

DECLARATION

OF

VILLAGES AT OAK TREE RECREATION ASSOCIATION, INC.

THIS DECLARATION, made on the date hereinafter set forth by MORRISON COVE, L.L.C., a North Carolina limited liability company, hereinafter referred to as “Declarant”; Scott K. Thorson and wife, Sondra H. Thorson, hereinafter referred to as “Owner” and Squires Homes, Inc., hereinafter referred to as “Home Builder”.

WITNESSETH:

WHEREAS, Declarant is the developer of the Villages at Oak Tree, a planned residential development located adjacent to Lake Norman in Iredell County, North Carolina which is comprised of or will be comprised of three villages: Morrison Cove at Oak Tree on the east side of Oak Tree Road and Wyndham Shores at Oak Tree and and Oak Tree Landing on the west side of Oak Tree Road, and Home Builder has purchased certain Lots from Declarant in Morrison Cove at Oak Tree.

WHEREAS, Declarant desires to provide certain amenities for the Villages at Oak Tree including a swimming pool, cabana, boat ramp and entrance signage to be constructed on common areas within the development, which amenities will be for the common use and benefit of Lot Owners, and to provide for the maintenance and upkeep of such amenities.

WHEREAS, Declarant desires to provide for a system whereby the Lot Owners will pay for the maintenance and upkeep of the Common Area and whereby the Lot Owners will abide by the restrictions, rules and regulations imposed by the Declaration, the Declaration.

WHEREAS, Declarant deems it desirable to create an organization to own, maintain and manage the Common Area for the Villages at Oak Tree and to perform services and enforce covenants and restrictions exclusively applicable to the Villages at Oak Tree Common Area and to collect and disburse the assessments

and charges hereinafter imposed.

WHEREAS, Declarant has caused to be created for the purposes aforesaid, a North Carolina non-profit corporation under the name and style of Villages at Oak Tree Recreation Association, Inc.

NOW, THEREFORE, Declarant, Home Builder and Owner declare that the property described in Section 1 of Article II, and such additions thereto as may hereafter be made pursuant to Article II hereof, are and shall be owned, held, transferred, sold, conveyed, and occupied subject to the following covenants, conditions, restrictions, easements, charges and liens which shall run with the Lots and be binding upon and inure to the benefit of all Lot Owners thereof, their heirs, personal representatives, successors and assigns.

ARTICLE I

DEFINITIONS

Section 1. “Association” means Villages at Oak Tree Recreation Association, Inc., a North Carolina non-profit corporation, its successors and assigns.

Section 2. “Boat Storage Area” means the area(s) designated “Boat Storage Area” on map(s) of the Project recorded in the Iredell Public Registry.

Section 3. “Common Area,” means the areas designated “Common Area” on map(s) of the Project recorded in the Iredell Public Registry and all real property, easements and improvements thereon, owned or held in trust for the benefit of the Association for the common use and enjoyment for its members.

Section 4. “Builder” means any Person other than Home Builder in the business of building and selling homes to individuals and selected by Declarant to buy Lots and construct homes for sale in the Project, so long as any such Builder in is good standing with Declarant.

Section 5. “Declarant” means Morrison Cove, L.L.C., a North Carolina limited liability company, and any successor or assign to whom it assigns its interest as Declarant hereunder in whole or in part by instrument recorded in the official records of the County.

Section 6. “Declaration” means this Declaration and all amendments or supplements thereto.

Section 7. “Entrance Monument” means the Villages at Oak Tree entrance monument located on a portion of Common Area on Oak Tree Road.

Section 8. “Home Builder” means Squires Homes, Inc., a Delaware corporation, and any Declarant-approved successor or assign to whom Squires Homes, Inc. assigns its interest as Home Builder in the Declaration in whole or in part by instrument recorded in the official records of the County and which contains the written consent of Declarant so long as such Home Builder is not in material breach under its contractual agreement with Declarant.

Section 9. “Lot” means any numbered lot or plot of land, together with any improvements thereon, as shown upon any recorded final subdivision map covering the Project or a part thereof, which is not a dedicated street or Common Area as defined in the Declaration.

