Prepared by and return to: Anthony C. McLaughlin

DECLARATION
OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
BROOK RUN SUBDIVISION, PHASE 1

THIS DECLARATION is made on the date hereinafter set forth by R. E. CARROLL CONSTRUCTION, INC., a North Carolina corporation having an office in Guilford County, North Carolina, hereinafter referred to as "Declarant."

W I T N E S S E T H:

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

> ALL of that certain parcel of land shown on the plat entitled "Brook Run Subdivision, Phase 1" which appears of record in the Office of the Register of Deeds of Guilford County, North Carolina, in Plat Book 112, Page 115.

WHEREAS, it is the intent of the Declarant hereby to cause Brook Run Subdivision, Phase 1 to be subjected to this Declaration of Covenants, Conditions and Restrictions.

NOW, THEREFORE, Declarant hereby declares that all of the property described above shall be held, sold and conveyed subject to the following easements, restrictions, covenants and conditions, which are for the purpose of protecting the value and desirability of, and which shall run with, such real property and be binding on all parties having any right, title or interest in the described properties or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each owner thereof.

ARTICLE I
DEFINITIONS

SECTION 1. "Association" shall mean and refer to Brook Run Association, 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, as hereinafter defined, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

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North Carolina - Guilford County
The certificate(s) of
Pamela K. Williams
A Notary (Notaries) Public is (are) certified to be correct. This instrument and this certificate are duly registered at the date and time shown herein.
KATHERINE LEE PAYNE, REGISTER OF DEEDS
By Patricia B. Renner
Assistant/Deputy Register of Deeds

791304

RECORDED
KATHERINE LEE PAYNE
REGISTER OF DEEDS
GUILFORD COUNTY, NC

BOOK: 4220
PAGE(S): 1325 TO 1341

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1 MISC DOCUMENT791304	6.00
16 MISC DOC ADDN PGS	32.00
1 PROBATE FEE	2.00

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

SECTION 4. "Common Area" shall mean all real property owned by the Association for the common use and enjoyment of the Owners. The Common Area to be owned by the Association at the time of the conveyance of the first Lot is described as follows:

> All of that land designated "Common Area" or "Open Space" as shown on the plat entitled "Brook Run Subdivision, Phase 1" which appears of record in the Office of the Register of Deeds of Guilford County, North Carolina, in Plat Book 112, Page 115; provided, however, that any land designated as "Open Space" which is dedicated to public use on such plat and which is accepted for maintenance purposes by a public authority shall not be part of the Common Area.

Declarant does not contemplate the construction of any active recreational amenities within the Common Area (e.g. swimming pool, tennis courts, clubhouse, etc.).

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

SECTION 6. "Declarant" shall mean and refer to R. E. Carroll Construction, Inc., as well as its successors and assigns, if Declarant shall make an express conveyance of its rights as developer hereunder to such successor or assign.

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

SECTION 8. "FHA" shall mean and refer to the Federal Housing Administration of the Department of Housing and Urban Development and "VA" shall mean and refer to the Veterans Administration.

ARTICLE II
PROPERTY RIGHTS

SECTION 1. OWNERS EASEMENTS OF ENJOYMENT. Every Owner shall have a right and easement of enjoyment in and to the Common Area 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 permit the use of and to charge reasonable admission and other fees for the use of any recreational facility situated upon the Common Area;

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(b) The right of the Association to suspend the voting rights 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;

(c) the right of the Association to dedicate or transfer all or any part of the Common Area to any public agency, authority or utility for such purposes and subject to such conditions as may be agreed to by the Members. No such dedication or transfer shall be effective unless an instrument signed by the Members entitled to cast at least two-thirds (2/3) of all the votes of each class, agreeing to such dedication or transfer, has been recorded;

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

(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 facilities thereon; and

(f) subject to the prior written consent of FHA or VA, in the event FHA or VA insured loans have been obtained secured by Lots, the right of the Association to exchange portions of the Common Area with the Declarant for substantially equal areas of the Properties for the purpose of eliminating unintentional encroachments of improvements onto portions of the Common Areas.

