

Gary Williard Box

75

X

DECLARATION
OF
COVENANTS, CONDITIONS AND RESTRICTIONS

THIS DECLARATION made on the date hereinafter set forth by
GUPTON ENTERPRISES, INC. a North Carolina corporation, hereinafter
referred as "Declarant":

W I T N E S S E T H:

WHEREAS, Declarant is the owner of certain property located
in south Fork Township, County of Forsyth and State of North
Carolina, is more particularly described in Exhibit "A" attached
hereto;

NOW, THEREFORE, Declarant hereby declares that all of said
properties 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, the real property and be binding upon
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 Lantern
Ridge Association, Inc., it 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 part of the property, including contract sellers,
but excluding those having such interest merely as security for the
performance of an obligation

Section 3. "Property" 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 and refer to all
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 THAT LAND designated "Common Area" as shown on
the plat entitled "LANTERN RIDGE, SECTION I" which appears
on record in the Office of the Register of Deeds of
Forsyth County, North Carolina, in Plat Book 32,
at page 34.

1623P2906

Section 5. "Lot" shall mean and refer to any plot of land shown upon any recorded subdivision map of the Property with the exception of the Common Area and Dedicated Streets.

Section 6. "Declarant" shall mean and refer to Gupton Enterprises, Inc., a North Carolina corporation, its successors and assigns, if such successor and assigns should acquire more than one (1) undeveloped Lot or undeveloped acreage from the Declarant for the purpose of development.

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 Areas 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 charge reasonable admission and other fees to the use of any recreational facility situated upon the Common Area;

(b) The right of the Association to suspend the voting rights and right to use the recreational facilities by an Owner for any period during which 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 at least two-thirds (2/3) of each class of members agreeing to such dedication or transfer has been recorded;

(d) The rights of the Owners to the exclusive use of parking spaces as provided by this Article; and

(e) 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.

(f) 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 to mortgage, pledge, deed in trust, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred.

1623P2807

Section 2. Delegation of Use: Any Owner may delegate, in accordance with the By-Laws, his right of enjoyment of the Common Area and facilities to the members of his family, his tenants or contract purchaser who reside on the Property.

Section 3. Parking Rights and Owner's Driveway Easement. Ownership of each Lot shall entitle the Owner or Owners thereof to the use of not more than two (2) automobile parking spaces, which shall be as near and convenient to said Lot as reasonably possible, together with the right of ingress and egress in and upon said parking area. The Association shall permanently assign two (2) automobile parking spaces for each dwelling. See Article VII, Section 6 for use restrictions. Each Owner of a Lot with a driveway shall have the right, exclusive of all other Owners but subject to the rights of the Association set forth in this Declaration, to the use of the driveway if any, associated with and serving solely his Lot. The respective driveways are appropriately shown and designated on the recorded plat of the Properties.

Section 4. Boat and Recreational Vehicle Parking Facility Rights: In the event that at some future date the Association chooses to establish parking facilities for owners of boats and recreational vehicles in specific designated areas within the common area, the following restrictions and conditions shall apply: Said parking facilities shall be located in areas where it is least obtrusive to the development and shall be screened with a vegetative screen of Association's choice. These spaces shall be assigned by the Association to unit owners upon written request on a first come-first serve basis, with with a maximum of one (1) space per unit owner. The Association will collect a minimum annual fee of \$100.00 from each unit owner assigned a space, said fees are due when space is assigned and on or before the anniversary date thereafter until said space is released back to the Association. The Association shall notify owners in writing a minimum of 30 days in advance of fees due date; if fees are not paid by due date, the Association may revoke said owners right to said assigned space. These annual fees shall be used for repair and maintenance of said parking facilities. In the event that all spaces are assigned and additional owners request a space, the Association may choose to construct additional facilities if space is available or to establish a waiting list on a first come-first serve basis for the next available space. See Article VII, Section 7 for use restrictions.

Section 5. Leases of Lots. Any Lease Agreement between an Owner and a Lessee for the lease of such Owner's Lot shall provide that the terms of 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 documents shall be a default under the terms of the Lease.

mm: 1623P2000

Section 6. Title to the Common Area and Limited Common Area. The Declarant hereby covenants for itself, its successors and assigns, that it will convey fee simple title to the common area and limited common area shown on the aforementioned recorded maps to the Association, free and clear of all encumbrances and liens, prior to the conveyance of the first lot, except utility, antenna and drainage easements and easements to governmental authorities. Similarly, Declarant will convey to the Association common areas and limited common areas which are parts of this development as those portions are annexed in the future.

