer to each of the fifteen (15) designated Lots as shown on the Development plat, the same being numbered 1 through 15, inclusive. No Lot may be subdivided and no portion of a Lot shall be conveyed to a non-owner of the Lot.

Section 1.7. Owner/Member: "Owner" shall mean and refer to the record Owner, whether one or more persons or entities, of the fee simple title to any Lot. [including contract sellers and Owners of any equity of redemption, but excluding those having such interests in a Lot solely as security for the performance of an obligation.] "Member", as used herein, shall mean the same as "Owner" and each Member shall automatically hold membership in the Association.

Section 1.8. Recreational Amenities: "Recreational Amenities" shall mean the facilities existing, constructed, erected, maintained, installed and operated within the Common Area for the use, benefit and enjoyment of the Members.

Section 1.9. Development Documents: "Development Documents", as referred to herein, shall mean and include the Declaration, the Articles of Incorporation of the Association, the Bylaws and the Rules and Regulations adopted by the Association pursuant to Section 5.15 hereof, as said Documents are amended from time to time.

Section 2 - Common Area/Recreational Amenities

Section 2.1. Ownership: All Common Area shall be owned by the Association and, except for the easements over same which may be granted by the Association as set forth in Section 7 hereof, the Association shall not convey or grant a security interest in any of the Common Area without the prior unanimous vote of all members entitled to vote.

Section 2.2. Maintenance/Improvements: The Association shall properly and promptly maintain and keep in good repair all of the Common Area and all improvements located therein including, but not limited to, all roads, parking areas and walkways until the subject responsibility is assumed by a governmental authority. The Association shall erect, maintain and repair all capital improvements within the Common Area, the expense for which has been properly approved by the members as hereinafter set forth.

Section 2.3. Use and Enjoyment: All Common Areas shall be for the exclusive use and enjoyment of the Owners subject to the provisions of Section 2.4 hereof. Said easement of use and enjoyment in and to the Common Area 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 charge the Owners reasonable assessments for the Common Expenses incident to the repair, upkeep and maintenance of the Common Area, and reserves for the construction of improvements thereof.

(b) The right of the Association to suspend the voting rights and right to use the Common Area by an Owner 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 in accordance with Section 3.4.

(c) The right of the Association to grant easements or dedicate portions of the Common Area to a public agency in the manner set forth in Section 7 hereof.

(d) The right of the Association to erect upon the Common Area such temporary or permanent capital improvements (including, but not limited to, one or more lakes) as the Association deems to be in the best interests of the Owners and those to whom the use of the Common Area is delegated as set forth in Section 2.4 so long as said project(s) is or are made in strict accordance with the provisions of this Declaration and the Bylaws; provided however that any improvements requiring special assessments over and above the normal monthly assessment shall require the approval of at least ten members.

Section 2.4. Delegation of Use: Any Owner may delegate (but not assign), in accordance with the Bylaws, his right of enjoyment to the Common Area to the members of his family and guests, his tenants, and the tenant's family and guests, or contract purchasers who reside on the property.

Section 2.5. Open Areas: All Open Areas, if any, designated as such on the Development plat shall remain open without any structures being erected thereon except for appropriate street signs, facilities for the furnishing of utilities and walkways provided the subject item is first approved by the Association. Further, the Association reserves the right to dedicate future portions of the Common Area as "Open Areas" as and when approved by the Association and future improvements to be located thereon shall be limited to the foregoing.

Section 3 - Association

Section 3.1. Authority-Responsibility: The Association shall have exclusive control, authority and responsibility with respect to the management, operation and administration of the Development so long as all actions taken by the Association are in conformity with the Development Documents. However, the Board of Directors of the Association may delegate such authorities and responsibilities to any bank or professional management company as desired by the Board of Directors but shall exercise reasonable care to determine whether the person or entity to whom the authority is delegated is properly carrying out such authority. Provided, each contract with an independent manager shall be subject to cancellation, without cause, upon no more than thirty (30) days prior notice.

