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JEFF L. THIGPEN

REGISTER OF DEEDS

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**DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
BEACON HILL**

**THIS DECLARATION REGULATES OR PROHIBITS THE DISPLAY OF POLITICAL
SIGNS**

**THIS DECLARATION CONTAINS LIMITATIONS ON THE ABILITY OF A
REGISTERED SEX OFFENDER TO OWN OR LEASE PROPERTY WITHIN THE
ASSOCIATION**

**THIS DECLARATION PROHIBITS A LOT FROM BEING USED AS A HALF WAY
HOUSE, REHABILITATION CENTER, OR GROUP HOME**

THIS DECLARATION is made on the date hereinafter set forth by Beacon Hill Properties, LLC, (hereinafter, the "Declarant") a North Carolina Corporation having an office in Guilford County, North Carolina.

WITNESSETH:

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 property shown on the plat entitled "Beacon Hill" which appears of record in the Office of the Register of Deeds of Guilford County, North Carolina, in **Plat Book 178, Page 40**, and **Book 178, Page 41** and **Book 178, Page 42**.

WHEREAS, it is the intent of the Declarant hereby to cause the above referenced property 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 BEACON HILL PROPERTY OWNERS 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.

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 Elements" shall mean all real property owned by the Association for the common use and enjoyment of the Owners. The Common Elements 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 Elements" or "Open Space" shown on the plat recorded in the Office of the Register of Deeds of Guilford County, North Carolina, in Plat Book 178, Page 40, and Plat Book 178, Page 41, and Plat Book 178, Page 42; 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 Elements.

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 BEACON HILL PROPERTIES, LLC, 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 and said writing is recorded in the Guilford County Register of Deeds.

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 Elements.

SECTION 8. "Improved Lot" shall mean and refer to any that has a completed residence built upon it that has been issued its Certificate of Occupancy.

SECTION 9. "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 Elements 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 Elements;

(b) The right of the Association, after notice and a hearing, to suspend the voting rights by an Owner for any period during which any assessment against his Lot remains unpaid; and, after notice and a hearing, for a period not to exceed sixty (60) days, for any infraction of its Declaration, Bylaws, Articles of Incorporation, and/or published rules and regulations;

(c) the right of the Association to dedicate or transfer all or any part of the Common Elements to any private third party, 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 Elements and improvements thereon, which regulations may further restrict the use of the Common Elements;

(e) the right of the Association, in accordance with its Articles and By-Laws, to borrow money for the purpose of improving the Common Elements 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 Elements with the Declarant for substantially equal areas of the Properties for the purpose of eliminating unintentional encroachments of improvements onto portions of the Common Elements.

SECTION 2. DELEGATION OF USE. Any Owner may delegate, in accordance with the By-Laws, his rights of enjoyment of the facilities to the members of his family, tenants, or guests.

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 and shall be for no less than a term of 12 months.

SECTION 4. DECLARANT'S EASEMENT AND RIGHT OF ENJOYMENT IN COMMON ELEMENTS. Declarant reserves for its principles, successors, and assigns, and the guests of those persons, the right, easement and license to use the amenities of the Association, including but without limitations, use of the pool. Said right shall exist until such time as Declarant, their successors, or assigns terminate this right in writing to the Association. Declarant, its principles, successors, and assigns, and guests of those persons, shall have said right, easement and license without contribution, assessment, or other payment to the Association or its membership.

**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 assessments.

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 vote be cast with respect to any lot.

Class B. The Class B Member shall be the Declarant and shall be entitled to four (4) votes for each Lot owned. The Class B membership shall cease and be converted to Class A membership when the Declarant has conveyed eighty percent (80%) of the Lots within the Properties to an Owner, or when the total number of Class A votes equals or exceeds the number of Class B votes.

**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, such assessments to be established and collected as hereinafter provided; (iii) Specific Assessments; (iv) Working Capital Assessments; and (b) to the appropriate governmental taxing authority: (i) a pro rata share of ad valorem taxes levied against the Common Elements; and (ii) a pro rata share of assessments for public improvements to or for the benefit of the Common Elements if the Association shall default in the payment of either or both for a period of six (6) months. Each such assessment, 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. Notwithstanding, no annual, special, specific or working capital assessment shall be due or owing by Declarant or any Class B member.