Section 10. “Lot Owner” means the record owner, whether one or more persons or entities, of a fee simple title to any Lot as defined in the Declaration.

Section 11. “Member” is a member of the Association.

Section 12. “Mortgage” means a mortgage or deed of trust which constitutes a first lien upon a Lot given to a bank, savings and loan association or other institutional lender or individual for the purpose of securing indebtedness incurred to purchase or improve a Lot.

Section 13. “Mortgagee” means the holder of the beneficial interest in any Mortgagee.

Section 14. “Persons” means an individual corporation, partnership, trustee or other legal entity capable of holding title to real property.

Section 15. “Project” means the planned development known as Villages at Oak Tree which includes or will include Morrison Cove at Oak Tree, Wyndham Shores at Oak Tree and Oak Tree Landing which shall be developed and constructed on the Property, and any Additional Phases and Additional Land made

subject to the Declaration by recordation of a Supplemental Declaration pursuant to Article II of the Declaration.

Section 16. “Property” means the property shown on the map as defined in the Declaration exclusive of the public rights of way shown on the map, which Property includes the Lots and the Common Area.

Section 17. “Recreation Common Area” means the portion of Common Area designated “Recreation Common Area” or “Amenity Area” on map(s) of the Project or Morrison Cove at Oak Tree recorded in the Iredell Public Registry.

Section 18. “Rules and Regulations” means reasonable rules and regulations as may be adopted from time to time by the Association.

ARTICLE II

PROPERTY SUBJECT TO THIS DECLARATION ADDITIONS THERETO

Section 1. Existing Property. The real property which is and shall be held, transferred, sold, conveyed, and occupied subject to this Declaration, irrespective of whether there may be additions thereto as hereinafter provided, is located in Iredell County, North Carolina and is shown on the maps recorded in May Book 25 at Pages 93, 94, 95 and 122 in the Office of the Register of Deeds for Iredell County.

This property shall be hereinafter referred to as “Existing Property”.

Section 2. Additions to Existing Property. Additional property may be brought within the scheme of this Declaration and the jurisdiction of the Association in the following ways:

(a) Additional land within the area described on Exhibit A attached hereto or which is contiguous to the property described on Exhibit A may be annexed to the Existing Property by Declarant or its designated assign (but shall not be required to be annexed) and brought within the scheme of this Declaration and within the jurisdiction of the Association, in future stages of development, without the consent of the Association or its members; provided, however, that said annexations, if any, must occur within ten (10) years after the date of this

instrument.

(b) Additional residential property (and common area), outside of the area described in the aforementioned Exhibit A may be annexed to the Properties and brought within the scheme of this Declaration and the jurisdiction of the Association, with the consent of the members entitled to at least sixty percent (60%) of the votes appurtenant to all Class B Members, if any, as hereinafter defined in Article III, Section 2. The association may participate in mergers or consolidations with other non-profit corporations organized for the same or similar purposes as the Association, thereby adding to the Association, or to a surviving homeowners association, the properties, rights and obligations of the non-profit corporation with which it merges or consolidates. Any such merger or consolidation shall have the assent of the members as provided above in this subsection (b), and no such merger or consolidation shall revoke, change or add to any of the provisions of this Declaration except as herein provided.

(c) The additions authorized under Subsection (a) and (c) shall be made by filing of record Supplementary Declarations with respect to the additional properties which shall extend the scheme of this Declaration and the jurisdiction of the Association to such properties thereby subject such additions to assessment for their just share of the Association's expenses. Said Supplementary Declarations may contain such complementary additions and modification of the covenants, conditions and restrictions contained in this Declaration as may be necessary to reflect only the different character of the added properties and as are not inconsistent with the provisions of this Declaration.