Section 3.2. Membership: Membership in the Association shall be confined to and consist of the Owners. Membership shall be appurtenant to and inseparable from Lot ownership. No Owner shall be required to pay any consideration whatsoever for his membership. Membership in the Association shall inure automatically to Owners upon acquisition of the fee simple title - whether encumbered or not - to any one or more Lots. The date of recordation of the conveyance in the Stokes County Public Registry of the Lot in question shall govern the date of ownership of each particular Lot. However, in the case of death, the transfer of ownership shall occur on date of death to the legal heirs or devisees of the decedent, whichever the case may be.

Section 3.3. Voting Rights: There are a total of fifteen (15) votes or one (1) vote appurtenant to each of the fifteen (15) Lots. Each Owner of a Lot shall be entitled to cast one (1) vote for each Lot owned. There shall be no splintering of a vote to less than one (1) full vote.

In the case where a Lot is owned by two or more persons or entities (whether individually or in a fiduciary capacity), the vote attributable to said Lot must be cast by one of the co-owners, in person or by proxy. The person entitled to cast the vote shall be designated in writing by all co-owners. If the owners of any lot have failed to make such designation to the Association, then said lot shall not be entitled to vote on any matters.

No Member shall be entitled to vote at any meeting or by written Consent until such Member has presented to [the Board of Directors of] the Association or to one or more Voting Inspectors appointed by the Association reasonable evidence of ownership, or partial ownership, to the subject Lot.

Except as otherwise stated herein all matters coming before the general membership of the Association shall be decided by majority vote of all members entitled to vote at a duly called meeting at which a quorum of membership is represented either in person or by proxy.

Section 3.4. Suspension and Fines: The Board of Directors of the Association shall have the right to suspend the voting rights of a Member for any period during which any assessment against the subject Lot is delinquent and for a period not to exceed sixty (60) days for each infraction of the Association's published Rules or Regulations by the subject Member. Each day that an infraction exists and continues shall be considered a separate infraction. In addition to suspension of voting rights, the Board of Directors may also impose fines for infractions of the Association's published rules and regulations. Any such infraction by a person or entity to whom a Member has delegated his right of use of the Common Area in accordance with Section 2.4 shall be deemed an infraction by the subject Member.

Said suspension and/or fines for violation of said Rules and Regulations must be activated with respect to each infraction by written notice to the subject Member given not later than twenty (20) days following the subject infraction. If the subject Member takes exception to the alleged infraction, he shall have the right to appeal to the Board of Directors of the Association by written notice given within ten (10) days after receiving notice of the alleged infraction. The Board shall call a Special Meeting of the Board to be held within thirty (30) days following receipt of the subject appeal. The Member shall have the right to appear at the Special Meeting along with counsel and witnesses to present his case to the Board. The ultimate decision of the Board shall be final and, if applicable, such 60-day suspension shall commence on the date of said ultimate decision. All written notices shall be deemed given either when hand delivered to the residence located on the subject Lot or two (2) days following the mailing of same by certified or registered mail, with return receipt requested.

Notices to a Member shall be mailed to the Member's last address on file with the Association. Notices to the Association shall be mailed to the then President of the Association.

Section 4 - Assessments

Section 4.1 Regular Assessments:

(a) Purpose: Regular, monthly assessments shall be levied by the Board of Directors of the Association for payment of the Association's anticipated expenses incident to: (i) the upkeep, maintenance and repairs of the Common Area and all improvements located thereon, (ii) all utility charges assumed by the Association, (iii) expenses related to the use and enjoyment of the Common Area, (iv) payment of all taxes assessed against the Common Area, (v) procurement and maintenance of insurance in accordance with the Bylaws, (vi) reserves for capital improvements and replacements of improvements within the Common Area, (vii) employment of attorneys, accountants and other professionals to represent or perform professional services for the Association, (viii) payment of other obligations of the Association as set forth in the Development Documents (excluding those expenses for which special assessments are made pursuant to Section 4.2 hereof), and (ix) such other needs as deemed appropriate by the Association for the day-to-day operation of the Association.

(b) Initial Assessment/Annual Assessments: The initial, regular monthly assessment shall be in the amount of \$ 50.00 per month due and payable on the first day of each month. Prior to the first day of each January, commencing with January 1, 1996, the Directors shall adopt a budget for the ensuing calendar year and shall distribute the budget to all of the Owners. The regular monthly assessments during each succeeding year shall be one-twelfth (1/12th) of the annual budget so adopted.