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

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

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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 other than the Declarant. Class A Members 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 three (3) votes for each lot it owns shown on the Preliminary Site Plan for "Brook Run" approved by the Guilford County Technical Review Committee as that Plan is form time to time amended and converted to Class A membership on the happening of either of the following events, whichever occurs earlier:

(a) the date on which the total votes outstanding in the Class A membership equal the total votes outstanding in the Class B membership; or

(b) on December 31, 1998.

ARTICLE IV
COVENANT FOR MAINTENANCE AND ASSESSMENTS

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

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SECTION 2. PURPOSE OF ASSESSMENTS.

(a) The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety and welfare of the residents of the Properties and in particular for the acquisition, improvement and maintenance of properties, services and facilities devoted to this purpose and related to the use and enjoyment of the Common Area, including but not limited to, the costs of repairs, replacements and additions, the costs of labor, equipment, materials, management and supervision, the payment of taxes assessed against the Common Area; the maintenance of water and sewer mains in and upon the Common Area; the maintenance of open spaces and streets which have not been accepted for dedication by a public authority, roadway medians and islands (including medians and islands located in dedicated rights-of-way), drives and parking areas within the Common Area; the procurement and maintenance of insurance in accordance with the By-Laws; the maintenance of dams and ponds or other bodies of water located within the Common Area; the maintenance of any "sign easement" areas located on any Lot, as shown on a recorded plat; the maintenance of entranceways, landscaping and lighting of Common Area, road medians and islands and entranceways; the lighting of streets (whether public or private); the payment of charges for garbage collection and municipal water and sewer services furnished to the Common Area; the employment of attorneys and other agents to represent the Association when necessary; the provision of adequate reserves for the replacement of capital improvements including, without limiting the generality of the foregoing, paving, and any other major expense for which the Association is responsible; and such other needs as may arise.

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

(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 to the Association by any Owner, the same may be commingled with monies paid to the Association by the other Owners. Although all funds and common surplus, including other assets of the Association, and any increments 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

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Lot. When any Owner shall cease to be a member of the Association by reason of his divestment of ownership of his Lot, by whatever means, the Association shall not be required to account to such Owner for any share of the 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. Until December 31 of the year of the conveyance of the first Lot to an Owner, the maximum annual assessment shall be ONE HUNDRED EIGHTY AND NO/100 DOLLARS ($180.00) per Lot, and may be collected in monthly installments of Fifteen Dollars ($15.00) per Lot.

(a) The maximum annual assessment for the calendar year immediately following the year in which conveyance of the first Lot to an Owner is made and for each calendar year thereafter shall be established by the Board of Directors and may be increased by the Board of Directors without approval by the membership by an amount not to exceed fifteen percent (15%) of the maximum annual assessment of the previous year.

(b) The maximum annual assessment for the calendar year immediately following the year in which conveyance of the first Lot to an Owner is made and for each calendar year thereafter may be increased without limit by a vote of the Members entitled to be increased without limit by a vote of the Members entitled to cast at least two-thirds (2/3) of the votes of each class of Members who are voting, in person or by proxy, at a meeting duly called for this purpose.

(c) The Board of Directors may fix the annual assessment at an amount not in excess of the maximum, subject to the provisions of Section 6 of this Article.

SECTION 4. SPECIAL ASSESSMENTS FOR CAPITAL IMPROVEMENTS. In addition to the annual assessments authorized above, the Association may levy, in any calendar year, a special assessment for the purpose of defraying in whole or in part the costs of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Area, including fixtures and personal property related thereto, provided that any such assessment shall have the assent of the Members entitled to cast at least two-thirds (2/3) of the votes of 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 may be collected on a monthly basis.

SECTION 5. NOTICE AND QUORUM FOR ANY ACTION AUTHORIZED UNDER SECTIONS 3 AND 4. Written notice of any meeting called for the purpose of taking any action authorized under Section 3 or 4 of this Article IV shall be sent to all Members not less than

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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. RATE OF ANNUAL ASSESSMENT. Both annual and special assessments must be fixed at a uniform rate for all Lots and may be collected on a monthly basis. Provided, however, so long as any dwelling on any Lot owned by Declarant is unoccupied as a residence, the amount of the assessment for each such lot shall be an amount not less than twenty-five (25%) of the regular assessments for all other Lots.