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. Voting Rights. The Association shall have two classes of voting Membership:

Class A. Class A Members shall be all Lot Owners with the exception

of Home Builder and Declarant; provided, however, that Home Builder and Declarant shall become a Class A Member when their Class B Membership ceases as provided hereinafter. Class A Members shall be entitled to one (1) vote for each Lot owned. When more than one person holds an ownership interest in any Lot, all such persons shall be Members, but no more than one vote shall be cast with respect to any Lot. The vote for any such Lot shall be exercised as the Members holding an interest in such Lot determine among themselves. In the event of disagreement, the decision of Members holding a majority of interest in such Lot shall govern. Unless otherwise notified by a co-owner as to a dispute between the co-owners regarding their vote prior to the casting of that vote, the vote of a co-owner shall be conclusively presumed to be the majority vote of the Lot owners of that Lot.

Class B. Class B Members shall be Declarant and Home Builder and shall be entitled to three (3) votes for each Lot owned; provided that Declarant's and Home Builder's Class B Memberships shall cease and be converted to Class A Membership on the happening of either of the following events, whichever occurs earlier: (i) the conveyance of seventy-five percent (75%) of all Lots within the Project to Lot Owners other than Declarant or Home Builder, or (ii) seven (7) years after the first Lot is conveyed to an Owner for use as that Owner's residence.

Section 3. Suspension of Voting Rights. Voting rights attributable to an ownership interest in a Lot shall be suspended throughout the term of any default under these By-Laws by a Lot Owner.

Section 4. Control by Declarant and Home Builder. Notwithstanding any other language or provision to the contrary in the By-Laws, in the Articles of Incorporation, or in this Declaration, Declarant and Home Builder hereby retain the right to appoint and remove any Members of the Board of Directors of the Association and any officers or officers of the Association until ninety (90) days after the first of the events to transpire outlined in Section 2 concerning the termination of the Class B Member status of Declarant and Home Builder; or the surrender by Declarant and Home Builder of the authority to appoint and remove directors and officers by a written letter to the Association. Upon the expiration of the period of Declarant's and Home Builder's right to appoint and remove directors and officers of the Association pursuant to the provisions of this Section, such right shall automatically pass to the Lot Owners, including Declarant and Home Builder if they then own one or more Lots; and a special meeting of the Association shall be called for and held within ninety (90) days from the date of

the expiration of Declarant's and Home Builder's rights hereunder. At such special meeting, the Lot Owners shall elect a new Board of Directors which shall undertake the responsibilities of running the Association and Declarant and Home Builder shall deliver the books, accounts, and records, if any, which they have kept on behalf of the Association as well as any agreements or contracts executed by or on behalf of the Association which may still be in effect or operation. Each Lot Owner by acceptance of a deed to or other conveyance of the Lot vests in Declarant and Home Builder such authority to appoint and remove directors and officers of the Association as provided in this Section.

ARTICLE IV

PROPERTY RIGHTS

Section 1. Owner's Easement of Enjoyment. Except as limited by Section 2 of this Article IV, every Lot Owner shall have a right and easement of enjoyment in and to the Common Area established initially and in all future Stages or Sections of the development, which right and easement 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 for the use of any facility situated upon the Common Area and to limit the use of said facilities to Lot Owners who occupy a residence on the Properties, and to their families, tenants, and guest as provided in Section 2 of this Article IV;
- (b) The right of the Association to suspend the voting rights and rights of a Lot Owner to the use of the facilities for any period during which any assessment against his lot remains unpaid; and for a period not to exceed sixty (60) days for any infraction of its published rules 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 the members entitled to at least three-fourths ($\frac{3}{4}$) of the votes appurtenant to all Class A lots and at least three-fourths ($\frac{3}{4}$) of the votes appurtenant to all Class B lots agree to such dedication or transfer and signify their agreement by a signed and recorded written document, provided that this subsection shall not preclude the Board of Directors of the Association from granting easements for the installation and maintenance of

sewerage, utilities, including CATV, and drainage facilities upon, over, under and across the Common Area without the assent of the membership when such easements, in the opinion of said Board, are requisite for the convenient use and enjoyment of the Property.

(d) The right of the Association, with the assent of members entitled to at least two-third (2/3) of the votes appurtenant to each class of lot (Class A and B), to mortgage, pledge, deed in trust, or otherwise hypothecate any or all of its real or personal property as security for money borrowed or debts incurred.

Section 2. Delegation of Use.