Each Owner shall commence paying his regular monthly assessment on the first day of the calendar month following acquisition of title to his Lot.

(c) Membership Approval: In the event the budget for any ensuing year results in an increase in the monthly dues by more than fifteen (15%) percent, said budget shall be submitted to the membership for approval at the Annual Meeting or at a Special Meeting called for said purpose. Increase of the monthly dues by more than fifteen (15%) percent shall require approval by at least eight members. In the event said Annual or Special Meeting is held after the beginning of the subject calendar year, the approved budget shall be deemed retroactive to the first day of the subject calendar year with the increased amount for the preceding calendar months being due and payable on the first day of the calendar month following approval. If the increase is not approved by the

membership, the monthly dues shall be deemed increased by fifteen (15%) percent over the amount being paid in the immediate preceding calendar year.

Section 4.2. Special Assessments:

(a) Purpose: Special assessments may be assessed for the construction of capital improvements to the Recreational Amenities, other capital improvements within the Common Area, and for items not included in the budget for the regular assessments.

(b) Approval: The Board of Directors of the Association shall, by majority vote, recommend the special assessment and the same shall be submitted to the membership at an Annual or Special Meeting called for that purpose. The special assessment must be approved by a vote of two-thirds (2/3) of the outstanding fifteen (15) votes. If approved, the special assessment shall be due and payable as set forth in the resolution adopting the special assessment.

Section 4.3. Uniform Rate: Except as elsewhere specifically stated in the Subdivision Documents, all regular and special assessments shall be fixed at a uniform rate for all Lots.

Section 4.4. Lien/Personal Obligation: Each assessment, regular and special, together with unpaid interest thereon and costs of collection (including reasonable attorney's fees) shall be the personal obligation of the Owner when the assessment became due. All unpaid assessments, regular and special, together with all late charges, all interest due thereon and costs of collection (including reasonable attorney's fees), shall be a charge on the Lot against which the same are assessed and shall be a continuing lien on said Lot against which each such assessment is made except as otherwise provided in Section 4.6 hereof. The Association may record notice of any lien in the Office of the Clerk of Superior Court of Stokes County, and/or file suit to collect such delinquent assessments and charges. The Association may file Notice of Lis Pendens, bring an action at law against the owner, and/or bring an action to foreclose the lien against the property.

Section 4.5. Delinquencies: Each regular, monthly assessment shall be due and payable, in advance, on the first day of each calendar month. Each special assessment shall be due and payable on the date or dates fixed by the subject resolution adopting the special assessment. All assessments which are unpaid twenty (20) days after the due date shall be deemed delinquent, shall accrue a late charge of \$20.00 and shall bear interest from the due date at the rate of twelve (12%) percent per annum or at such other rate that may have been established by the Directors of the Association at the beginning of the fiscal year of the Association. The Association may bring an action at law against the Owner personally

obligated to pay the same or foreclose the lien against the subject Lot for collection of the assessment due plus interest and costs of collection (including reasonable attorney's fees). No Owner may waive or otherwise escape liability for the assessments by non-use of any portion or all of the Common Area or abandonment of his Lot.

Section 4.6. Subordination: The liens provided for herein shall be subordinate to the lien and operation of any first deed of trust on any Lot regardless of whether the assessment liens arose prior to or after the recordation of the subject first deed of trust. The sale or transfer of any Lot which is subject to any first deed of trust pursuant to a foreclosure thereof shall extinguish the lien of such assessments which became due prior to such sale or transfer. No foreclosure sale or transfer shall relieve the Owner of said Lot from personal liability for any assessments due as of date of foreclosure sale or transfer or relieve the successor Owner from 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 first deed of trust.

Section 5 - Use Restrictions

Section 5.1 Land Use: All Lots shall be used for residential purposes only.

Section 5.2. Building Types: No structure shall be erected, altered, placed or permitted to remain on any Lot other than one detached, single-family dwelling, not to exceed two stories in height from ground level and having a minimum of 600 square feet of heated area on the ground floor, and/or a guest house of no more than two stories in height which may include a garage, designed to accommodate no more than three vehicles and which also may include facilities for the boarding of up to two horses. (The guest house quarters may be used as a principal dwelling.) The following structures are also permitted when incidental to a single family dwelling or guest house: (a) a storage building/barn or outbuilding no more than one story in height containing a maximum of 275 square feet, (b) a well house, (c) fences of the type hereinafter described, and (d) an approved swimming pool. In addition, there may be an attic or basement, or both, with respect to any dwelling. All improvements to the Lot, including the erection of one or more of said structures, must first be approved by the Architectural Control Committee as set forth in Section 6. No mobile homes shall be permitted.