SECTION 7. DATE AND COMMENCEMENT OF ANNUAL ASSESSMENTS: DUE DATES. The annual assessments provided for herein may be collected on a monthly basis and shall commence as to a Lot on the first day of the month following the issuance of a certificate of occupancy for that Lot. The first annual assessment shall be adjusted according to the number of months remaining in the calendar year. At least thirty (30) days in advance of each annual assessment period, the Board of Directors shall establish an annual budget and fix the amount of the annual assessments in advance for the following year. In the event the Board of Directors shall fail to fix the amount of annual assessments described above, the assessment fixed for the immediately preceding year shall continue in effect until a new assessment amount is fixed. Upon adoption by the Board of the budget and annual assessments amount, the Board shall deliver copies of same to every Owner subject thereto; provided, however, that failure to deliver a copy of the budget and annual assessments amount shall not affect the liability of Owners for assessments. The due dates shall be established by the Board of Directors. The Association shall, upon demand, and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether the assessments on a specified Lot have been paid.

SECTION 8. EFFECT OF NONPAYMENT OF ASSESSMENTS; REMEDIES OF THE ASSOCIATION. Any assessment not paid within thirty (30) days after the due shall subject the owner of the lot against which such assessment is levied to a late fee in the discretion of the Board of Directors, which late fee shall not exceed the sum of $15.00. 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 as 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

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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 or abandonment of his Lot not shall damage to or destruction of any improvements on any Lot by fire or other casualty result in any abatement or diminution of the assessments provided for herein.

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

SECTION 10. SUBORDINATION OF THE LIEN 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 section. However, the sale or transfer of any Lot which is subject to any such first mortgage or deed of trust, pursuant to a foreclosure thereof or any proceeding in lieu of foreclosure thereof, shall extinguish the lien of such assessments as to the payment thereof which become 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 lien provided for herein shall continue to be subordinate to the lien of any first mortgage or deed of trust.

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

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ARTICLE V
ARCHITECTURAL CONTROL

SECTION 1. IMPROVEMENTS. No building, fence, wall or other structure or planting or landscaping shall be commenced, erected or maintained upon any Lot, nor shall any exterior addition to or

change or alteration therein, including, without limitation, any plantings or landscaping, be made until the plans and specifications showing the nature, kind, shape, height, materials and location of the same shall have been submitted to and approved in writing as to harmony of external design and location in relation to surrounding structures and topography by the Board of Directors of the Association or by an architectural committee composed of three (3) or more representatives appointed by the Board (the "Architectural Control Committee"). Notwithstanding the foregoing, landscaping improvements consisting of plant materials native to the area and commonly used in residential landscaping which do not interfere with the sight lines of motorists at intersections of the streets and/or driveways located within the Properties shall not require approval by the Board of Directors or the Architectural Control Committee. Further, nothing herein contained shall prevent or interfere with the right of Declarant to improve and develop the Properties as Declarant desires so long as said development follows the general plan of development of the Properties previously approved by Guilford County.

SECTION 2. PROCEDURES. Any person desiring to make an improvement, alteration or change described in Section 1 of this Article shall submit the plans and specifications therefor, showing the nature, kind, shape, height, materials and location of the same, to the Board of Directors of the Association or the Architectural Control Committee which shall evaluate such plans and specifications in light of the purpose of this Article. Should the Committee fail to approve, modify or disapprove in writing such plans and specifications within sixty (60) days after they are submitted to the Committee and provided the plans and specifications submitted are complete and do not violate the restrictions set forth in Article VII hereof, approval will not be required and this Article will be deemed to have been fully complied with.

ARTICLE VI
EXTERIOR MAINTENANCE

The Association shall maintain the Common Area. Each Owner shall be responsible for the exterior maintenance of his or her dwelling and Lot, as follows: painting, replacement and care of roofs, gutters, downspouts, exterior building surfaces, lawn, trees, shrubs, driveways, walks and other exterior improvements. In the event that the Owner neglects or fails to maintain his or her Lot and/or the exterior of his or her dwelling in a manner consistent with other Lots and dwellings in Brook Run, the Association may provide such exterior maintenance as provided above. Provided, however, that the Association shall first give written notice to the Owner of the specific items of exterior maintenance or repair the Association intends to perform and the Owner shall have twenty (20) days from the date of mailing of said notice within which to perform such exterior maintenance himself or herself. The determination as to whether an Owner has

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neglected or failed to maintain his or her Lot and/or dwelling in a manner consistent with other Lots and dwellings in Brook Run Phase 1 shall be made by the Board of Directors of the Association, in its sole discretion. In order to enable the Association to accomplish the foregoing, there is hereby reserved to the Association the right to unobstructed access over and upon each Lot at all reasonable times to perform maintenance as provided in this Article.