(a) Family. The right and easement of enjoyment granted to every Lot Owner in Section 1 of this Article may be exercised by members of the Lot Owner's family who occupy the residence of the Lot Owner within the Project as their principal residence in Iredell County, North Carolina.

(b) Tenants. The right and easement of enjoyment granted to every Lot Owner in Section 1 of this Article may be delegated by the Lot Owner to his tenants or contract purchasers who occupy a residence within the Project, or a portion of said residence, as their principal residence in Iredell County, North Carolina.

(c) Guests. Facilities located on common areas situated within the Project may be utilized by guests of Lot Owners, tenants or contract purchasers subject to such rules and regulations governing said use of the Association as may be established by the Board of Directors.

ARTICLE V

COVENANT FOR MAINTENANCE ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligation for Assessments. Declarant and Home Builder, for each Lot owned within the Property, hereby covenants, and each Lot Owner of any Lot by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Association Annual Assessments and Special Assessments, as hereinafter defined, for maintenance and repair costs of the Common Area established and collected as hereinafter provided. Any such assessment or charge,

together with interest, costs and reasonable attorneys' fees, shall be a charge and a continuing lien upon the Lot against which each such assessment or charge is made upon the right to use the Common Area. Each such assessment or charge, together with interest, costs and reasonable attorneys' fees, shall also be the personal obligation of the Lot Owner of such Lot effective at the time when the assessment fell due. The personal obligation for delinquent assessments or charges shall not pass to a Lot Owner's successors in title unless expressly assumed by them.

Section 2. Purpose of Annual Assessments. The assessments to be levied annually by the Association against each Lot (“Annual Assessments”) shall be used as follows:

(a) to repair and maintain the Entrance Monument, including the erection and maintenance of signage, planters, irrigation, lighting and landscaping on the Entrance Monument, and to provide and pay for utility charges for irrigation and lighting of the signage located thereon;

(b) to keep the Entrance Monument clean and free from debris, to maintain same in a clean and orderly condition and to maintain the landscaping thereon in accordance with the highest standards for private parks, including any necessary removal and replacement of landscaping and repair of irrigation systems;

(c) to keep the Common Areas, including the Recreation Common Area, clean and free from debris, to maintain the same in a clean and orderly condition and to maintain the landscaping thereon in accordance with the highest standards for private parks, including any necessary removal or replacement of landscaping;

(d) to repair and maintain the Recreation Common Area, including the pool, cabana, boat ramp and parking area;

(e) to repair and maintain the Boat Storage Area;

(f) to pay all ad valorem taxes levied against the Common Areas and any other property owned by the Association;

(g) to pay the premiums on all insurance carried by the Association

pursuant hereto or pursuant to the Bylaws;

(h) to pay all legal, accounting and other professional fees incurred by the Association in carrying out its duties as set forth herein or in the Bylaws;

(i) to maintain contingency reserves as to the amounts described in subsections (a) through (e) above in amounts determined by the Board of Directors and

(j) to promote the recreation, health, safety and welfare of the residents in the Villages at Oak Tree as it relates to this Association.

Section 3. Payment of Annual Assessments: Due Dates.

The Annual Assessments provided for herein shall commence and be due and payable annually in advance as to each completed Lot on January 1, 1996. The Annual Assessments for the fiscal year beginning January 1, 1996, shall be a maximum of \$500.00 per Lot owned by a Class A Member and \$166.66 per Lot owned by a Class B Member or Builder; provided, however, that if the first assessment year shall have fewer than twelve (12) months, the foregoing amounts shall be proportionately reduced. The Annual Assessments for each and every year thereafter shall be in an amount as set by the Board of Directors, in accordance with Sections 4 and 6 of this Article V, and shall be due and payable no later than January 31 of each such fiscal year or as determined by the Board of Directors. The Board of Directors shall fix the amount of the Annual Assessment as to each Lot for any fiscal year at least thirty (30) days prior to January 1 of such fiscal year, and the Association shall send written notice of the amount of the Annual Assessment, as well as the amount of the first installment due, to each Lot Owner on or before January 1 of such fiscal year. Failure of the Association to send the notice described in this Section 3 shall not relieve the Owners of their liability for Annual Assessments.