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 Elements, including but not limited

to, the costs of repairs, replacements and additions, the costs of labor, equipment, insurance, materials, management and supervision, the payment of taxes assessed against the Common Elements; the maintenance of water and sewer mains in and upon the Common Elements; the maintenance of open spaces and streets which have not been accepted for dedication by a public authority, maintenance of any proposed clubhouse, pool and tennis courts, roadway medians and islands (including medians and islands located in dedicated rights-of-way), drives and parking areas within the Common Elements; repair and/or maintenance of the completed permanent wet detention/retention pond (including, without limitation, cost of repairs, replacements and additions, costs of labor, equipment, management and supervision) as directed by the governmental office having jurisdiction for water protection; 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 Elements; 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 Elements, 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 Elements; 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, permanent wet detention/retention pond, and any other 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 Elements 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 and may also be funded by a special assessment.

(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, By-Laws of the Association, and Rules and Regulations.

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 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.

(d) The Association shall be responsible for payment of any assessment for private or public improvements to the Common Elements. Further, the funds of the Association may be used for the payment of public and private improvements made to, or for the benefit of, the Common Elements.

SECTION 3. MAXIMUM ANNUAL ASSESSMENT. Until June 1 of the year immediately following the year of conveyance of the first Lot to an Owner, the maximum annual assessment shall be SIX HUNDRED AND NO/100 DOLLARS (\$600.00) per Lot for all Class A members. There shall be no assessment for any Lot owned by Declarant.

(a) Thereafter, the annual assessment may be increased by the Board of Directors by a maximum of fifteen percent (15%) per year without approval of the membership.

(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 the Board of Directors unless at least fifty-one percent (51%) of each class of members who are voting, in person or by proxy, at a meeting duly called for this purpose where quorum is present, shall object to such increase. If such objection is upheld, any overpayments made shall not be refunded but shall be credited to the payer's account.

(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 5 of this Article.

SECTION 4. SPECIAL ASSESSMENTS. 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 Elements, including fixtures and personal property related thereto, and for additional funding for the Association's operating and/or reserve accounts, 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 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 twenty-five percent (25%) 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. This reduction in quorum shall continue at subsequent meetings until such time as quorum is present and the business of the Association may be conducted. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

SECTION 6. SPECIAL ASSESSMENT FOR WORKING CAPITAL. Upon the first transfer of title to an Improved Lot, there shall be levied against such Improved Lot and paid to the Association a working capital assessment as set from time to time by the Declarant or Board of Directors of the Association. The Association shall use all working capital assessment payments which shall be so received by it pursuant to this section to establish a working capital reserve fund for use in connection with capital repairs, capital improvements and operating expenses of the Association. Declarant or Board shall endeavor to collect such working capital assessment at the closing of the purchase of the Improved Lot; however, the failure to collect such working capital assessment at that time shall not excuse the obligation to make such payment.

SECTION 6. RATE OF ANNUAL ASSESSMENT. Both annual and special assessments must be fixed at a uniform rate for all Lots.

SECTION 7. DATE AND COMMENCEMENT OF ANNUAL ASSESSMENTS: DUE DATES. The annual assessments provided for herein may be collected on an annual, quarterly or monthly basis and shall commence as to a Lot at the time the Lot is conveyed by the Declarant, its successor, or assigns to a Class A Member. At the time of closing of the sale of each Lot to a third party purchaser, a sum equal to two years annual assessments for the Lot shall be collected from the purchaser of such Lot.

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. 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 date 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 \$20.00 per month or fifteen percent (15%), whichever is greater. The Association may bring an action at law against the Owner personally obligated to pay the same and/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 Association in such action and/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 Elements or abandonment of his Lot nor shall damage to or destruction of any improvements on any Lot by fire or other casualty result in any abatement or diminution of the assessments provided for herein. In addition to the foregoing, the Association shall have and may utilize all remedies granted it under the provisions of North Carolina General Statute 47F.

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 Elements or assessments for public improvements to the Common Elements, 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, except those lots owned by the Declarant.

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 thereon, 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"). 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 fully complied with.

In the event of any question concerning the interpretation of Architectural Control provisions in this Declaration, the interpretation of the Architectural Control Committee shall be conclusive and binding on all parties.