In the event the Association performs such exterior maintenance, repair or replacement, the cost of such maintenance, replacement or repairs shall be added to and become a part of the assessment to which such Lot is subject.

ARTICLE VII
RESTRICTIONS

SECTION 1. LAND USE AND BUILDING TYPE. No Lot shall be used except for residential purposes, except for temporary uses thereof by Declarant for Declarant's sales office and/or model. No structures shall be erected or allowed to remain on any Lot except one detached single-family dwelling not exceeding two stories and an attic (finished or unfinished) in height, a basement (finished or unfinished), an attached garage (which may include quarters for servants) and one wooden storage building, the architecture and design of which is compatible with the architecture and design of the dwelling located on such Lot.

SECTION 2. DWELLING SPECIFICATIONS. No dwelling shall be erected or allowed to remain on a Lot if the total heated floor area shall be less than eight hundred fifty (850) square feet.

SECTION 3. NUISANCE. No noxious or offensive activity shall be conducted upon any Lot nor shall anything be done thereon which may be or may become an annoyance or nuisance to the neighborhood including, without limitation, the storing or parking or inoperative motor vehicles or the maintenance of or repair to motor vehicles except within completely enclosed garages constructed in conformity with these covenants and applicable laws and ordinances.

SECTION 4. ANIMALS. No animals, livestock or poultry of any kind shall be kept or maintained on the Common Area or on any Lot or in any dwelling except that dogs, cats or other household pets may be kept or maintained provided that they are not kept or maintained for commercial purposes and further provided that they are kept and maintained in compliance with (i) all laws and ordinances of the State of North Carolina, Guilford County relating thereto; and (ii) such rules and regulations pertaining thereto as the Board of Directors may adopt from time to time.

SECTION 5. OUTSIDE ANTENNAS. No outside radio or television antennas or discs shall be erected on the Common Area or on any Lot or dwelling within the Properties unless and until

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permission for the same has been granted by the Board of Directors of the Association or the Architectural Control Committee.

SECTION 6. USE OF POND. Swimming, ice skating and boating of any kind shall be prohibited in the pond located within the Properties. Fishing shall be permitted in the discretion of the Association and subject to its regulation.

SECTION 7. PARKING. Each Lot shall contain sufficient off-street paved parking space for at least two (2) automobiles. No automobiles, trucks, motorcycles, recreational vehicles or boats shall be parked on any street within the Properties. No boats, trailers, vans, recreational vehicles, campers and other equipment or vehicles, except for operative automobiles, non-commercial trucks ad passenger vehicle mini-vans, shall be parked or stored in any area on a Lot except inside an enclosed building or behind screening approved by the Architectural Control Committee. No recreational vehicles, campers or other like equipment or vehicles shall be located or installed on any Lot to be used as a residence. Commercial vehicles shall not be parked or stored on any street or Lot within the Properties; provided, however, the foregoing shall not be construed to prevent the temporary, nonrecurrent parking of such vehicle on a Lot for a period no to exceed 24 hours or during any period the Lot is being serviced by such vehicle.

SECTION 8. RESUBDIVISION OF LOT, STREETS, FENCES, WALLS AND SIGNS. No lot shall be resubdivided into a lot smaller than or different from the Lot shown on the recorded plat, except with the written consent of Declarant. No street shall be laid out or opened across or through any Lot. No fences shall be erected or allowed to remain on any Lot nearer to any street abutting the front of such Lot than the front building line of the dwelling on such Lot. In the event of an irregular building line, no fences or walls shall be constructed nearer to the street than that portion of the wall farthest from the street. In the case of a Lot having frontage on two streets, in addition to the foregoing requirement, no fences or walls shall be erected or allowed to remain nearer to the side street than the building line of the wall of the residence closest to such side street. In the event of any question concerning the interpretation of this provision, the interpretation of this provision, the interpretation of the Architectural Control Committee shall be conclusive and binding on all parties. Any metal fencing allowed by the Architectural Control Committee shall be suitably screened where visible from a street. Where fencing is allowed, the fence shall be erected either on a property line or no nearer than five (5) feet from a property line. No billboards or signs shall be erected or allowed to remain on any Lot except as allowed by the Architectural Control Committee.