Section 5.3. Building Setbacks: No building shall be erected on any Lot closer than three (3) feet from a perimeter line of the Lot as shown on the Development plat.

Section 5.4. Fences: All fences shall be no more than six and one-half (6 1/2) feet in height and shall be constructed of materials

that are compatible in texture and color with approved structures on each respective lot, and shall first be approved by the Architectural Control Committee.

Section 5.5. Swimming Pools: Swimming pools shall be permitted on any Lot subject to prior approval of the type by the Architectural Control Committee.

Section 5.6. Garbage Receptacles/Fuel Tanks/Well Houses: All garbage receptacles, fuel tanks and well houses shall be screened in the manner specified by the Architectural Control Committee. All garbage shall be stored in approved covered receptacles and removed from the development and properly disposed of at least once a week.

Section 5.7. Signs: No sign of any kind except house numbers shall be placed or allowed to remain on any Lot.

Section 5.8. TV/Radio Antennas-TV Disks: All radio and television transmission or reception antennas shall be attached to a building and shall not extend more than ten (10) feet above the top roof line of the building. In no event may free-standing transmission or receiving towers for radio or television, or similar devices, be erected upon any Lot. Provided, a satellite disk of not more than twenty-four (24) inches in diameter may be installed on the Lot provided the same is not visible from the roads and walkways and provided the location, screening and design are first approved by written permission of the Architectural Control Committee.

Section 5.9. Gardens: Vegetable gardens are permitted so long as the same contain no more than 500 square feet and the location of same are first approved by written permission of the Architectural Control Committee.

Section 5.10. Maintenance of Lot/Improvements: Each Owner shall keep his Lot, including the yard, garden (if any), swimming pool (if any) and the exterior of all improvements located thereon in good repair and in a neat, clean, well-kept, presentable condition free of all refuse and debris. No Lot shall be used in whole or in part for storage of rubbish of any character whatsoever and no trash, rubbish, stored materials, wrecked or inoperable vehicles, or similar unsightly items, shall be allowed to remain on any Lot outside an enclosed structure. All exteriors of improvements located on the Lot shall be promptly repaired whether or not the need of such repair was caused by an insurable event. Upon the failure of an Owner to maintain the Lot and improvements thereon in the manner herein prescribed and such default continues for a period of thirty (30) days following written notice from the Association, the Association shall have the right - but not the obligation - to remedy the default and assess the subject Owner for the costs thereof, which assessment shall become due and payable on

the first day of the calendar month next following the date the cost is incurred by the Association.

Section 5.11. Animals: Horses, ponies and pets are allowed provided said animals may not be kept or bred for any commercial purpose and shall have such care and restraint so as not to be obnoxious or offensive on account of noise, odor or unsanitary conditions. The total number of horses and ponies shall not exceed two. No savage or dangerous animal shall be kept. Any Owner who causes any animal to be brought or kept upon his Lot shall indemnify and hold harmless the Association for any loss, damage or liability which the Association may sustain as a result of the presence of such animal on the premises, whether or not the Association has given its permission therefor.

Section 5.12. Temporary Structures/Mobile Homes/Offstreet Parking: No structures, other than those permitted under Section 5.2, shall be erected or allowed to remain on any Lot. Except as permitted in Section 5.2, no trailer, shack, tent, barn, garage, mobile home (whether on or off wheels), camper or other structural type of vehicle shall be used as a residence, either temporarily or permanently. A trailer or temporary building used by a builder during the course of initial construction shall be permitted for a period up to 12 months. Recreational vehicles, campers, boats and boat trailers which are not used as residences (either temporarily or permanently) may be placed on the Lot so long as the same are in good operating condition and are not parked within view of any other lot or road and the parking of same shall be subject to the further Rules and Regulations adopted by the Association. No boat, boat trailer, mobile home, RV or any other type of vehicle may be parked on any street within the Development. *where can park the boat trailer*

Section 5.13. Nuisances:

(a) No noxious or offensive trade or activity shall be carried on upon any Lot nor shall anything be done thereon which may become or become an annoyance or nuisance to any adjoining Owner or Owners.