Section 4. Maximum Annual Assessment.

(a) For fiscal years beginning January 1, 1997, and thereafter, the Board of Directors, by a vote in accordance with the By-Laws, without a vote of the Members, may increase the Annual Assessments each year by a maximum amount equal to the previous year's Annual Assessments times the greater of (1) ten percent (10%), or (2) the annual percentage increase in the Consumer Price

Index, All Urban Consumers, United States, All Items (1982-84=100) (hereinafter "CPI") issued by the U.S. Bureau of Labor Statistics for the most recent 12-month period for which the CPI is available. If the CPI is discontinued, then there shall be used the index most similar to the CPI which is published by the United States Government indicating changes in the cost of living. If the Annual Assessments are not increased by the maximum amount permitted under the terms of this provision, the difference between any actual increase which is made and the maximum increase permitted for that year shall be computed and the Annual Assessments may be increased by that amount in a future year, in addition to the maximum increase permitted under the terms of the preceding sentence for such future year, by a vote of the Board of Directors, without a vote of the Members.

(b) For fiscal years beginning January 1, 1997, the Annual Assessments may be increased without limitation if such increase is approved by a vote of no less than two-thirds (2/3) of each class of Members owning Lots, at a meeting duly called for this purpose.

(c) The Board of Directors may fix the Annual Assessments at an amount not in excess of the maximum set forth in subparagraph (a) above (the "Maximum Annual Assessment"). If the Board of Directors shall levy less than the Maximum Annual Assessment for any calendar year and thereafter, during such year, determine that the important and essential functions of the Association as to the Common Area cannot be funded by such lesser assessment, the Board may, by a vote in accordance with the By-Laws, levy a supplemental Annual Assessment (Supplemental Annual Assessment"). In no event shall the sum of the Annual and Supplemental Annual Assessments for any year exceed the applicable Maximum Annual Assessment for such year.

Section 5. Special Assessments for Capital Improvements. In addition to the Annual Assessments authorized above, the Association may levy, in any assessment year, a special assessment ("Special Assessment") applicable to that year only for the purpose of defraying, in whole or in part, the cost of any reconstruction, repair or replacement of the Common Area, including the pool, cabana, boat ramp, entrance monument, boat storage area, parking areas, and any capital improvement located thereon, including lighting, water lines and other fixtures, poles, wires, railings and other facilities located thereon and personal property related thereto; provided that any such assessment must be approved by a vote of no less than two-thirds (2/3) of each of class of Members taken at a duly held meeting of such Members in accordance with the By-Laws called for this

purpose.

Section 6. Assessment Rate.

(a) With exception set forth in subsection (b) below, both Annual and Special Assessments must be fixed at a uniform rate for all Lots;

(b) Annual and Special Assessments for each Lot owned by Declarant or Home Builder shall be one-third (1/3) of the Annual and Special Assessments for each other Lot not owned by Declarant or Home Builder.

Section 7. Commencement of Assessments. The Annual Assessments provided for herein shall commence as to all Lots on a particular recorded map of a portion of the Villages at Oak Tree on the first day of the month following the month in which a Lot on that particular recorded map is conveyed by Declarant, Home Builder, or a Builder to an Owner other than Home Builder or Builder for occupancy. The first assessment year shall be the period commencing on the date regular annual assessments commence and ending on the December 31 next following. The regular Annual Assessment for the first assessment year shall be prorated from the amount fixed by the Board for a full twelve-month year, based on the number of months to be contained in the first assessment year. Subsequent assessment years shall be each successive calendar year; provided, however, that at any time the Board may change the assessment year to correspond to a fiscal year selected by the Board. Assessments of Lots on a recorded map of a portion of the Project which is annexed in accordance with the provision of Article II shall commence on the first day of the month next following the conveyance of the first Lot to a purchaser other than Home Builder or Builder.

Notwithstanding the provisions of this Article V hereof, the Declarant and Home Builder may at their election, postpone, in whole or in part, the date on which the Annual Assessment shall commence, provided that the Declarant and Home Builder maintain the Common Areas and Entrance Monument for which no assessment is being collected during the period of such postponement.

