

DECLARATION
OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
CARTHAGE SQUARE HOMEOWNERS ASSOCIATION

THIS DELARATION, is made on the date hereinafter set forth by The Kindred Group, LLC, a North Carolina limited liability company, organized under the laws of the State of North Carolina, hereinafter referred to as “Declarant”.

WITNESSETH:

THAT WHEREAS, Declarant if the Owner and Developer of certain property in the city of High Point, Guilford County, State of North Carolina, which property is more particularly described as follows:

PHASE I SECTION I: All of the land shown on the plat entitled “Carthage Square” recorded in Plat Book_____, Page_____, in the Office of the Register of Deeds of Guilford County, North Carolina.

PHASE I SECTION II: All of the land shown on the plat entitled “Carthage Square” recorded in Plat Book_____, Page_____, in the Office of the Register of Deeds of Guilford County, North Carolina.

NOW, THEREFORE, Declarant hereby declares that all of the 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 title to said real properties 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 Carthage Square Homeowners Association, Inc., its successors and assigns.

SECTION 2: “Appropriate Local Governmental Authority” shall mean and refer to the City of High Point, Guilford County or other appropriate local governmental authority having jurisdiction over the Properties.

SECTION 3: “Owner” shall mean and refer to the record owner (other than Declarant), whether one or more persons or entities, of a fee simple title to any lot which is a part of the Properties, including contract sellers, but excluding those having such interest merely as a security of the performance of an obligation.

SECTION 4: “Common Area” shall mean all real property owned by the Association for the Owners, including any area designated as the Common Area pond. Numbered lots are not a part of the Common Area.

SECTION 5: “Lot” shall mean and refer to any platted lot shown upon any recorded subdivision map of the Properties, with the exception of the Common Area.

SECTION 6: “Declarant” shall mean and refer to The Kindred Group, LLC and its successors and or assigns.

SECTION 7: “Member” shall mean and refer to every person or entity who holds Membership with voting rights in the Association.

ARTICLE II DEVELOPMENTAL RIGHTS

Declarant hereby reserves the right to develop additional phases of Carthage Square. Any firm, person or corporation who purchases lots in these additional phases shall purchase said lots subject to this Declaration of Covenants, Conditions and Restrictions and each firm, person or corporation will automatically become members of Carthage Square Homeowners Association, Inc., together with all rights afforded to each lot owner in the By-Laws, but subject to the requirements of said Homeowners Association By-Laws.

ARTICLE III PROPERTY RIGHTS

SECTION 1: “Owner Easements and Common Area”. To every Owner and Declarant, the Common Area which shall be appurtenant to and shall pass with the title to every lot, subject to the following provisions.

- (a) The right of the Association to suspend the voting rights of an Owner(s) for any period during which any assessment against such Lot remains unpaid and for a period not to exceed sixty (60) days for any infraction of the terms of this Declaration or the published rules and regulations of the Association.
- (b) The right of the Association to dedicate or transfer all of 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 sixty-six and two thirds percent (66 2/3%) of each class of Members agreeing to such dedication or transfer, has been recorded.
- (c) The right of the Association to impose regulations for the Common Area and improvements thereon, which regulations may further restrict the Common Area.
- (d) The right of the Association to borrow money for purpose of improving the Common Area and with the assent of the Members entitled to cast at least eighty percent (80%) of the votes of each class of Members of the Association, mortgage, pledge, deed in trust, or hypothecate any or all of its real or personal property as security for money borrowed to debts incurred (any such mortgage shall be effective if it is executed on behalf of the Association by its duly authorized officers and recites that the requisite consent of Members has been obtained and documented in the Minute Book of the Association); provided, however, during Declarant’s development period, Declarant must also consent to such action, and further provided that no such mortgage, encumbrance or hypothecation or foreclosure of the lien thereby created shall interfere with or obstruct utility service to, or ingress, egress and regress to or from, the Lots or any remaining Common Area or cause any Lot or any remaining Common Area to fail to comply with applicable laws, regulations or ordinances.

SECTION 2: “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 document shall be a default under the terms of the lease. All leases of Lots shall be in writing. Owners may lease Lots for not more than two (2) non-consecutive periods of six (6) weeks each within any twelve (12) month period.