(b) No inoperable vehicles or boats, or other means of transportation, shall be permitted to remain on any Lot outside an enclosed structure or on any street in the Development.

Section 5.14. Enforcement: The Association or any Lot Owner shall have the right to enforce any violation of the Use Restrictions set forth in this Section 5. All costs of said enforcement (including reasonable attorney's fees) shall be borne by the guilty Owner. Enforcement shall be by proceedings at law or in equity against the Owner for violation of one or more Use Restrictions. Failure by the Association or any Owner to enforce any restrictions herein contained shall in no event be deemed a waiver of the right to do so thereafter.

Section 5.15. Rules and Regulations: The Association shall have the right to adopt reasonable, non-arbitrary Rules and Regulations regarding the use of Recreational Amenities and Common Area and the duties of the Owner with respect to the maintenance of his Lot and improvements located thereon provided such Rules and Regulations are in conformity with this Declaration.

Section 6 - Architectural Control

Section 6.1. Committee: The Architectural Control Committee shall be composed of not less than three (3) nor more than five (5) individuals appointed by the Board of Directors of the Association who shall serve at the will of the Board. All members of the Committee shall be Owners. Decisions made by a majority of the members of the Committee shall be binding upon the Committee. The Committee shall at all times act in a non-arbitrary manner.

Section 6.2. General Scheme: The general scheme of architectural and site development of the Development shall be in keeping with the rural North Carolina setting which shall serve as a guideline to the Committee for the architectural style of the approved structures within the Development and approved accessories thereto such as outbuildings, swimming pools, gardens, well houses, garbage receptacle racks, trees and shrubbery and mailboxes.

Section 6.3. Plans and Specifications: No improvements of any kind (including, but not limited to: Dwellings, garages, outbuildings, pools, decks, porches, fences, mailboxes, driveways and parking areas etc.), nor any accessories thereto such as gardens, trees or shrubbery, nor any additions to same or alterations to same shall be permitted until complete, final plans and specifications relating thereto have been submitted to and approved by the Architectural Control Committee as to harmony with the general scheme of development of the Development and general quality standards of the Development and as to the location of same relative to the surrounding structures and topography.

Section 6.4. Review Process: If the Architectural Control Committee fails to approve or disapprove plans or specifications submitted to it within thirty (30) days after receipt of written notice delivering such plans and specifications to the Committee together with a request for approval, the Committee shall be conclusively deemed to have approved said plans and specifications. Refusal by the Committee of said plans and specifications based on purely aesthetic considerations shall be deemed sufficient. The approval by the Committee shall in no event constitute or be construed as an approval or warranty by the Association of the Committee of the stability of design quality of any improvement. Upon request, the Committee shall state its reasons for disapproval of any plans or specifications and afford the applicant a

reasonable opportunity to amend said plans and specifications to meet the approval of the Committee.

Section 6.5. Completion of Dwellings/Other Structures: The exterior portions of all dwellings and other structures and site work and landscaping and planting must be completed within one (1) year after the construction of same has commenced, with delays caused by strikes, fires, national emergencies, acts of God natural calamities and other catastrophic circumstances beyond the control of the Owner or builder being excepted.

Section 6.6. Remedies of Association: In the event any Owner fails to cure any violation of the provisions contained in this Section 6 within thirty (30) days after written notice of the default to the Owner from the Association, the Association shall be entitled to enter upon the Owner's Lot and cure such violation, including removal of any partially built or completely built structure in violation hereof, all at the cost and expense of the Owner, including reasonable attorney's fees. The Association in appropriate circumstances shall have the right to enlarge the time within which an owner shall cure a violation. The rights of the Association or its duly appointed agent set forth in this Section shall be in addition to all other general enforcement rights which the Association may have for a breach or violation of the terms of these covenants and restrictions and shall not be deemed a trespass by the Association or its agents.

Section 7 - Association Easements

Section 7.1. Septic Tank Drainfields: The Association shall have the right to grant easements, temporary or permanent, for septic tank drainfields to extend from the Lots into the Common Area.