ARTICLE VI EXTERIOR MAINTENANCE

The Association shall maintain the Common Elements. Each Owner shall be responsible for the exterior maintenance of his or her dwelling and Lot. In the event that the Owner neglects or fails to maintain his or her dwelling and Lot in a manner consistent with other Lots and dwellings the Association may provide such exterior maintenance. 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 neglected or failed to maintain his or her Lot and/or dwelling in a manner consistent with other Lots and dwellings within the Association shall be made by the Board of Directors of the Association, in its sole discretion. In the event vegetation on a lot exceeds twelve (12) inches in height, said lot may be mowed by the Association under the provisions of this section. 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 plus a twenty percent (20%) surcharge shall be added to and become a part of the specific assessment to which such Lot is subject.

Notwithstanding the foregoing, the Association shall have the right, following notice and opportunity for hearing, to levy against the non-complying Owner a daily fine as authorized under Chapter 47F of the North Carolina General Statutes in an amount not to exceed One Hundred Dollars (\$100.00) per day. Any fine imposed shall also be a specific assessment as authorized in Article IV, Section 1.

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, an attached garage for no less than two cars except as otherwise specifically approved in writing by the Declarant. No garage shall be erected such that the entry doors face the street, unless approved in writing by the Declarant. All driveways servicing any constructed single family dwelling shall be paved with concrete, except that driveways over 200 feet long may be paved with asphalt or concrete.

SECTION 2. SINGLE FAMILY USE RESTRICTION No lot within the Association shall be used as a halfway house, juvenile home, detention center, detention home, temporary shelter, long-term shelter, institution, treatment facility or rehabilitation center of any kind.

No lot within the Association shall be used to house persons addicted to or recuperating from the effects of or addiction to drugs or alcohol or persons adjusting to non-prison life, including but not limited to pre-release, work release, probationary programs or juvenile detention.

This Section is intended to prevent the use of property within the Association for, by way of illustration and not limitation, protection, detention, or rehabilitation of drug addicts, criminals, juveniles, homeless persons or other similarly situated persons. It is not the intent of this provision to prevent the owners of the lots, their spouses, children, or legal relatives from undergoing medical, therapeutic, rehabilitation or treatment at home.

SECTION 3. PROHIBITION AGAINST REGISTERED SEX OFFENDERS AS OWNERS OR RENTERS/LESSEES No person listed as a registered sex offender, or who is required to register as a sex offender, within the state of North Carolina may be a member of the Association, own title to any property or unit or lot within the Association, or reside on any lot.

In addition, no owner may rent to an individual who is a registered sex offender or who is required to register as a sex offender. The clear intent of this strict prohibition is to prevent registered sex offenders, or persons who are required to be registered sex offenders from the buying, keeping, and/or maintaining title to property within the Association and to prohibit the same from renting/leasing.

SECTION 4. DWELLING SPECIFICATIONS. No dwelling may be erected or allowed to remain on any lot if the heated area of the main structure shall be less than 2,400 square feet in the case of a one story dwelling; or less than 2,600 square feet, of which 1,700 square feet must be on the main level, in the case of a one and one-half story dwelling or one story plus bonus dwelling; or 2,800 square feet in the case of a two story dwelling. Basement and third floor footage shall be excluded from any calculation of the total required square footage. At least eight-five percent (85%) of the exterior non-roof material for every structure must be brick or stone.

Notwithstanding any of the foregoing provisions, no dwelling, outbuilding, garage, storage building, fence, or other structure shall be erected on any lot, unless a complete set of the building plans and specifications thereof, including a site plan indicating placement on the lot, exterior building materials, and elevations be submitted to, and approved prior to the commencement of any construction by either (a) the Declarant, or (b) by the Beacon Hill Property Owners Association's Architectural Control Committee.

Any plans so submitted and not expressly disapproved within sixty (60) days of their submission shall be deemed to be accepted. The Declarant expressly reserves the right to nominate any agent for the purpose of the submission of building plans, and the approval thereof. Construction must begin within one year of the purchase of the lot and be completed within a reasonable time, not to exceed one year from the commencement of constructions. All garages, storage buildings, and other outbuildings must have an exterior substantially similar in appearance to the dwelling on the lot. All mailboxes must be of the same type selected by the Declarant and will be paid for by the Owner.

SECTION 5. UTILITIES. Except as otherwise specifically approved by Declarant or the Architectural Control Committee, the main level of each individual Dwelling and the hot water heater shall be heated by Piedmont Natural Gas.

SECTION 6. 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 of 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 7. ANIMALS. No animals, livestock or poultry of any kind shall be kept or maintained on the Common Elements or on any Lot or in any dwelling except that dogs, cats or other household pets, limited to a maximum of three (3) 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 which may further restrict the ability to keep animals on the Lots within the Association.