ARTICLE IV MEMBERSHIP AND VOTING RIGHTS

SECTION 1: Declarant and every Owner of a Lot which is subject to Assessments shall be a member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Lot which is subject to assessment.

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

Class A: Class A Members shall be all Owners with the exception of the Declarant and shall be entitled to one vote for each Lot owned. When more than one person holds an interest in any Lot, all such persons shall be Members. The vote 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 only the Declarant, and it shall be entitled to five (5) votes for each lot owned. The Class B membership shall cease and be converted to Class A membership on the happening of either of the following events, whichever occurs earlier:

- (a) when the total votes outstanding in the Class A membership equal the total votes outstanding in the Class B membership.
- (b) upon resignation of Declarant as a Class B Member.

ARTICLE V COVENANT FOR MAINTENANCE AND ASSESSMENT

SECTION 1: “Creation of Lien and Personal Obligation of Assessments”. 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: (1) annual assessments or charges, and (2) special assessments for capital improvements, such assessments to be established and collected as hereinafter provided. The annual and special assessments, together with interest at the rate of eighteen percent (18%) or the highest rate allowed by law whichever is less, costs and reasonable attorney’s fees, shall be a charge on the land and shall be a continuing lien upon the property against which 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 delinquent assessments shall not pass to his successors in title unless expressly assumed by them.

SECTION 2: “Purpose of Assessments”. The assessments levied by the Association shall be used exclusively to promote the health, safety and welfare of the residents of the Properties and in particular for the acquisition, improvement and maintenance of the Common Area pond, and any signage designating Common Area restrictions, including but not limited to, the payment of taxes, and assessments assessed against the Common Area, the procurement and maintenance of such insurance, including liability insurance, as may be determined in accordance with the By-Laws and the employment of attorneys to represent the Association when necessary, maintenance and landscaping of the Common Area and such other needs as may arise. The Association shall have no responsibility for the maintenance of any lot or improvement thereon.

SECTION 3: “Maximum Annual Assessment”. Until January 1 of the third year following the conveyance of the first Lot to an Owner, the maximum annual assessment shall be One Hundred Twenty dollars (\$120.00) per Lot, per year.

From January 1 of the third year following the first conveyance of a Lot to an Owner:

- (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 by an amount not to exceed twenty-five percent (25%) of the maximum annual assessment of the previous year; and
- (b) The maximum annual assessment may be increased without limit by a vote of at least sixty-six and two thirds percent (66 2/3%) of each class of members who are voting in person or by proxy, at a meeting duly called for this purpose; and
- (c) At any time the Board of Directors may fix the annual assessment at an amount not in excess of the maximum. All annual assessments shall be paid either annually or semi-annually.

SECTION 4: “Special Assessments for Capital Improvements”. In addition to the annual assessments authorized above, the Association may levy, in any calendar year, a special assessment for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Area, including the Common Area pond, fixtures and personal property related thereto, PROVIDED THAT any such assessment shall have the assent of sixty-six and two thirds percent (66 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: “Rate of Assessment”. Both annual and special assessments must be fixed at a uniform rate for all Lots within the same Class and may be collected on an annual or semi-annual basis, provided, however, that Declarant shall pay no annual or special assessments for any vacant Lot owned by it.

SECTION 6: “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 and 4 shall be sent to all Members not less than thirty (30) days not more than sixty (60) days in advance of the meeting. At the first such meeting called, the presence of Members or of Proxies entitled to cast sixty percent (60%) of all the votes of each Class of membership shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

SECTION 7: “Date of Commencement of Annual Assessments Due Dates”. The annual assessments provided for herein may be collected on an annual or semi-annual basis and shall commence as to all Lots on the first day of the month following receipt by the Owner thereof of a Certificate of Occupancy for the residence construction thereon. 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 of every Owner subject thereto. The due dates shall be established by the Board of Directors, The Association shall, upon demand, and for the 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 bear interest from the due date at the rate of eighteen percent (18%) per annum. The Association may bring an action of law against the Owner personally obligated to pay the same or foreclose the lien against the property, and interest, costs and reasonable attorney fees for 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.

SECTION 9: “Subordination of the Lien to Mortgages”. The Lien provided for herein shall be subordinate to the lien of any mortgage, mortgages, deed of trust or deeds 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 a foreclosure thereof or any proceeding in lieu of foreclosure thereof, shall extinguish the lien of such assessments as to the payment thereof which became due prior to such sale or transfer. No such sale or transfer shall relieve such Lot from liability for any assessments thereafter becoming due or from the lien thereof, but the liens provided for herein shall continue to be subordinate to the lien of any mortgage, mortgages, deed of trust 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.