SECTION 9. BUILDING SETBACK. No building shall be located on any Lot nearer to the front or rear Lot line, or to any side

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Lot line, than shall be permitted under the applicable subdivision ordinances in effect at the time such building is to be constructed.

SECTION 10. MOBILE HOMES, MANUFACTURED HOMES, ETC. No mobile home, manufactured home, modular home, trailer, or other like structure shall be located or installed on any Lot. As used in this Section 10, mobile home, manufactured home or modular home shall mean a structure, assembled in whole or in part in a location other than on the Lot itself, transportable in one or more sections, any section of which, during transport, is four (4) feet or more in width and ten (10) feet or more in length, which may or may not be built on a permanent chassis and which is designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities.

ARTICLE VIII
EASEMENTS

SECTION 1. UTILITIES. Easements for installation and maintenance of utilities (including cable television service) and drainage facilities are reserved as indicated on recorded plats. In addition, Declarant reserves an additional easement and right-of-way for installation and maintenance of utilities (including cable television service) and drainage facilities over the rear five (5) feet of any Lot and over each side five (5) feet of any Lot; provided, however, that Declarant may, in its sole discretion, waive its right to such additional easement along rear and side Lot lines, in connection with any planned and approved "zero lot line" residence to be constructed on any Lot. Any such waiver shall be by written instrument executed and recorded by Declarant. 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 Guilford County (and any other person or firm providing services to the Properties under agreement with or at the direction of the Association) over all Common Area as may be reasonably necessary for the setting, removal and reading of water meters, and the maintenance and replacement of water, sewer and drainage facilities and for the fighting of fires and collection of garbage. The Association shall have the power and authority to grant and establish upon, over and across the Common Area such additional easements as are necessary or desirable for the providing of service or utilities to the Common Area or Lots.

SECTION 2. SIGN EASEMENTS. Easements for the maintenance of subdivision signs and landscaping and lighting surrounding same are reserved as indicated on recorded plats. Declarant hereby grants, gives and conveys to the Association a perpetual, non-exclusive easement over the portions of Lots designated as

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

ARTICLE IX
RIGHTS RESERVED UNTO INSTITUTIONAL LENDERS

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

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

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

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

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

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

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

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

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

ARTICLE X
GENERAL PROVISIONS

SECTION 1. ENFORCEMENT. The Association, or any Owner, shall have the right to enforce, by any proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens and charges now or hereafter imposed by the provisions of 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 provision 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 unless during the last year of such initial or then current renewal term the Owners of seventy-five percent (75%) of the Lots agree in writing to terminate this Declaration at the end of such term. This Declaration may be amended during the first twenty (20) year

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period by an instrument signed by the Owners of not less than ninety percent (90%) of the Lots, and thereafter by an instrument signed by the Owner of not less than seventy-five percent (75%) of the Lots, 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. Further provided, that any amendment relating to the ownership and maintenance of the permanent wet detention/retention pond shall not be permitted without prior review and approval by the governmental office having jurisdiction for watershed protection. Any amendment must be properly recorded.

SECTION 4. ANNEXATION.

(a) Except as provided in Subsection (b) of this Section 4, Article X, additional residential property and Common Area may be annexed to the Properties only with the consent of the Members entitled to cast two-thirds (2/3) of the votes of each class.

(b) Additional land within the area described in the metes and bounds description attached hereto as Schedule "A" and incorporated herein by reference may be annexed by the Declarant without the consent of Members within five (5) years of the date of this instrument, provided that, in the event FHA or VA insured loans have been obtained to purchase Lots, FHA and VA determine that the annexation is in accord with the general plan heretofore approved by them.