SECTION 8. OUTSIDE ANTENNAS.

The Association has preferences regarding the installation of satellite dishes for reception of video programming pursuant to FCC Regulations under OTARD. Antenna or satellite dishes installed for reception of video shall be hereinafter identified as "Video Antenna/Video Satellite Dish." Antenna and satellite dishes that receive signals other than for video are governed and controlled by the Association's regular Architectural Control provisions found in this Declaration.

No Video Antenna/Video Satellite Dish larger than 1 meter in diameter shall be allowed on any Lot. No Video Antenna/ Video Satellite Dish may be erected within ten feet (10') of electric power lines. Every Video Antenna/Video Satellite Dish must be properly grounded and secured. These are safety requirements established to protect against contact between any Video Antenna/Video Satellite Dish and electric power lines, and for the safety of persons coming in contact with the Video Antenna/Video Satellite Dish.

Plans showing the proposed location of Video Antenna/Video Satellite Dish and grounding and security provisions therefore should be submitted to the Architectural Committee prior to installation. Such plans shall be deemed approved if the Owner is not advised in writing of disapproval within twenty-one (21) days following proper submission of the plans.

The Association has Preferences regarding the location and installation of Video Antenna/Video Satellite Dish located on Lots within the Properties. Every Video Antenna/Video Satellite Dish must be located on the rear portion of the Owner's Lot in a location that is least visible from any street and that is least visible from any adjacent Lots within the Properties, to the extent such placement is consistent with reception of an acceptable quality programming signal.

If any Video Antenna/Video Satellite Dish cannot receive an acceptable signal from the rear of the Lot, it may be located on the side of the Lot (not connected to any building surface). The Owner must cause the Video Antenna/Video Satellite Dish to be reasonably screened from view of the adjacent streets and Lots. If the Video Antenna/Video Satellite Dish must be connected to any building surface to receive an acceptable quality programming signal, the Owner must paint the Video Antenna/Video Satellite Dish to reasonably match the background against which it is mounted. Any screening must be approved by the Architectural Control Committee.

The Association, and its agents, shall have the right to inspect any new or existing Video Antenna/Video Satellite Dish that has not obtained prior approval from the Architectural Control Committee. The Association may determine reasonable alternate locations for any Video Antenna/Video Satellite Dish that more closely meet the Preferences of the Association. If it is determined by the Association that the Video Antenna/Video Satellite Dish is to be located in a different location, the Video Antenna/Video Satellite Dish shall be moved to that location by the Owner.

If the Association requires relocation of any Video Antenna/Video Satellite Dish, the Lot Owner shall waive any objection to the new location as long as the relocation creates acceptable signal reception.

In order to enable the Association to accomplish the foregoing, there is hereby reserved to the Association and its agents the right to unobstructed access over and upon each Lot at all reasonable times to perform inspections, signal testing, and relocation of all antennas or satellite

dishes. Said easement shall exist upon every Lot bound to this Declaration and shall run with and bind to the land that is subject to this Declaration.

SECTION 9. USE OF POND. Swimming, ice skating, and boating of any kind shall be prohibited on any pond located within the Properties. The Association shall maintain any fence surrounding any pond on common area.

SECTION 10. PARKING. Any motor home, trailer, or boat, or any other type of recreational vehicle must be parked in the garage, and cannot be parked or placed on or in any street, or in any side yard or drive or driveway located in any side yard of any lot; provided, further, no motorhome, trailer, boat, mobile home, or modular home shall be used as a residence either permanently or temporarily. Notwithstanding the foregoing restriction nothing herein shall prohibit the Declarant from using a mobile sales office during the entire period within which the lots in this subdivision are being sold and/or houses are being constructed on the said lots by Declarant.

SECTION 11. 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 rear 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.

Any fencing must be approved by the Architectural Control Committee, and any metal fencing allowed by the Architectural Control Committee shall be suitably screened where visible from a street. Where fencing is allowed, no fence shall be erected or allowed to remain on any lot if any portion thereof shall extend in front of the rear building line of the main structure. All fences shall be approved by the Declarant and shall be of wood and of a decorative type. In no event shall chain link fences be allowed. No billboards or signs shall be erected or allowed to remain on any Lot except as allowed by the Architectural Control Committee, or as determined by Declarant to be allowable for the purpose of marketing lots or completed homes within the Properties.