ARTICLE VI DEFAULT BY ASSOCIATION

SECTION 1: “Default by Homeowners Association”. Upon default by the Homeowners Association in the payment to the jurisdiction entitled thereto of any assessments for public improvements or ad valorem taxes levied against the Common Area, if such 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 jurisdiction a portion of the taxes or assessments in an amount determined by dividing the total taxes and/or assessments due to the jurisdiction by the total number of lots in the development. If the sum is not paid by the Owner within thirty (30) days following receipt of notice of the amount due, the sum shall become a continuing lien on the property of the Owner, his heirs, devisees, personal representatives, and assigns. The taxing or assessing jurisdiction may either bring an action at law against the Owner personally obligated to pay the same, or may elect to foreclose the lien against the property of the Owner.

ARTICLE VII ROUTINE GROUNDS MAINTENANCE

SECTION 1: “Maintenance of Landscaping”. The Association is responsible for maintaining the general landscaping of the Common Area, and for the maintenance of the Common Area pond. Each Owner is responsible for maintaining the general landscaping of their Lot, in harmony with the general landscape design.

ARTICLE VIII EASEMENTS

SECTION 1: “Utilities and Drainage”. Easements for installation and maintenance of utilities and drainage facilities are reserved as shown on the recorded plat. Within these easements no structure, 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 easements, or which may obstruct or retard the flow of water through drainage channels in the easements. The Association is responsible for the general maintenance of the 15’ protected drainage area between lots 7 and 8 as shown on the recorded plat.

**ARTICLE IX
PERMANENT COMMON AREA POND**

SECTION 1: “Permanent Common Area Pond”. It is understood and agreed that the primary responsibility of the Association is to provide for the cost of repair and maintenance of the Common Area pond.

**ARTICLE X
GENERAL PROVISIONS**

SECTION 1: “Enforcement”. The Declarant or the Association 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 Delarant or the Association 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 way affect any other provisions which shall remain in full force and effect.

SECTION 3: “Amendment”. The Covenants and Restrictions of this Declaration shall run with and bind the land, for a term of ten (10) years from the date the 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 ten (10) year period by an instrument signed by not less than seventy five percent (75%) of the lot Owners, provided that no amendment shall alter any obligation to pay ad valorem taxes or assessments for public improvements, as herein provided, or affect any lien for the payment thereof established herein. Any amendments must be properly recorded.

**ARTICLE XI
RESTRICTIONS**

SECTION 1: “Land Use And Building Type”. All lots within the Subject Property shall be used only for single-family purposes and no mobile homes or trailers shall be permitted or allowed to remain thereon unless used temporarily as a construction office and not as living quarters. Each dwelling shall have an enclosed, heated living area within the main structure, exclusive of open porches, garage, and other unheated spaces, of no less than 1,300 square feet. No buildings shall be erected, altered, placed or permitted to remain on any lot other than one detached single-family dwelling, not to

exceed two (2) stories in height, excluding basements, minor out buildings (such as utility buildings) to be located behind the main dwelling, and a private garage (attached) for not more than two (2) automobiles. Any outbuilding and/or utility building must be constructed with the same or comparable materials and similar colors of the main dwelling on said lot. No metal carports or metal out buildings are permitted. All roof materials shall be composition shingles, no lumber, brick, stone, cinder block, concrete or other building materials, scaffolding, mechanical devices or any other materials used for building purposes shall be stored on any Lot except for the purpose of construction on such Lot or for the purpose of staging materials for construction of improvements on other Lots, if the Declarant designates the Lot as a staging area for such construction materials. No swings, sliding boards or other child's play apparatus may be affixed or placed in the front yard of any lot.

SECTION 2: "Setbacks". No structure, overhang or extension thereof shall be built closer to the front of the property line of any lot or nearer the side lot lines than shall be established by any governmental body having such jurisdiction over the Subject Property.