SECTION 5. FHA/VA APPROVAL. As long as there is a Class B membership, the following actions will require the prior approval of the Federal Housing Administration or the Veterans Administration provided that FHA or VA loans have been obtained to purchase Lots: dedication of Common Area and amendment of this Declaration of Covenants, Conditions and Restrictions.

IN WITNESS WHEREOF, the undersigned, being the Declarant herein, has caused this instrument to be executed in its name and its corporate seal hereto affixed as of the 5 day of July, 1994.

R. E. CARROLL CONSTRUCTION, INC. a North Carolina Corporation

By: _____
President

Attest: _____
Asst. Secretary

R. E. CARROLL CONSTRUCTION, INC. CORPORATE SEAL NC

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STATE OF NORTH CAROLINA

COUNTY OF GUILFORD

I, the undersigned, a Notary Public for said County and State, do hereby certify that ANTHONY C McLAUGHLIN appeared before me this day and acknowledged that he is Asst Secretary of R. E. CARROLL CONSTRUCTION, INC. , a North Carolina 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 him as its Secretary.

WITNESS my hand and notarial seal, this the 5 day of JULY, 1994.

Tamela K. Atkins

My Commission Expires:

4-16-98

TAMELA K. ATKINS
NOTARY PUBLIC
GUILFORD COUNTY, NC

001340

EXHIBIT "A"

JAMESTOWN TOWNSHIP, GUILFORD COUNTY, NORTH CAROLINA:

BEGINNING at an existing iron pin, the southwest corner of Lot 1, Phase 1, Kildare Woods Subdivision, as recorded in Plat Book 90, Page 38, Guilford County Registry, said iron lying North 00 deg. 24 min. 53 sec. West 13.88 feet from the northern margin of the Right of Way for Mackay Road, and proceeding thence South 00 deg. 24 min. 53 sec. East 13.88 feet to a point in the northern margin of the Right of Way for Mackay Road; thence, along the northern margin of the Right of Way for Mackay Road, South 88 deg. 24 min. 56 sec. West 513.83 feet to a point, and North 72 deg. 27 min. 04 sec. West 107.25 feet to a point, a corner with the Thomas Sapp heirs; thence, along the eastern line of the Thomas Sapp heirs, North 04 deg. 00 min. 04 sec. West 1021.12 feet (crossing an iron pin at 16.09 feet) to a stone; thence, still with the Thomas Sapp heirs, North 00 deg. 38 min. 32 sec. East 625.26 feet to a point; thence, a new line with Grantor, the following courses and distances: South 77 deg. 09 min. 43 sec. East 121.20 feet to a point; South 66 deg. 51 min. 18 sec. East 254.39 feet to a point; North 29 deg. 47 min. 13 sec. East 38.61 feet to a point; and South 89 deg. 00 min. 13 sec. East 298.73 feet to a point, a corner with Pierce-Roif Corp., as recorded in Book 4107, Page 1776, Guilford County Registry; thence, along the western line of Pierce-Roif, South 00 deg. 24 min. 53 sec. East 163.54 feet to an existing iron pin, a corner with Lot 16, Phase 1 of Kildare Woods Subdivision; thence, along the western line of Kildare Woods, Phase 1, South 00 deg. 24 min. 53 sec. East 1385.79 feet to the point and place of Beginning, and containing 24.039 acres according to a survey prepared by Mitcham & Associates, P. A., dated March 22, 1994, and being the Southernmost 24.039 acres of the property conveyed to Arthur B. Lea by deed recorded in Book 1319, Page 369, Guilford County Registry.

Prepared By: Anthony C. McLaughlin
Mail to:

NORTH CAROLINA

GUILFORD COUNTY

AMENDMENT TO DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR BROOK RUN, PHASE 1

This Amendment to Declaration is made this 9th day of December, 1994, by R. E. CARROLL CONSTRUCTION, INC., a North Carolina Corporation having an Office in Guilford County, North Carolina, hereinafter referred to as "Declarant:"

W I T N E S S E T H :

WHEREAS, Declarant has caused to be filed a Declaration of Covenants, Condition and Restrictions for Brook Run, Phase 1, in Book 4220, Page 1325, Guilford County Registry (The "Declaration"), which Declaration encompasses Brook Run, Phase 1, as shown on Plat recorded in Plat Book 112, Page 115, Guilford County Registry; and

WHEREAS, the Declaration provides in Article X, Section 4(b) that the Declarant could annex additional described properties into Brook Run, Phase 1, without the consent of the Members; and

WHEREAS, Declarant now wisher to annex additional property into Brook Run, Phase 1 and to subject such additional property to the terms and conditions contained in the Declaration.