SECTION 12. BUILDING SETBACK. No building shall be located on any Lot nearer to the front or rear Lot line, or to any side Lot line, than shall be permitted under the applicable subdivision ordinances in effect at the time such building is to be constructed.

SECTION 13. 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 12, 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, (other than floor joists and roof trusses) 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.

SECTION 14. RULES AND REGULATIONS. The Board of Directors of the Association may, from time to time, adopt reasonable Rules and Regulations to govern the use and conduct upon the Common Elements of the Association and upon the Lots within the Properties.

SECTION 15. TREES. All lots shall have at least four (4) trees, which are at least eight (8) feet in height, with at least three (3) of those trees in the front yard. The trees must have a three (3) inch diameter trunk. Existing trees on lots may be included to reach these totals.

SECTION 16. HOLIDAY DECORATIONS. All holiday decorations shall be put up no sooner than thirty (30) days prior to the holiday and must be taken down within fifteen (15) days after the holiday. Notwithstanding, holiday lights and decorations celebrating the winter holidays in December and January may be put up forty-five (45) days prior to the holiday.

SECTION 17. SIGNS. Political signs are prohibited from being displayed earlier than 45 days before the day of an election and later than seven days after an election, and are limited to one (1) sign with a maximum size of 24 inches by 24 inches. For the purposes of this section, "political sign" means a sign that attempts to influence the outcome of an election, including supporting or opposing an issue on the election ballot.

No sign(s) may be placed in the yard of any home except for one real estate "For Sale" sign (no larger than 36 inches by 36 inches), political signs as defined above, and reasonable address notification signs. Signs for yard sales or other functions (i.e. a birthday party, open house, etc.) to direct persons to particular home are allowed provided they are not left up for more than 48 hours from time of placement. In no instance can any sign at Beacon Hill be derogatory, negative, or vulgar in any fashion, way or situation. Declarant reserves the right to place signs in Beacon Hill for sales and development purposes regardless of the number or size of the sign. In addition, Declarant reserves the right to allow and direct other builders, developers, and real estate firms to place signs in Beacon Hill at their discretion, without limit to number or size. Declarant reserves the right of sign placement until the development is 100% complete and built out regardless of the time frame or at the time the Association Board of Directors is turned over to the membership, whichever is earlier.

SECTION 18. COMMUNITY WELL. The Association has a private water system. All lot owners are required to hook to and purchase their water from this water system as the lot's primary and sole water source.

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 Elements 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 Elements such additional easements as are necessary or desirable.

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. Declarant shall have right to have marketing signs within Community.

SECTION 3. LANDSCAPE EASEMENTS. Easements for the maintenance of landscaping areas are reserved to the Declarant and the Association 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 "landscape easements" on the plats, to maintain, repair and replace the landscaping which may be located thereon. The costs of all such maintenance, repair and replacement shall be part of the common expenses of the Association, payable by the Owners as set out in Article IV hereof. In addition to the easement granted above as to the portion of Lots designated "landscape 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.

SECTION 4 – SEPTIC EASEMENT AREAS

(a) **Grant of Easement.** A perpetual, non-exclusive easement to erect, construct, install, lay and use, and maintain and repair from time to time, septic sewer lines and a septic drainage field and related improvements, if any, is hereby created by the Declarant on certain 'Private Sewer Line Access and Maintenance Easements' (PSLAME) and 'Off-Site Septic Easements' and on certain in favor of the Owners of those certain Lots, all as designated on the plat or plats referred to herein above and future plats of the Properties (the "Benefited Lots"). For example, a PSLAME designated for use by a particular Benefitted Lot, is labeled with the number of the Benefitted Lot. Each PSLAME shall also include the right to use any immediately adjacent area in order to provide access to a PSLAME and to provide temporary usage during a period of construction, installation or repair to a septic sewer line. Each septic sewer easement shall be an easement appurtenant and shall run with the land. The Association may adopt reasonable rules

and regulations governing the use of the septic easements and PSLAME, including the prohibition of regular vehicular traffic across the septic easement areas. Each Owner of a Lot across which runs a PSLAME (a 'Burdened Lot') shall not, on the Burdened Lot, (a) plant or maintain any tree or other planting, (b) construct or maintain any improvement, or (C) conduct or permit any activity to be conducted, which shall interfere with the use of a PSLAME for its intended purpose.