SECTION 3: "Fences". All fences, walls and other enclosures shall be constructed within the provisions of this section. No fence on any lot shall be permitted to extend nearer to any front street than the front building line of the residence located on the Lot. No portion of any fence erected on any lot may exceed six (6) feet in height. Chain link perimeter fencing is strictly prohibited, except as provided herein. Dog runs may be constructed provided they are made of wood, vinyl or black vinyl coated chain link (unless otherwise enclosed by a perimeter privacy fence) and do not exceed a maximum size of 15' x 40' with the wide side parallel to the house. If enclosed by a perimeter privacy fence, dog runs constructed of regular chain link fences are permissible. Notwithstanding the foregoing, Declarant reserves the right to erect chain link fences and any other type of fences and enclosures within the Common Area to enclose Common Area pond and for other purposes without the approval of the Owners of any of the lots within the subdivision, such fences and enclosures to become a part of the Common Area to be maintained by the Association.

SECTION 4: "Easements". Easements for installation and maintenance of utilities and sight easements are reserved as shown on the recorded plat(s). Within these easements, no structure shall be placed or permitted to remain which may damage or interfere in any material respect with the installation and maintenance of utilities, or which may obstruct or retard the flow of water through natural drainage channels. The easement area of each lot shall be maintained continuously by the lot Owner except for those improvements for which a public authority or utility company is responsible. Declarant reserves an easement for, and right at any time in the future, to grant rights of way for the installation and maintenance of public utilities across, on or under any Lot along the front, rear and side property lines, but such rights of way must be located so as to interfere as little as possible with the use of the Lot by its Owner. Further, there is reserved on behalf of Declarant and those companies providing electricity, telephone, cable, natural gas, and any other utilities an easement to enter upon the premises to

maintain, repair, or modify existing or future underground facilities, and the Owners, or their successors in title to said Lots, shall in no way interfere with said facilities, or dig up, cut or tamper with said facilities except at their own peril and in violation of the rights of said utility companies. No public utility company or governmental entity or agency shall obtain any right in the easement reserved herein without an express written and recorded grant thereof you Declarant. In the event the Property subject to the Declaration is served by any underground utility facilities, the service to structures erected thereon shall be connected to the underground facility at the pedestals provided for this purpose.

SECTION 5: “Driveways”. All driveways shall be paved in concrete.

SECTION 6: “Swimming Pools”. No above ground swimming pools are allowed.

SECTION 7: “Propane Tanks”. All propane tanks shall be buried in the ground, or screened from view so as not to be noticeable or apparent from the abutting street(s) or lots immediately adjacent thereto.

SECTION 8: “Satellite Dish/Apparatus”. No satellite dish, or any antenna for short wave reception shall be installed and/or placed on any lot or house, except for satellite dishes of 18 inches or less in diameter, which are permitted if installed so as not to be visible from any abutting street(s). Except for “dish A” antennas designed to receive direct broadcast satellite service, including (i) direct-to-home satellite services dishes one (1) meter 39 inches or less in diameter, (ii) antenna designed to receive video programming services via MMDS (wireless cable), and (iii) antenna designed to receive television broadcast signals, no outside antennas or satellite dishes and no free standing transmission or receiving towers shall be erected on any Lot within the Property without the prior written permission of the Association. Except as otherwise reasonably required in order to receive the intended signal, any antenna or satellite dish erected on any Lot within the Property shall be affixed to the dwelling, shall be a color which blends with its surroundings, shall have a mast only as high as reasonably necessary to receive the intended signal and shall not be visible from any street(s). Only one (1) satellite dish or antenna for short wave reception may be installed on any lot.

SECTION 9: “Maintenance”. Each Lot shall be maintained and preserved in a clean, orderly and attractive manner in the spirit of the development. Each Owner of a Lot shall be responsible for maintenance of the portion on the right-of-way between his lot and the street. After three (3) business days written notice to the Owner of Record, the Declarant or its agent shall have the right to enter upon the lot to remove such waste or cut and remove any construction materials, grass, weeds, trees, etc. on any lot or area deemed by public authority or the Declarant or its agent, to be unsightly. If the Declarant or its agent performs the work to comply with this restriction, then the cost shall be borne by the lot Owner and the cost shall be a lien upon the lot until paid. Trash, garbage, or other waste shall be kept in sanitary containers, either in a garage or at the rear of the dwelling, in

such manner that such containers shall be screened from view from any immediately adjacent lot or street except on day of collection, and promptly removed from the street after collection.