Section 7. Antennas and Cablevision. The Association may provide cablevision or central television antennas provided that the cost shall be borne by those who subscribe to the service and not be included in annual or special assessments. The Association may regulate or prohibit the erection of antennas on individual lots. No satellite discs shall be erected without prior approval of the Association. Installation of said units shall be performed only by the Association.

ARTICLE III

MEMBERSHIP AND VOTING RIGHTS

Section 1. Membership: Every Owner of a Lot which is subject to assessment 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. Class of Membership: The Association shall have two (2) classes of voting membership, as follows:

(a) Class A: Class A members shall be all Owners with the exception of the Declarant and shall be entitled to one (1) vote for each Lot owned. When more than one person holds an interest in any Lot, all such persons shall be members and the vote for each 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; and

(b) Class B: Class B members shall be the Declarant and shall be entitled to three (3) votes for each Lot owned. The Class B membership shall cease and be converted to the Class A membership upon the happening of either of the following events, whichever shall occur first:

(1) When the total votes outstanding in the Class A membership shall equal the total votes outstanding in the Class B membership; or

(2) On July 1st, 1992.

1623P2809

ARTICLE IV

COVENANT FOR MAINTENANCE ASSESSMENTS

Section 1. Creation of Lien and Personal Obligation for Assessments: The Declarant, for each Lot owned with the Property, hereby covenants and each Owner of any Lot, by acceptance of a deed therefore, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Association the following:

(a) Annual assessments or charges; and

(b) Special assessments for capital improvements, such assessments to be established and collected as hereinafter provided. The annual and special assessments, together with interest, costs and reasonable attorney 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 fees shall also be the personal obligation of the person who was the Owner of such property at the time when the assessment fees were due. The personal obligation for delinquent assessments shall not pass to the successor in title unless expressly assumed by him.

Section 2. Purposes 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 Property and in particular for the acquisition, improvement and maintenance of the Property, services and facilities devoted to this purpose and related to the exterior maintenance of the homes situated upon the Property or for the use and enjoyment of the Common Area, including but not limited to the cost of repairs, replacements, addition, costs of labor, equipment, materials, management, supervision, payment of taxes assessed against the Common Area, payment of assessments for public capital improvements to or for the benefit of the Common Area, procurement and maintenance of insurance related to the Common Area and its facilities and use in accordance with the By-Laws, the employment of attorneys to represent the Association when necessary, and such other needs as may arise.

(b) 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 Property, or to the proper undertaking of all acts and duties imposed upon it by virtue of this Declaration, the Articles of Incorporation and the By-Laws of the Association. As monies for any assessment are paid unto the Association by any Lot Owner, the same may be commingled with monies paid to the Association by the other Lot Owners. 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

1623P2810

the right to assign, hypothecate, pledge or in any manner transfer his membership interest therein, except as an appurtenance to his Lot. When a Lot Owner shall cease to be a member of the Association by reason of his divestment of ownership of his lot, by whatever means, the Association shall not be required to account to such Owner for any share of the fund or assets of the Association, or which may have been paid to the Association by such Owner, as all monies which any Owner has paid to the Association shall be and constitute an asset of the Association which may be used in the operation and management of the Properties.

Section 3. Maximum Annual Assessment: Until January 1st of the year immediately following the conveyance of the first Lot to an Owner, the maximum annual assessment shall be Five Hundred Forty and No/100 Dollars (\$540.00) per Lot; provided further assessment for the Class B members for any Lot in a recorded section shall not be less than twenty-five percent (25%) of regular assessment for other Lots. From January 1st of the calendar year immediately following the first conveyance of a Lot to an Owner within said section:

(a) The maximum annual assessment shall be established by the Board of Directors and may be increased by the Board of Directors without approval by the membership of an amount not to exceed ten percent (10%) of the maximum annual assessment of the previous year.

(b) The maximum annual assessment may be increased without limit by vote of two-thirds (2/3) 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.