Section 7.2. Roads/Walkways: The Association shall have the right to grant easements for the purpose of dedicating and constructing roads and walkways within the Common Area at such locations as the Association deems appropriate. The Association shall have the right to enlarge or widen any street as shown on the Development Plat, whether by filing an amended Plat or otherwise, and to dedicate to public use any and all streets shown on the Development Plat and amendments thereto.

Section 7.3. Utility/Drainage Easements: The Association retains the right to grant utility easements at any locations across the Common Area for the purpose of installing and maintaining sewer and water lines, gas lines, telephone lines, cablevision lines and other utilities which the Association deems appropriate to furnish or have furnished for the benefit of service in the Common Area or the Lots, or both. In addition, the Association reserves the right to grant such easements across portions of each Lot so long as the

location of same does not unreasonably interfere with the then present or intended use of the subject Lot. No such easements shall be granted with respect to any Lot which would interfere with the reasonable development of the Lot consistent with the terms of the Development Documents.

All drainage easement areas shown on the Development plat are dedicated for such use and no Owner shall interfere with drainage in said areas. The Association reserves the right to dedicate additional drainage areas within the Common Area at such time(s) as the Association deems such to be in the best interest of the Development.

Section 7.4. Entry on Lots: The Association reserves an easement to enter upon each Lot to the extent needed to carry out the Association's privileges or duties with respect to the maintenance or repair of same and the improvements located thereon or the removal of partially constructed improvements or combinations thereof, all as set forth in this Declaration.

Section 8 - Term/Amendments/Termination

Section 8.1: Term: These covenants are to run with the title to all real property within the Development and shall be binding upon all parties and all persons claiming any interest in same for a period of twenty-five (25) years from date this Declaration is recorded; after which time, said covenants shall be automatically extended for successive periods of ten (10) years each unless and until an instrument signed by the Owners of ten (10) Lots has been recorded agreeing to change said covenants in whole or in part. See Section 8.2 regarding Amendments and Section 9 concerning Lenders' Approval.

Section 8.2. Amendments: This Declaration may be amended in whole or in part only by a written instrument signed by the Owners of at least ten (10) Lots. No Amendment shall be valid unless and until the same is properly recorded in the Office of the Register of Deeds of Stokes County. See Section 9 regarding Lenders' Approval.

Section 8.3. Termination: In the event of the termination of this Declaration and the dissolution of the Association in accordance with the terms set forth herein, each Owner shall acquire a one-fifteenth (1/15) interest as tenant in common of all of the then Common Area and structures and improvements then located upon same.

Section 9 - Lenders' Approval/Lenders' Payment of Taxes and Insurance

Section 9.1: Approval of Owners and Holders of First Deeds of Trust: Unless all of the owners and holders of the first deeds of trust on Lots located within the Development have given their prior

written approval, the Association shall not, by act or omission, seek to abandon, partition, subdivide, encumber, sell or transfer any real estate or improvements thereon which are owned, directly or indirectly, by the Association or dissolve, liquidate or merge with another entity or enter into any activity which is not incident to and related to management of the Development. The granting of easements for utilities and other purposes as set forth in Section 7 shall not be deemed a transfer within the meaning of this clause.

Unless at least two-thirds of the owners and two-thirds of the holders of the first deeds of trust on Lots located within the Subdivision have given their prior written approval, the Association shall not:

(a) Change the method of determining the obligations, assessments, dues or other charges which may be levied against a Lot Owner.

(b) By act or omission change, waive or abandon the general scheme of architectural development of the Development as set forth in Section 6 or the enforcement thereof.

(c) Fail to maintain fire and extended coverage insurance on insurable improvements in the Common Area on a current replacement cost basis in an amount not less than one hundred (100%) percent of the insurable value.

(d) Use the proceeds of any hazard insurance policy covering losses to any part of the Common Area for other than the repair, replacement or reconstruction of the damaged improvements.

(e) Annex any additional real estate to the Development and subject the same to the terms of the Subdivision Documents.

(f) Alter the voting rights of the Members as set forth herein.