SECTION 10: “Animals”. No animals, except dogs, cats, or similar household pets, shall be kept on any lot. Swine, goats, chickens and livestock are not permitted. All animals shall be confined to the Owner’s or Occupant’s premises. No animals of any kind may be kept, bred, or maintained on any lot for any commercial purpose. No dogs or any other pet shall be chained and/or staked in the front yard of any lot.

SECTION 11: “Vehicles”. All automobiles parked on any lot must be parked on the driveway and have a current registration. No junk automobiles, cars stored for repairs or restoration, nor any other type of salvage shall be placed on any Lot. Any motor homes, trailers, boats, or any other type of recreational vehicle, if stored on the premises, shall be screened from view of any street(s). No vehicles of any type may be parked or placed on any dedicated street for more than one (1) week at a time. Tractor trailers or semi-trucks shall not be parked on any lot or on any street within the subdivision.

SECTION 12: “Signs”. No sign of any kind shall be displayed to the public view on any Lot except one (1) sign of not more than six (6) square feet advertising the property for sale. Signs used by a home builder to advertise during construction and sales period must not exceed sixteen (16) square feet, and not more than two (2) signs at any time shall be displayed on a lot. Signs at locations other than on the lots of the respective Owners will not be allowed with the exception of signs of the Declarant or its assigns. The provisions of this section do not apply to areas identified on the recorded Plat as signage and landscape easements. Declarant and its assigns expressly reserve the unrestricted right to place any signs within the subdivision.

SECTION 13: “Nuisances”. No lot shall be used in such a manner as to cause such lot to appear unclean or unkempt, and no substance shall be kept upon any lot which will emit foul or obnoxious odors. No lot shall be used in any manner that will or might reasonably be expected to disturb the peace, quiet, comfort, and serenity of surrounding lots.

SECTION 14: “Re-subdivision”. No lot shown on the recorded Plat shall be subdivided.

SECTION 15: “Landscaping”. All landscaping shall be done in such a manner that erosion and sedimentation shall be stabilized and controlled in accordance with applicable state, county and city regulations. Landscaping must be in harmony with the other homes within the subdivision.

SECTION 16: “Mailboxes”. The initial mailbox will be provided by the Declarant. Mailboxes shall be uniform in their appearance and replaced by the Owner with the same or similar type when replacement is necessary.

SECTION 17: “Garbage Collection”. Garbage collection service shall be provided by the City of High Point to each lot. Each lot Owner will purchase, from the City of High Point, a trash receptacle “toter”.

SECTION 18: “Waiver”. Declarant reserves the right to waive, in whole or in part, minor violations of any of the foregoing restrictions. Declarant may appoint a successor by instrument filed in the Guilford County Registry who shall also have the right during such period to waive, in whole or in part, any minor violations of the foregoing restrictions. When Declarant, its successors or assigns, forfeits such right in writing minor violations of the Restrictive Covenants contained herein may be waived by an instrument signed by all lot Owners immediately adjacent to and directly across any street(s) from the lot subject to the terms of such waiver.

ARTICLE XII FEDERAL LENDING REQUIREMENTS

Declarant may (at Declarant’s option) amend and modify this Declaration without obtaining the consent or approval of the Owners if such amendment or modification is necessary to cause this Declaration to comply with the requirements of the Federal Housing Administration, the Veterans Administration, Fannie Mae or other similar agency. Any such amendment must be with the consent and approval of such agency and must be properly recorded.

IN WITNESS WHEREOF, The Kindred Group, LLC, a North Carolina general partnership has caused this instrument to be executed as of the ___ day of _____, 20__

The Kindred Group, LLC
Limited Liability Company

BY: _____
Managing Member Partner

State of North Carolina, County of _____

I, _____, a Notary Public of the
County of _____, State of North Carolina, do hereby certify that
_____, Managing Partner of The Kindred Group, LLC
personally appeared before me this day, acknowledging that she voluntarily signed the
foregoing document for the purposes stated therein and in the capacity indicated.

Witness my hand and official stamp or seal this the ___ day of _____, 20__.

Notary Public

Printed Name of Notary Public

My Commission expires: _____

BY-LAWS OF
THE CARTHAGE SQUARE HOMEOWNER'S ASSOCIATION, INC.