(d) Notwithstanding anything in this Article IV to the contrary, all lots owned by Declarant and held for sale shall be assessed at an amount equal to twenty-five (25%) per cent of the actual assessments paid by owners.

Section 4. Special Assessments for Capital Improvement: 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 cost 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 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.

Section 5. Notice and Quorum for Any Action Authorized: Written notice of any meeting called for the purpose of taking any action authorized under Sections 3 or 4 shall be sent to all members not less than thirty (30) days nor more than sixty (60) days in

1623P2911

advance of such 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 requirements 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. Uniform Rate of Assessment: Both annual and special assessments shall be fixed at a uniform rate for all Lots and may be collected on a monthly basis, except as herein provided.

Section 7. Date of Annual Assessments: The annual assessments provided for herein shall be collected on a monthly basis and shall commence as to all Lots on the first (1st) day of the month following the conveyance of the Common Area. 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 fix the amount of the annual assessment against each Lot and send written notice of each assessment to every Owner subject thereto. 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 Non-Payment of Assessments; Remedies: Any assessment not paid within thirty (30) days after the due date shall bear interest from the date due at the rate of ten percent (10%) per annum. The Association may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien against the property, and interest, costs and reasonable attorney fees of such action or foreclosure shall be added to the amount of such assessment. No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Area or abandonment of his Lot. As to a certain purchaser, a properly executed certificate of the Association as to the status of assessment on a Lot is binding upon the Association as of the date of its issuance.

Section 9. Subordination of Lien to Mortgages: The liens provided for herein shall be subordinate to the lien of any first mortgage or first 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 mortgage or deed of trust pursuant to foreclosure thereof or any proceeding in lien of foreclosure thereof, shall extinguish the line 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

1623P2012

becoming due or from the lien thereof, but the liens provided for herein shall continue to be subordinate to the lien of any mortgages or deeds of trust.

Section 10. 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.

Section 11. Maintenance Obligations of Owner. Each Owner is required to maintain and repair those portions of the exterior which are specifically excluded from the obligations of the Association pursuant to Article IV herein. In addition, each Owner shall, at the Owner's expense, keep the interior of the improvements located on his Lot and its equipment and appurtenances associated therewith in good order, condition and repair and in a clean, sanitary and sightly condition. In addition, the Owner shall be responsible for the maintenance, repair or replacement of any defective plumbing, water heaters, heating equipment, air conditioning equipment and lighting fixtures located on his Lot.

ARTICLE V

ARCHITECTURAL CONTROL

Section 1. The Architectural Control Committee. An Architectural Control Committee consisting of three (3) or more persons shall be appointed by the Class B Member. When the Class B membership expires, the Board of Directors of the Association shall appoint a new committee of three or more members.

Section 2. Purpose. The Architectural Control Committee shall regulate the external design, appearance, use, location and maintenance of the Properties and of improvements thereon in such a manner so as to preserve and enhance values and to maintain a harmonious relationship among structures and the natural vegetation and topography. To that end, no improvements, alterations, repairs, change of paint colors, plantings, excavations, changes in grade or other work which in any way alters the exterior of any Lot or the improvements located thereon from its natural or improved state existing on the date such Lot was first conveyed in fee by the Declarant to an Owner shall be made or done without the prior written approval of the Architectural Control Committee. No building, fence, wall, residence or other structure shall be commenced, erected, maintained or improved, altered, removed, made or done without the prior written approval of the Architectural Control Committee. In addition, no shrubs, trees or other plants shall be planted, altered or removed without the prior written approval of the Architectural Control Committee. However, the Architectural Control Committee may adopt general guidelines for the Lot Owners in a procedure to eliminate the need for review of minor alterations to the landscape.

1623P2018

Section 3. Procedure. Any Owner desiring to make any such improvement, alteration or change described herein above shall submit the plans and specifications therefor, showing the nature, kind, shape, height, materials and location of the same, to the Architectural Control Committee which shall evaluate such plans and specifications pursuant to the purposes of the Article as specified herein above. In the event the Committee fails to approve, modify or disapprove in writing an application within forty-five (45) days after plans and specifications have been submitted to it, approval will not be required and this Article will be deemed to have been fully complied with. The applicant may appeal an adverse Architectural Control Committee decision to the Board of Directors of the Association which may reverse or modify such decision by a two-thirds (2/3) vote of the Directors.