Section 8. Certificate Regarding Assessments. 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. A properly executed certificate of the Association as to the status of assessments on a Lot is binding upon the Association as of the date of its issuance.

Section 9. Special Assessments Regarding Damage to Common Area. In addition to the powers for assessments set forth herein, the Board of Directors shall have the power to levy a special assessment applicable to any particular Owner responsible for damage to the Common Area, through intentional conduct or any act or omission of himself, members of his family, his agents, guests, employees or invitees.

Section 10. Effect of Nonpayment of Assessments: Remedies of the Association. Any Annual or Special Assessment installment not paid by its due date as set forth in in Article V, Section 3 hereof, or any other assessment not paid by its due date, shall bear interest from such due date at the rate of eighteen percent (18%) per annum or the highest rate then permitted by law whichever is less. In addition to such interest charge, the delinquent Owner shall also pay such late charge as may have been theretofore established by the Board of Directors to defray the costs arising because of late payment. The Association may bring an action at law against the delinquent Owner or foreclose the lien against the Lot; and interest, late payment charges, costs and reasonable attorney's fees related to such action or foreclosure shall be added to the amount of such assessment. The Association shall also have the right to suspend the right to use the Common Area and voting rights of an Owner for any period during which any assessment against his Lot remains unpaid or for any infraction of the Rules and Regulations for the duration of the infraction and for an additional period not to exceed ninety (90) days. No Owner may waive or otherwise escape liability for the assessments provided herein by not using the Common Area.

Section 11. Subordination of the Lien to Mortgages. The lien of the assessments provided for in Article V of this Declaration shall be subordinate to the lien of any first Mortgage on a Lot. Sale or transfer of any Lot shall not affect the assessment lien. The sale or transfer of any Lot pursuant to mortgage foreclosure, or any proceeding in lieu thereof, however, shall extinguish the lien of such assessments as to payments which became due prior to such sale or transfer; provided, however, that the Board of Directors may in its sole discretion determine such unpaid assessments to be an Annual or Special Assessment, as applicable, collectable pro rata from Owners, including the foreclosure sale purchaser. Such pro rata portions are payable by all Owners notwithstanding the fact that such pro rata portions may cause the Annual Assessment to be in excess of the maximum Annual Assessment permitted hereunder. No sale or transfer shall relieve the purchaser of such Lot from liability for any assessments thereafter becoming due or from the lien thereof, but the lien provided for herein shall continue to be

subordinate to the lien of any mortgage or deed of trust as above provided.

ARTICLE VI

BOAT STORAGE AREA

Section 1. Boat Storage Area. The area or area(s) shown as Boat Storage Area on map (s) of the Project or Wyndham Shores at Oak Tree have been designated by Declarant as a Boat Storage Area for the use and benefit of Lot Owners in Morrison Cove at Oak Tree and Wyndham Shores at Oak Tree. The Boat Storage Area will be owned by the Villages at Oak Tree Recreation Association, Inc. but will not be Common Area for the Villages at Oak Tree. The Boat Storage Area will consist of an asphalt paved area divided into numbered parking or storage areas and will be enclosed by a chain link fence with a gate.

Section 2. Use. The individual numbered parking spaces will be made available to Lot Owners in Morrison Cove at Oak Tree and Wyndham Shores at Oak Tree on a first-come, first-served basis; provided, however, Declarant and Home Builder shall have the right, at their sole discretion, to reserve up to one-half of the parking spaces for Lot Owners in Morrison Cove at Oak Tree and one-half of the parking spaces for Lot Owners in Wyndham Shores at Oak Tree.

Users of the parking spaces shall enter into a lease agreement with the Association which governs the use of the parking spaces. In addition, upon commencement of the lease term for the parking space, the user shall pay to the Association a monthly rental fee, initially in the amount of \$10.00 per month or \$120.00 annually as determined by the Board. Declarant and Home Builder during their period of control of the Association and thereafter, the Association shall have the right to adjust the initial, up-front fee and the monthly rental fee. It is the intent of the Declarant and Home Builder that the maintenance, repair and replacement, including maintaining capital reserves, of the Boat Storage Area be borne by the users of the Boat Storage Area and not by all Lot Owners in the Village at Oak Tree.