ARTICLE I

NAME AND LOCATION

The name of the corporation is The Carthage Square Homeowner's Association, Inc., hereinafter referred to as the "Association". The principal office of the corporation shall be located at: _____, _____ County, North Carolina, but meetings of members and directors may be held at such places within the State of North Carolina, as may be designated by the Board of Directors.

ARTICLE II

DEFINITIONS

Section 1. "Association" shall mean and refer to The Carthage Square Homeowner's Association, Inc., its successors and assigns.

Section 2. "Properties" shall mean and refer to that certain real property described in the Declaration of Covenants, Conditions and Restrictions and such additions thereto as may hereinafter be brought within the jurisdiction of the Association.

Section 3. "Common Area" shall mean all real property owned by the Association.

Section 4. "Lot" shall mean and refer to any plot of land shown upon any recorded subdivision map of the Properties with the exception of the Common Area.

Section 5. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of the fee simple title to any Lot which is a part of the Properties, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

Section 6. "Declarant" shall mean and refer to collectively The Kindred Group, LLC of Kernersville, North Carolina, its successors and/or assigns.

Section 7. "Declaration" shall mean and refer to the Declaration of Covenants, Conditions and Restrictions applicable to the Properties recorded in the office of the Register of Deeds of Guilford County, North Carolina.

Section 8. "Member" shall mean and refer to those persons entitled to membership as provided in the Declaration and in the Article III of these By-Laws.

ARTICLE III

MEMBERSHIP AND PROPERTY 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 subject to assessment. The voting rights of the Members shall be as provided by the Declaration.

ARTICLE 1V

MEETING OF MEMBERS

Section 1. Annual Meetings. The first annual meeting of the Members shall be held within one (1) year from the date of incorporation of the Association, and each subsequent regular annual meeting of the Members shall be held on the same day of the same month of each year thereafter, at the hour of 7:00 o'clock, P.M. If the day for the annual meeting of the Members is a legal holiday, the meeting will be held at the same hour on the first day following which is not a legal holiday.

Section 2. Special Meetings. Special meetings of the Members may be called at any time by the President or by the Board of Directors, or upon written request of a Member.

Section 3. Notice of Meetings. Written notice of each meeting of the Members shall be given by, or at the discretion of the secretary or person authorized to call the meeting, by mailing a copy of such notice, postage prepaid, at least fifteen (15) days before such meeting to each Member's address last appearing on the books of the Association, or supplied by such Member to the Association for the purpose of such notice. Such notice shall specify the place, day and hour of the meeting, and, in the case of a special meeting, the purpose of the meeting. Waiver by a Member in writing of the notice required herein, signed by him before or after such meeting, shall be equivalent to the giving of such notice.

Section 4. Quorum. The presence at the meeting of Members entitled to cast, or of proxies entitled to cast, one tenth (1/10) of the votes of each class of membership shall constitute a quorum for any action except as otherwise provided in the Articles of Incorporation, the Declaration of these By-Laws. If, however, such quorum shall not be present or represented at any meeting, the Members entitled to vote thereat shall have power to adjourn the meeting, until a quorum as aforementioned shall be present or be represented.

Section 5. Proxies. At all meetings of the Members, each Member may vote in person or by proxy. All proxies shall be in writing and filed with the Secretary. Every proxy shall be revocable and shall automatically cease upon conveyance by the Member of his Lot.

ARTICLE V

BOARD OF DIRECTORS – SELECTION – TERM OF OFFICE

Section 1. Number. The affairs of this Association shall be managed by a Board of not less than three (3), or more than five (5) directors, who need not be Members of the Association.

Section 2. Term of Office. At the first annual meeting the Members shall elect directors for a term of one (1) year.

Section 3. Removal. Any director may be removed from the Board, with or without cause, by a majority vote of the Members of the Association. In the event of death, resignation or removal of a director, his successor shall be selected by the remaining Members of the Board and shall serve for the unexpired term of his predecessor.

Section 4. Compensation. No director shall receive compensation for any service he may render to the Association. However, any director may be reimbursed for his actual expenses incurred in the performance of his duties.

Section 5. Action Taken Without a Meeting. The directors shall have the right to take any action, not otherwise prohibited by law, in the absence of a meeting which they could take at a meeting by obtaining a written approval of all the directors. Any action so approved shall have the same effect as though taken at a meeting of the directors.