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

ARTICLE VI

EXTERIOR MAINTENANCE

Section 1. Exterior Maintenance: In addition to the maintenance upon the Common Area, the Association shall provide exterior maintenance upon each lot which is subject to assessment hereunder as follows: Paint, repair and replace and care of roofs, gutters, downspouts, exterior building surfaces, trees, shrubs, walks and other exterior improvements. Such exterior maintenance shall not include glass surfaces. In order to enable the Association to accomplish the foregoing, there is hereby reserved to the Association the right of unobstructed access over and upon each Lot at all reasonable times to perform maintenance as provided in this Article.

In the event any Lot Owner wishes to provide any exceptional plantings or gardens on their respective Lots which would in the sole opinion of the Board of Directors of the Association require excessive expense on the part of the Association to maintain, then the Board of Directors of the Association may do any one of the following subject to their sole discretion: 1) prohibit the implementation of such plans by the Lot Owner; 2) charge the Owner a special assessment to cover the added expense of the Owner's proposed

1623P2014

plan; or 3) require the Lot Owner to maintain his entire Lot to a standard of care at least as high as that for the remaining Lots in the Association. Should either of the latter two options be pursued and should the Lot Owner fail to meet his obligations thereunder, the Board may require the restoration of the grounds in a style of conformity with the remaining Lots being maintained by the Association. Any expenses incurred by the Association in connection with such restoration will be treated as a special assessment of such Lot Owner.

Section 2. Negligence of Owner: In the event that the need for maintenance is caused through the willful or negligent act of the Owner, his family, guests or invitees, or is caused by fire, lightning, windstorm, hail, explosion, riot, riot attending a strike, civil commotion, aircrafts, vehicles and/or smoke, as the foregoing are defined and explained in North Carolina Standard Fire and Extended Coverage Insurance Policies, 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

USE RESTRICTIONS

Section 1. Land Use and Building Type: No Lot shall be used except for residential purposes. No building shall be erected, altered, placed or permitted to remain on any Lot other than one (1) single-family dwelling, not to exceed two and one-half stories in height.

Section 2. Dwelling Specifications: No dwelling shall be permitted costing less than \$40,000.00 based on current building costs and having a finished living area of the main structure, exclusive of one-story open porches, of less than 900 square feet for a one-story dwelling or less than 1,050 square feet for a dwelling of more than one story.

Section 3. Nuisance: No noxious or offensive activity shall be conducted upon any Lot nor shall anything be done thereon or retained thereon including pet or animal waste which may be or may become an annoyance or nuisance to the neighborhood.

Section 4. Animals: No animals, livestock or poultry of any kind shall be kept or maintained on any Lot or in any dwelling except that dogs, cats or other household pets may be kept and maintained provided that they are confined to the owner's premises or maintained on a leash and/or provided that they are not kept or maintained for commercial purposes, or create a nuisance.

Section 5. Outside Antennas: No outside radio or television antennas shall be erected on any Lot or dwelling unit within the Property unless and until permission for the same has been

BOOK 1623P2815

granted by the Board of Director of the Association or its architectural control committee.

Section 6. Vehicle Parking: No campers, trailers, boats and trailers, recreational vehicles, large trucks or commercial vehicles shall be parked in any area within the property unless such area is designated by the Association for the parking of said vehicles or said vehicles are parked inside a garage with garage door(s) being closed except during times of placement or removal of said vehicles. This prohibition is meant to include all vehicles except automobiles and standard non-commercial pickup trucks and is intended to enhance the appearance and well being of the property. In addition all vehicles parked on the property outside of garages must be in operable condition which includes inflated tires and current license.

Section 7. Boats and Recreational Vehicles in Designated Areas: If permitted, all boats and recreational vehicles using assigned spaces in said parking facilities shall be properly maintained which is defined to include but not limited to the following: Any covers or tarps shall be property secured and tied and shall not contain holes or tears, all boats and vehicles shall be operable which includes inflated tires and current license. Maintenance work conducted on the said premises shall be limited to minor repairs and tune ups. the Board of Directors shall appoint a committee consisting of two unit owners who are assigned a space in said parking facilities and one unit owner at large to monitor and enforce the conditions contained herein. If an owner does not comply with the conditions contained herein, said owner's right to an assigned space may be revoked by the Association.