Section 9.2. Payment of Taxes and Insurance Premiums: The owners and holders of first deeds of trust on Lots may, jointly or singularly, pay taxes or other charges which are in default and which may or have become a charge or lien against any of the Common Area and may pay overdue premiums on hazard insurance policies or secure new hazard insurance coverage upon the lapse of a policy for property owned by the Association and the persons, firm or corporations making such payments shall be owed immediate reimbursement therefor from the Association.

Section 10 - Financial

Section 10.1. Books and Records: The Association shall keep or cause to be kept accurate financial records of all of its

activities in accordance with generally accepted accounting principles consistently applied. Each Member and the owner and holder of each first deed of trust on any Lot shall have the right at reasonable times to inspect or cause to be inspected the books and records of the Association. The Association reserves the right to charge a reasonable fee for said inspection.

Section 10.2. Annual Audits, Annual Reports: On or before April 1 of each year, the Board of Directors shall furnish written financial statements to each Owner depicting thereon: (a) total receipts and expenditures of the Association for the preceding calendar year, (b) balance sheet of the Association as of December 31 of the preceding year, and (c) itemized budget for the current calendar year. At the request of the then owner and holder of any note secured by a deed of trust on any Lot, copies of said financial statements shall be given to said lender. Upon the request of at least the Owners of five (5) Lots, the Directors shall, at the Association's cost, procure an audit of the Association's financial records for the immediate preceding calendar year from an independent Certified Public Accountant in such form and style as requested by said Owners.

Section 11 - Miscellaneous

Section 11.1. Consent to Action without Meeting: Any action which may be taken by the Directors at a duly called meeting may be taken by the unanimous written consent of all of the then Directors. In like manner, any action which may be taken by the Members at a duly called Membership Meeting may be taken by the unanimous written consent of all of the then Members. [The signature of one co-owner shall be deemed the consent by all co-owners of a subject lot.]

Section 11.2. Singular-Plural/Gender: Whenever the context so permits, the use of the singular or plural shall be interchangeable in meaning and the use of any gender shall be deemed to include all genders.

Section 11.3. Jurisdiction/Service of Process: All legal proceedings involving the interpretation or enforcement of the Development Documents shall be subject to the jurisdiction of the General Court of Justice of Stokes County, North Carolina, and no proceeding or litigation shall be instituted by or against the Association except in said Court. Each Owner by the acceptance of his Deed does submit to the personal jurisdiction of said Court. Service of Process shall be deemed completed upon the mailing of the subject pleading by certified or registered mail with return receipt requested to the last known address of the subject Owner as appears on the records of the Association.

Section 11.4. Severability: Invalidation of any covenant, condition, restriction or other provision of the Declaration or any of the Subdivision Documents shall not affect the validity of the

remaining portions thereof which shall remain in full force and effect.

Section 11.5. Successors Bound: The rights, privileges, duties and responsibilities as set forth in the Development Documents as amended from time to time shall run with ownership of the real estate in the Development and shall be binding upon all persons who own or hereafter acquire any interest in the Subdivision including, without limitation, the Owners, their tenants and their permitted guests.

IN WITNESS WHEREOF, Association does hereby execute this Declaration for the purposes above stated.

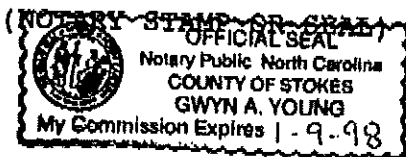
FRIENDS OF HORSESHOE, LTD.

BY: Henry A. Engler
President

Horace W. Stimson
Secretary

NORTH CAROLINA, STOKES COUNTY

I, a Notary Public of the County and State aforesaid, certify that Horace W. Stimson personally appeared before me this day and acknowledged that he is Secretary of Friends of Horseshoe, Ltd., a North Carolina non-profit corporation, and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its President, sealed with its corporate seal, and attested by XXXXX(him) as its Secretary. Witness my hand and official stamp or seal, this 22nd day of April, XXXXX 1996.



Gwyn A. Young
(Notary Public)

My commission expires: January 9, 1998

North Carolina, Stokes County,
The foregoing certificate(s) GWYN A. YOUNG
Notary (or Notaries)
Public of the governmental units designated in (and)
certified to be correct.

CLARA B. NELSON, Registrar of Deeds

Karen B. Hardy, Asst.