ARTICLE VI

NOMINATION AND ELECTION OF DIRECTORS

Section 1. Nomination. Nomination for election to the Board of Directors shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two (2) or more Members of the Association. The Nominating Committee shall be appointed by the Board of Directors prior to each annual meeting of the Members, to serve from the close of such annual meeting until the close of the next annual meeting and such appointment shall be announced at each annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in

its discretion determine, but not less than the number of vacancies that are to be filled. Such nominations may be made from among Members or nonmembers.

Section 2. Election. Election to the Board of Directors shall be by secret written ballot. At such election, the Members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

ARTICLE VII

MEETINGS OF DIRECTORS

Section 1. Regular Meetings. Regular meetings of the Board of Directors shall be held monthly without notice, at such place and hour as may be fixed from time to time by resolution of the Board. Should said meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday. Provided, however, if the Board shall agree to meet on such legal holiday any action taken by it shall be valid and binding.

Section 2. Special Meeting. Special meetings of the Board of Directors shall be held when called by the President of the Association, or by any two (2) directors, after not less than three (3) days notice to each director.

Section 3. Quorum. A majority of the number of directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

ARTICLE VIII

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 1. Powers. The Board of Directors shall have power to:

(a) adopt and publish rules and regulations governing the Common Area, and to amend same; and the personal conduct of the Members and their guests thereon, and to establish penalties for the infraction thereof;

(b) suspend the voting rights and right to the Common Area of a Member during any period in which such Member shall be in default in the payment of any assessment levied by the Association. Such rights may also be suspended after notice and hearing, for a period not to exceed sixty (60) days for infraction of published rules and regulations;

© exercise for the Association all powers, duties and authority vested in or delegated to this Association and not reserved to the membership by other provisions of these By-Laws, the Articles of Incorporation, or the Declaration;

(d) declare the office of a Member of the Board of Directors to be vacant in the event such Member shall be absent from three (3) consecutive regular meetings of the Board of Directors;

(e) employ a manager, an independent contractor, or such other employees as they deem necessary, and to prescribe their duties; and

(f) employ attorneys to represent the Association when deemed necessary.

Section 2. Duties. It shall be the duty of the Board of Directors to:

(a) cause (to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the Members at the annual meeting of the Members, or at any special meeting when such statement is requested in writing by one Member of the Class A Members who are entitled to vote;

(b) supervise all officers, agents, and employees of this Association, and see that duties are properly performed;

© as more fully provided in the Declaration, to:

(1) fix the amount of annual assessment against each Lot subject to assessment at least thirty (30) days in advance of each annual assessment period.

(2) send written notice of each assessment to every Owner subject thereto at least thirty (30) days in advance of each annual assessment period; and

(3) foreclose the lien against any property for which assessments are not paid within thirty (30) days after the due date or to bring an action at law against the Owner personally obligated to pay the same.

(d) issue, or to cause an appropriate officer to issue, upon demand by any person, a certificate setting forth whether or not any assessment has been paid. A reasonable charge may be made by the Board for the issuance of these certificates. If a certificate states an assessment has been paid, such certificate shall be conclusive evidence of such payment;

(e) procure and maintain adequate liability insurance covering the Association, its directors, officers, agents, and employees and to procure and maintain adequate hazard insurance on the real and personal property owned by the Association;

(f) cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate;

(g) cause the Common Area to be maintained from time to time as required.

ARTICLE IX

OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Officers. The officers of this Association shall be a President and Vice-President, who shall at all times be members of the Board of Directors, a Secretary, and a Treasurer, and such other officers as the Board may from time to time by resolution create.

Section 2. Election of Officers. The election of officers shall take place at the first meeting of the Board of Directors following each annual meeting of the Members.

Section 3. Term. The officers of this Association shall be elected annually by the Board and each shall hold office for one (1) year unless they shall sooner resign, or shall be removed, or otherwise disqualified to serve.

Section 4. Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.

Section 5. Resignation and Removal. Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time by giving written notice to the Board, the President or Secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 6. Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he replaces.

Section 7. Multiple Offices. The offices of Secretary and Treasurer may be held by the same person. No person shall simultaneously hold more than one of any of the other offices except in the case of special offices created by Section 4 of the Article.