Section 8. Rules and Regulations. The Board of Directors of the Association shall have the power to formulate, publish and enforce reasonable rules and regulations concerning the use and enjoyment of the common area. Such rules and regulations, along with all policy resolutions and policy actions taken by the Board of Directors, shall be recorded in a Book of Resolutions, which shall be maintained in a place convenient to the owners and available to them for inspection during normal business hours.

ARTICLE VIII

EASEMENTS

Section 1. Easements: Easements for installation and maintenance of utilities (including cable television service) and drainage facilities are reserved as shown on the recorded plat. Within these easements, no structure, planting or other materials 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 easements, or which may obstruct or retard the flow of water through drainage channels in the

BOOK 1623P2916

easements. An easement is hereby established for the benefit of the City of Winston-Salem and Forsyth 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 Areas 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.

Section 2. Easement for Unintentional and Non-Negligent Encroachments: In the event that a part of a dwelling unit or appurtenances shall encroach upon any Common Area or an adjacent lot for any reason not caused by the purposeful or negligent act of the developer, the unit Owner, or agents of such Owner, then an easement appurtenant to such dwelling unit shall exist for the continuance of such encroachment upon the Common Area or upon an adjacent lot for so long as such encroachment shall naturally exist; in addition, said easement for encroachments shall apply to masonry veneer exterior siding, retaining walls and other appurtenances used in the original construction of said dwelling units; and, in the event that any portion of the Common Area shall encroach upon any dwelling unit or lot, then an easement shall exist for the continuance of such encroachment of the Common Area upon dwelling unit or lot for so long as such encroachment shall naturally exist.

ARTICLE IX

COVENANT OF OWNER TO KEEP UNIT INSURED

Section 1. Insurance: The Declarant covenants and agrees with the Association, on behalf of itself and on behalf of each subsequent Owner of a Lot within the Property, and each Owner of any Lot within the Property, by acceptance of a deed therefore, whether or not it shall be so expressed in said deed, or by exercise of any act of ownership, is deemed to covenant as follows:

(a) The Association shall arrange for each Owner an initial Homeowners insurance policy equal to the full replacement value of each said Owners' property. Said policies shall contain a Replacement Cost Endorsement providing for the complete replacement of a unit from insurance loss proceeds.

(b) The Owner shall pay the initial annual premium prescribed for the required Homeowner's policy (see (a) above) at the time of acquiring title to the said dwelling unit. Thereafter the insurance carrier shall invoice each Owner direct for the annual Homeowner's policy premium; copies of all invoices, delinquent notices or other correspondence shall be sent to the Association. Delinquent Homeowner's policy premiums shall be paid by the Association and subsequently invoiced to the Owner as a special assessment for the premium amount plus a 15% handling fee.

BOOK 1623P2817

(c) The Owner shall apply the full amount of any insurance proceeds to the rebuilding or repair of any dwelling unit (subject to the provisions and covenants contained in any mortgage creating a lien against the Lot).

(d) The Owner shall re-build or repair the dwelling in the event of damage thereto provided the dwelling is insured under a group or blanket hazard insurance policy which contains a Replacement Cost Endorsement providing for replacement of a dwelling from insurance proceeds.

(e) The Owner shall keep the dwelling in good repair except for repairs required by the Association.

(f) Premiums and fees for delinquent Homeowner's insurance policies and for group or blanket hazard insurance policies shall be a Common Expense and shall be collectible in the same manner and to the same extent as provided for annual and special assessments in Article IV. The lien for assessments of insurance premiums shall be subordinate to the lien of any first mortgage in the same manner provided for annual and special assessments.

(g) Such policies shall provide that insurance proceeds payable on account of loss of or damage to the real property shall be adjusted with the carrier(s) by Lantern Ridge Association, Inc. and shall be payable solely to the homeowner's mortgagee, if any, and Lantern Ridge Association, Inc., as insurance trustee for the homeowner. Such insurance proceeds shall be applied to repair or restoration of the property as hereinabove provided. All such insurance policies shall provide that coverage may not be cancelled by the carrier(s) without first giving Lantern Ridge Association Inc. and the homeowner's mortgagee, if any, ten (10) days written notice of cancellation. All such policies shall contain, if obtainable, a waiver of the right of subrogation against any Owner, members of his family, Lantern Ridge Association Inc., its officers, agents and employees, as well as a waiver of the "pro rata" clause.