ARTICLE VII

INDEMNIFICATION OF OFFICERS AND DIRECTORS

The Association shall indemnify any and all persons who may serve or

whom have served at any time as directors or officers of the Association against any and all expenses, including amounts paid upon judgments, counsel fees and amounts paid in settlement (before or after suit is commenced), actually and necessarily incurred by such persons in connection with the defense or settlement of any claim, action, suit or proceeding in which they, or any of them, are made parties, or a party, which may be asserted against them or any of them, by reason of being or having been directors or officers or a director or an officer of the Association, except in relation to matters as to which any such director or officer or former director or officer or person shall be adjudged in any action, suit, or proceeding guilty of willful and intentional negligence or misconduct in the performance of his or her duties to the Association. Provided, however, that in the event of a settlement, the indemnification herein shall apply only when the Board of Directors approves such settlement and reimbursement as being in the best interest of the Association.

The provisions hereof shall be in addition to and not exclusive of any and all other rights to which any director or officer may otherwise be entitled under any law, By-law, agreement, vote of Association Members or otherwise. In the event of death of any officer or director, the provisions hereof shall extend to such person's legal heirs, representatives, successors and assigns. The foregoing rights shall be available whether or not such person or persons were in fact directors or officers at the time of incurring or becoming subject to such expenses, and whether or not the proceeding, claim, suit or action is based on matters which antedate the adoption of this Declaration of Lot Area.

ARTICLE VIII

GENERAL PROVISIONS

Section 1. Enforcement. The Association, or any Lot 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 by any Lot 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. Amendment. The covenants and restrictions of this Declaration shall run and bind the Lots, for a term of twenty-five (25) years from the date this Declaration is recorded, after which time they shall be automatically extended for successive periods of ten (10) years unless terminated or altered by a vote of seventy-five (75%) percent of a vote of the Owners after the expiration of said twenty-five (25) year period. This Declaration may be amended during the first twenty-five year period by an instrument signed by the Lot Owners of not less than eighty (80%) percent of the Lots, and thereafter by an instrument signed by the Lot owners of not less than seventy-five (75%) percent of the Lots. Any amendment must be properly recorded. For the purpose of this section, additions to existing Lots as provided in Article II, Section 2 hereof shall not constitute an "amendment".

IN WITNESS WHEREOF, Declarant has caused this instrument to be executed this _____ day of _____, 1996.

MORRISON COVE, L.L.C. (SEAL)

By: _____ (SEAL)
B. V. Belk, Jr., Manager

ATTEST:

Secretary

By: _____
President

Scott K. Thorson (SEAL)

Sondra H. Thorson (SEAL)

STATE OF NORTH CAROLINA
COUNTY OF MECKKLENBURG

I, _____, a Notary Public for the County and State aforesaid, do hereby certify that B. V. Belk, Jr., Manager of MORRISON COVE, L.L.C., personally appeared before me this day and acknowledged the execution of the foregoing instrument.

WITNESS my hand and official seal this _____ day of _____, 1996.

Notary Public

My Commission Expires: _____

STATE OF NORTH CAROLINA
COUNTY OF MECKKLENBURG

This _____ day of _____, 1996, personally appeared before me _____ who being duly sworn says that he is _____ President of SQUIRES HOMES, INC., a North Carolina corporation; and that the seal affixed to the foregoing instrument in writing is the corporate seal of said corporation, and that said writing was signed and sealed by him in behalf of said corporation by its authority duly given. And the said _____ President acknowledged the said writing to be the act and deed of said corporation.

Notary Public

My Commission Expires: _____

STATE OF NORTH CAROLINA
COUNTY OF MECKLENBURG

I, _____, a Notary Public for the County and State aforesaid, do hereby certify that SCOTT K. THORSON AND WIFE,

SONDRA H. THORSON, personally appeared before me this day and acknowledged the execution of the foregoing instrument.

WITNESS my hand and official seal this _____ day of _____, 1996.

Notary Public

My Commission Expires: _____