NOW, THEREFORE, Declarant hereby amends the Declaration and declares that all properties to be known as "Brook Run, Phase 2," as more particularly described as all of the property shown in Plat Book 114, Page 85, in the Guilford County Registry shall be held, sold and conveyed subject to the easements, restrictions, covenants and conditions as recorded in the Declaration, which are for the purpose of protecting the value and desirability of, and which shall run with the real property and be binding on all parties having any right, title or interest in said property, or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each owner thereof. By accepting the deed to any portion of Brook Run, Phase 2, the owners thereof agree to abide by all of said covenants, conditions and restrictions, including their agreement to pay any assessments levied pursuant thereto and to be subject to the lien for such assessments imposed therein.

This Amendment shall be treated as an expansion of the land originally subjected to the Declaration. Except as specifically modified and amended herein, the Declaration of Covenants, Conditions and Restrictions for Brook Run, Phase 1, will remain in full force and effect.

IN WITNESS WHEREOF, the undersigned Declarant has caused this instrument to be executed as of the day and year first above-written.

R. E. CARROLL CONSTRUCTION INC., a North Carolina Corporation

By: _____
President

Attest:

Anthony C McLaughlin
Asst Secretary

STATE OF NORTH CAROLINA - COUNTY OF GUILFORD

I, the undersigned, a Notary Public of said County and State, do hereby certify that Anthony C. McLaughlin personally appeared before me this day and acknowledged that he is Assistant Secretary of R. E. CARROLL CONSTRUCTION INC., a North Carolina Corporation, and that by authority duly given and as an act of the corporation, the foregoing instrument was signed in its name by its President, sealed with its corporate seal and attested by him as its Asst Secretary.

Witness my hand and official seal, this the 9th day of December, 1994.

My Commission Expires: 10-13-98

Notary Public: Robin Rollinger

ROBIN ROLLINGER
NOTARY PUBLIC
GUILFORD COUNTY, NC
My Commission Expires 10-13-98

Prepared By: Anthony C. McLaughlin

NORTH CAROLINA

GUILFORD COUNTY

THIRD AMENDMENT TO DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR BROOK RUN, PHASE 1

This Amendment to Declaration is made this 7th day of November, 1995, by **R. E. CARROLL CONSTRUCTION, INC.**, a North Carolina Corporation having an Office in Guilford County, North Carolina, hereinafter referred to as "Declarant:"

W I T N E S S E T H :

WHEREAS, Declarant has caused to be filed a Declaration of Covenants, Condition and Restrictions for Brook Run, Phase 1, in Book 4220, Page 1325, Guilford County Registry (The "Declaration"), which Declaration encompasses Brook Run, Phase 1, as shown on Plat recorded in Plat Book 112, Page 115, Guilford County Registry; and

WHEREAS, the Declaration provides in Article X, Section 4(b) that the Declarant could annex additional described properties into Brook Run, Phase 1, without the consent of the Members; and

WHEREAS, Declarant now wisher to annex additional property into Brook Run, Phase 1 and to subject such additional property to the terms and conditions contained in the Declaration.

NOW, THEREFORE, Declarant hereby amends the Declaration and declares that all properties to be known as "Brook Run, Phase 4," as more particularly described as all of the property shown in Plat Book 118, Page 19, in the Guilford County Registry shall be held, sold and conveyed subject to the easements, restrictions, covenants and conditions as recorded in the Declaration, which are for the purpose of protecting the value and desirability of, and which shall run with the real property and be binding on all parties having any right, title or interest in said property, or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each owner thereof. By accepting the deed to any portion of Brook Run, Phase 4, the owners thereof agree to abide by all of said covenants, conditions and restrictions, including their agreement to pay any assessments levied pursuant thereto and to be subject to the lien for such assessments imposed therein.

This Amendment shall be treated as an expansion of the land originally subjected to the Declaration. Except as specifically modified and amended herein, the Declaration of Covenants, Conditions and Restrictions for Brook Run, Phase 1, will remain in full force and effect.