Section 8. Duties. The duties of the officers are as follows:

President: The President shall preside at all meetings of the Board of Directors and shall see that orders and resolutions of the Board are carried out and shall sign all leases, mortgages, deeds and other written instruments and shall co-sign all checks and promissory notes.

Vice-President: The Vice-President shall act in place and stead of the President in the event of his absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required of him by the Board.

Secretary: The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the Members and shall keep the corporate seal of the Association and affix it on all papers requiring said seal and shall serve notice of meetings of the Board and of the Members and shall keep appropriate current records showing the Members of the Association together with their addresses, and shall perform such other duties as required by the Board.

Treasurer: The Treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board of Directors and shall keep proper books of account and shall cause an annual audit of the Association Books to be made by a public accountant at the completion of each fiscal year and shall prepare an annual budget and a statement of income and expenditures to be presented to the membership at its regular annual meeting and shall deliver a copy of each to the Members.

ARTICLE X

INDEMNIFICATION

The Association shall indemnify any Director or Officer or former Director or Officer of the Association against expenses actually and necessarily incurred by him in connection with the defense of any action, suit or proceeding in which he is made a party by reason of being or having been such director or officer, except in relation to matters as to which he shall be adjudged in such action, suit or proceeding to be liable for negligence or misconduct in the performance of duty.

ARTICLE XI

COMMITTEES

The Board of Directors shall appoint an Architectural Control Committee, as provided in the Declaration, and a Nominating Committee, as provided in these By-Laws. In addition, the Board of Directors shall appoint other committees as deemed appropriate in carrying out its purpose. Each committee shall have powers and responsibilities as the Board of Directors deem

appropriate and as set forth in the resolutions creating such committee.

ARTICLE XII

BOOKS AND RECORDS

The books, records and papers of the Association shall at all times, during reasonable business hours, be subject to inspection by any Member. The Declaration, the Articles of Incorporation and the By-Laws of the Association shall be available for inspection by any Member at the principal office of the Association, where copies may be purchased at reasonable cost.

ARTICLE XIII

ASSESSMENTS

As more fully provided in the Declaration, each Member is obligated to pay to the Association annual and special assessments for each Lot subject to assessments which are secured by a continuing lien upon the property against which the assessment is made. Any assessments which are not paid when due shall be delinquent. If the assessment is not paid within thirty (30) days after the due date, the assessment shall bear interest from the date of the delinquency at the rate of eighteen percent (18%) per annum, and the Association may bring an action at law against the Member personally obligated to pay the same, or foreclose the lien against the property, and interest, costs, and reasonable attorney's fees of any such action or foreclosure shall be added to the amount of such assessment. No Member may waive or otherwise escape liability for assessments provided for herein by nonuse of the Common Area or abandonment of his Lot.

ARTICLE XIV

CORPORATE SEAL

The Association shall have a seal in circular form having within its circumference the words: THE CARTHAGE SQUARE HOMEOWNER'S ASSOCIATION, INC.

ARTICLE XV

AMENDMENTS

Section 1. These By-Laws may be amended, at a regular or special meeting of the Members, by a vote of a majority of a quorum of Members present in person or by proxy, except that the Federal Housing Administration or the Veterans Administration shall have the right to veto amendments while there is Class B Membership.

Section 2. In the case of any conflict between the Articles of Incorporation and these By-Laws, the Articles shall control; and in the case of any conflict between the Declaration and these By-Laws, the Declaration shall control.

ARTICLE XVI

MISCELLANEOUS

Section 1. Severability. Invalidation of any covenant, conditions, restriction or other provisions of the Declaration or these By-Laws shall not affect the validity of the remaining portions thereof which shall remain in full force and effect.

Section 2. Gender, Singular, Plural. Whenever the context so permits, the use of the singular or plural shall be interchangeable in meaning and the use of any gender shall be deemed to include all genders.

Section 3. Fiscal Year. The fiscal year of the Association shall begin on the first day of January and end on the 31st day of December of each year, except that the fiscal year shall begin on the date of incorporation.

IN WITNESS WHEREOF, we, being all the Directors of THE CARTHAGE SQUARE HOMEOWNER'S ASSOCIATION, INC. have hereunto set our hands and seals, this the _____ day of _____, and year of _____.

_____(SEAL)_____(DATE)
DIRECTOR

_____(SEAL)_____(DATE)
DIRECTOR

_____(SEAL)_____(DATE)
DIRECTOR