(h) The Association shall also obtain a broad form public liability policy covering all Common Areas and all damage or injury caused by the negligence of the Association or any of its agents, officers or employees, in an amount of not less than One Million Dollars (\$1,000,000) for each occurrence and such policies shall contain a waiver of the right of subrogation against members of Lantern Ridge Association Inc., its officers, agents or employees.

(i) Any owner may, if he wishes and at his own expense, carry any and all other insurance as he deems advisable beyond that included in the homeowner's policy required by the Association. In addition an owner may obtain his required homeowners policy from an alternate carrier if he can provide the Association with satisfactory proof that said alternate carrier is providing equal or better coverage and service. However, all insurance policies by any carrier

1623P2810

must conform to all the requirements, policies and notification procedures established herein under Section 1 Insurance.

Section 2. Damage or Destruction by Fire or Other Casualty: In the event of damage or destruction by fire or other casualty to any property covered by insurance payable to the Association as trustee for the homeowners, the Board of Directors shall, with the concurrence of the mortgagees, upon receipt of the insurance proceeds, contract to re-build or repair such damaged or destroyed portions of the Property to as good a condition as formerly. All such insurance proceeds shall be deposited in a bank or other financial institution, the accounts of which bank or institution are insured by a Federal Governmental Agency, with the provisions agreed to by said bank or institution that such funds may be withdrawn only by signature of at least one-third (1/3) of the members of the Board of Directors or by an agent duly authorized by the Board of Directors. The Board of Directors shall obtain bids from at least two (2) reputable contractors, and then may negotiate with any such contractor who may be required to provide a full performance bond for the repair, reconstruction or re-building of such building or buildings.

Section 3. Reconstruction Substantially Identical: The reconstruction or repaired residences shall be substantially identical to the destroyed residences, unless a change is approved by the Board, and shall be constructed in conformity with the plans submitted to and approved by the Board prior to construction.

Section 4. Retention by Owner: If a dwelling is not habitable by reason of damage, and the Owner gives notice of his election to repair or reconstruct the dwelling, the obligation of the Owner to pay annual assessment installments shall be suspended either for a period of ninety (90) days or until the dwelling is restored to a habitable condition, whichever shall occur first. In the event a dwelling is damaged or destroyed, and the Owner does not begin repair or reconstruction within thirty (30) days following the damage or destruction, he shall remove or cause to be removed, at his expense, all debris from the Lot so that it shall be placed in a neat, clean and safe condition; and if he fails to do so, the Association may cause the debris to be removed and the cost of removal shall constitute a lien upon the dwelling until paid by the Owner, unless the dwelling is thereafter acquired by the Association.

Section 5. Application of Declaration and By-Laws: Any dwelling which has been destroyed in whole or in part by fire or other casualty, and is subsequently restored or reconstructed, shall be subject to the provisions of this Declaration and to the By-Laws of the Association.

Section 6. Fidelity Coverage: The Association shall maintain adequate fidelity coverage against dishonest acts by its officers, directors, trustees and employees and all others who are

1623P2819

responsible for the handling of funds of the Association. Such fidelity bonds shall:

- (a) Name the Association as an obligee;
- (b) Be written in an amount equal to at least one hundred fifty percent (150%) of the estimated annual operating expenses of the project, including reserves; and
- (c) Contain waivers of any defense based on the exclusion of persons who serve without compensation from any definition of "employee" or similar expression.

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 this Declaration. Failure by the Association or 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.

Section 2. Severability: Invalidation of any one of these covenants or restrictions by judgment or court order shall in no wise affect any other provisions which shall remain in full force and effect.

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

Section 4. Annexation: Additional residential property and Common Areas may be annexed to the Property with the consent of two-thirds (2/3) of each Class of members. Additional land within the area described in the metes and bounds description attached hereto as Exhibit "B" and incorporated herein by reference may be annexed by the Declarant without the consent of the members within seven (7) years of the date of this Declaration provided that the FHA and VA determine that the annexation is in accord with the general plan heretofore approved by them.