IN WITNESS WHEREOF, the undersigned Declarant has caused this instrument to be executed as of the day and year first above-written.

R. E. CARROLL CONSTRUCTION INC., a North Carolina Corporation

By: _____
President

Attest:

Anthony C McLaughlin
ASST Secretary

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STATE OF NORTH CAROLINA - COUNTY OF GUILFORD

I, the undersigned, a Notary Public of said County and State, do hereby certify that Anthony C. McLaughlin personally appeared before me this day and acknowledged that he is Assistant Secretary of R. E. CARROLL CONSTRUCTION INC., a North Carolina Corporation, and that by authority duly given and as an act of the corporation, the foregoing instrument was signed in its name by its President, sealed with its corporate seal and attested by him as its Assistant Secretary.

Witness my hand and official seal, this the 7th day of November, 1995.

My Commission Expires:

ROBIN ROLLINGER
NOTARY PUBLIC
GUILFORD COUNTY, NC
My Commission Expires 10-13-98

Notary Public:

Robin Rollinger

Prepared By: Anthony C. McLaughlin

NORTH CAROLINA

GUILFORD COUNTY

SECOND AMENDMENT TO DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR BROOK RUN, PHASE 1

This Amendment to Declaration is made this 2nd day of June, 1995, by **R. E. CARROLL CONSTRUCTION, INC.**, a North Carolina Corporation having an Office in Guilford County, North Carolina, hereinafter referred to as "Declarant:"

W I T N E S S E T H :

WHEREAS, Declarant has caused to be filed a Declaration of Covenants, Condition and Restrictions for Brook Run, Phase 1, in Book 4220, Page 1325, Guilford County Registry (The "Declaration"), which Declaration encompasses Brook Run, Phase 1, as shown on Plat recorded in Plat Book 112, Page 115, Guilford County Registry; and

WHEREAS, the Declaration provides in Article X, Section 4(b) that the Declarant could annex additional described properties into Brook Run, Phase 1, without the consent of the Members; and

WHEREAS, Declarant now wisher to annex additional property into Brook Run, Phase 1 and to subject such additional property to the terms and conditions contained in the Declaration.

NOW, THEREFORE, Declarant hereby amends the Declaration and declares that all properties to be known as "Brook Run, Phase 3," as more particularly described as all of the property shown in Plat Book 116, Page 74, in the Guilford County Registry shall be held, sold and conveyed subject to the easements, restrictions, covenants and conditions as recorded in the Declaration, which are for the purpose of protecting the value and desirability of, and which shall run with the real property and be binding on all parties having any right, title or interest in said property, or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each owner thereof. By accepting the deed to any portion of Brook Run, Phase 2, the owners thereof agree to abide by all of said covenants, conditions and restrictions, including their agreement to pay any assessments levied pursuant thereto and to be subject to the lien for such assessments imposed therein.

This Amendment shall be treated as an expansion of the land originally subjected to the Declaration. Except as specifically modified and amended herein, the Declaration of Covenants, Conditions and Restrictions for Brook Run, Phase 1, will remain in full force and effect.

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North Carolina - Guilford County

IN WITNESS WHEREOF, the undersigned Declarant has caused this instrument to be executed as of the day and year first above-written.

R. E. CARROLL CONSTRUCTION INC., a North Carolina Corporation

By: _____
President

Attest:

_____
Secretary

R. E. CARROLL CONSTRUCTION, INC. CORPORATE SEAL NC

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STATE OF NORTH CAROLINA - COUNTY OF GUILFORD

I, the undersigned, a Notary Public of said County and State, do hereby certify that Anthony C. McLaughlin personally appeared before me this day and acknowledged that he is Assistant Secretary of R. E. CARROLL CONSTRUCTION INC., a North Carolina Corporation, and that by authority duly given and as an act of the corporation, the foregoing instrument was signed in its name by its President, sealed with its corporate seal and attested by him as its Asst Secretary.

Witness my hand and official seal, this the 2 day of June, 1995.

My Commission Expires: _____

Notary Public: _____

ROBIN ROLLINGER
NOTARY PUBLIC
GUILFORD COUNTY, NC
My Commission Expires 10-13-98

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