(b) Use of Easement. The Owner or Owners of each Benefitted Lot covenant to (a) use the septic sewer lines and septic drainage field and other related improvements within the applicable septic easement area and PSLAME in conformity with all applicable federal, state and local ordinances, regulations, health codes and guidelines, and (b) use, maintain and repair the septic tank, septic lines and other related improvements, if any, located on a Benefitted Lot, burdened lot, Common area, Septic Facilities and PSLAME in conformity with all applicable federal, state and local ordinances, regulations, health codes and guidelines. The Owner or Owners of each Benefitted Lot shall indemnify and hold the Association and the Owners of any affected Burdened Lots harmless against any damages, costs, claims and fines, including the Association's and such Owners' reasonable attorneys fees, resulting from a breach of a covenant under this subsection. The covenants under this subsection shall be real covenants which run with the land.

(c) Maintenance of Septic Drainage Fields. Notwithstanding any provision herein, the Association shall maintain the surface area of the septic drainage fields. The maintenance shall be limited to routine mowing of the grass and other limited maintenance. The Owner shall be responsible for all maintenance, repair, and replacement of septic lines and Septic Facilities serving their Lot. Upon an Owner conducting such maintenance, repair, or replacement the Owner shall return the area back to its condition prior to the work performed.

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 Elements or any portion thereof.

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

(e) To have the right to approve of any alienation, release, transfer, hypothecation or other encumbrance of the Common Elements, 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, Bylaws, reservations, liens and charges now or hereafter imposed by the provisions of the Declaration, the Articles of Incorporation or By-Laws and Rules and Regulations 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. By way of illustration, and not limitation, the Association shall, after notice and an opportunity to be heard, have authority to impose reasonable fines not in excess of \$100.00 per day for violations of the Declaration, Articles of Incorporation, Bylaws and Rules and Restrictions. Any and all costs incurred, including reasonable attorney fees and costs, as a result of the Association's efforts to enforce this Declaration, Bylaws, and Rules and Regulations shall be assessed against the violating owner and the owner's Lot(s).

SECTION 2. SEVERABILITY. Invalidation of any one of the covenants or restrictions by judgment or court order shall in no way 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 an affirmative vote or written agreement signed by lot owners of lots to which at least sixty-six percent (66%) of the votes in the Association are allocated agree to terminate this Declaration at the end of such term. This Declaration may be amended by an instrument signed by the lot owners of lots to which at least sixty-six percent (66%) of the votes in the association are allocated, 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 rights or obligations of the Declarant may not be amended without the written consent of the Declarant. 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 Elements 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 may be annexed by the Declarant without the consent of Members within twenty (20) years of the date of this instrument.

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 Elements and amendment of this Declaration of Covenants, Conditions and Restrictions.

SECTION 6. MAINTENANCE OF PERMANENT WET DETENTION/RETENTION POND IN EVENT OF DISSOLUTION. In the event of the dissolution, either voluntarily or administratively, of the Homeowners Association, all property owners of record shall be jointly and severally liable for all maintenance and repair of any permanent wet detention/retention pond as directed by the governmental office having jurisdiction for water protection.

SECTION 7. NORTH CAROLINA PLANNED COMMUNITY ACT (PCA). The provisions of the PCA (North Carolina General Statutes § 47F) are incorporated herein by reference as if fully set forth herein.

SECTION 8. ASSIGNMENT OF DECLARANT RIGHTS. Assignment of the Declarant's Rights shall be by a document recorded with the Guilford County Register of Deeds.

SECTION 9. LIABILITY OF ASSOCIATION. Notwithstanding anything herein to the contrary, neither the Association nor the members of the Board of Directors shall be liable for any loss, personal injury, death or property damage caused by any violation of this Declaration within the Properties if the Association fails to enforce these covenants and each member of the Association hereby releases the Association and members of the Board of Directors from all liability arising therefrom.

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 ___ day of December, 2009.

Beacon Hill Properties, LLC, a
North Carolina Corporation

By: [Signature]
Member/Manager

NORTH CAROLINA

GUILFORD COUNTY

I, the undersigned, a Notary Public for said County and State, do hereby certify that Chris Gunter appeared before me this day and acknowledged that s/he is a Member/Manager BEACON HILL PROPERTIES, LLC, 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 him as its Member/Manager.

WITNESS my hand and notarial seal, this the 30 day of December, 2009.

[Signature]
Notary Public

Steven E. Black
Printed Name

My Commission Expires: _____