1623P2820

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:

- (a) Annexation of additional properties;
- (b) Dedication of the Common Areas; and
- (c) Amendment of this Declaration of Covenants, Conditions and Restrictions.

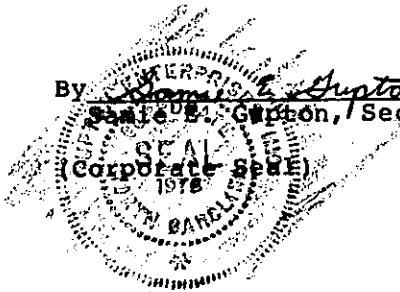
IN TESTIMONY WHEREOF, the Declarant has caused these presents to be signed this the 21st day of September, 1987.

GUPTON ENTERPRISES, INC.
A North Carolina Corporation

By  _____
Harris B. Gupton, President

ATTEST:

By  _____
James L. Gupton, Secretary



BOOK 1623P2921

NORTH CAROLINA
FORSYTH COUNTY

I, Mary Ellen Barger Wilson, a Notary Public in and for the above-named State and County, do hereby certify that personally appeared before me this day HARRIS B. GUPTON, who, being by me duly sworn, says that he is the President of GUPTON ENTERPRISES, INC., and that he knows that SAMIE E. GUPTON is Secretary, and that he knows the common seal of the said corporation; that the Corporation's name was subscribed to the within document by him as President and was attested by its Secretary, with its corporate seal thereto affixed, and all by order of its Board of Directors duly given, and that the said instrument is the act and deed of said GUPTON ENTERPRISES, INC.

Witness my hand and notarial seal, this 21st day of September, 1987.



Mary Ellen Barger
Notary Public

My Commission Expires: 2-16-89

STATE OF NORTH CAROLINA--Forsyth County

The foregoing (or annexed) certificate of Mary Ellen Barger N.P. (here sign name and official title of the officer signing the certificate passed upon) Wilson Co, N.C.

is (are) certified to be correct. This the 23 September 19 87

PRESENTED FOR REGISTRATION AND RECORDED
L. E. Speas, Register of Deeds
SEP 23 12 50 PM '87
By Malinda Huffstader Deputy Assistant

Probate and Filing Fee \$ 32.00 paid VBF
L.E. SPEAS
REGISTER OF DEEDS
FORSYTH CTY. N.C.

BOOK 1623 PAGE 2922

EXHIBIT "A"

Being all of that property shown and described on Plat entitled "Final for Section I, LANTERN RIDGE, " and recorded in the Office of the Register of Deeds of Forsyth County, North Carolina in Plat Book 32, page 54.

BOOK 1623 PAGE 2923

EXHIBIT "B"

BEGINNING at an iron, said iron being located in the northeast corner of that tract of land conveyed to Gupton Enterprises, Inc., by deed recorded in Book 1474, page 1556, Forsyth County Registry, said iron also being located in the southeast corner of the hereinafter described tract of land; running thence from said beginning point North 87° 23' 13" West 735.03 feet to an iron, said iron being located in the western right-of-way line of Stonebridge Drive; running thence North 87° 23' 13" West 71.0 feet to an iron; running thence South 74° 35' 54" West 321.59 feet to an iron; running thence North 87° 22' 26" West 75.0 feet to an iron; running thence North 82° 59' 30" West 473.87 feet to an iron; running thence North 82° 04' 06" West 241.47 feet to an iron; running thence South 24° 45' 33" West 74.32 feet to an iron; running thence North 51° 40' 27" West 194.19 feet to a point, said point being located in the middle of Muddy Creek; running thence the following five courses and distances with the middle of Muddy Creek, North 66° 16' 45" East 277.43 feet to a point; thence North 51° 56' 44" East 191.65 feet to a point; running thence North 25° 47' 14" East 175.47 feet to a point; running thence North 01° 57' 33" West 161.0 feet to a point; running thence North 31° 47' 54" West 251.30 feet to a point; running thence South 88° 02' 02" East 1780.98 feet to an iron, said iron being located in the northeast corner of a tract of land owned by John E. Petree, now or formerly, as described in Book 541, page 199, Forsyth County Registry; running thence South 02° 46' 58" West 645.67 feet to an iron; running thence South 03° 14' 40" West 155.30 feet to an iron, the point and place of BEGINNING.

BOOK 1623 PAGE 2923