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WANDA C. SCOTT
REGISTER OF DEEDS

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BY: *Jan Russell*
DEPUTY
WATAUGA COUNTY, NC

STATE OF NORTH CAROLINA
COUNTY OF WATAUGA

DECLARATION OF COVENANTS AND CONDITIONS

W I T N E S S E T H:

WHEREAS, MOUNTAIN RESOURCE COMPANY, a NORTH CAROLINA CORPORATION, herein called the "Declarant", is the fee simple owner of certain real property located in BLUE RIDGE TOWNSHIP, WATUAGA COUNTY, NORTH CAROLINA, and desires to establish on a portion thereof a roadway to be maintained by FLAT MOUNTAIN PROPERTY OWNERS ASSOCIATION, INC., and further desires that said roadway maintained for the benefit and welfare of owners of property in FLAT MOUNTAIN PROPERTY OWNERS ASSOCIATION, INC.; and

WHEREAS, the Declarant desires to provide for the continued maintenance and operation of the private roads in the community, and

WHEREAS, the Declarant has deemed it desirable for the maintenance and operation of the private roads that certain easements, assessments, and liens be established and declared to be covenants running with the land; and that an agency be created to which will be delegated the powers and duties of maintaining the roads, and collecting and disbursing assessments;

NOW, THEREFORE, in consideration of the premises, the Declarant hereby declares that property hereafter made subject to this Declaration of Covenants and Conditions (hereafter called the "Covenants") shall be held, and matters hereinafter set forth, said Covenants and matters to be construed as covenants running with the land which shall be binding on each tract, or any part thereof, and which shall inure to the benefit of each owner thereof, for and during the time hereinafter specified. Every party hereafter acquiring any tract, or portion thereof, by acceptance of a deed conveying title with specific reference to these Covenants or by execution of a contract of the purchase thereof, whether from the Declarant or a subsequent owner of such tract, shall accept such deed or contract subject to each and all of the covenants and agreements contained within these Covenants, as well as any additions or amendments hereto, and also subject to the jurisdiction, rights and powers of the Declarant, the Flat Mountain Property Owners Association, Inc., and their successors and assigns. Each grantee of any tract subject to these Covenants, by accepting the deed or contract thereto, shall for himself, his heirs, personal representatives, successors and assigns, covenant, consent and agree to and with the Declarant, the Association, and with grantees and subsequent owners of each of the tracts within the Association to keep, observe, comply with and perform said Covenants and agreements.

ARTICLE I
DEFINITIONS

1. "Association" shall mean and refer to the Flat Mountain Property Owners Association, Inc., a non-profit association organized and existing under the laws of the State of North Carolina, its successors and assigns.

2. "Tract" shall mean and refer to any plot of land identified as a tract on any deed of conveyance from the Declarant specifically subjecting it to these Covenants.

3. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of the fee simple title to any tract as herein defined, excluding however, those parties having such interest merely as a security interest for the performance of any obligation.

4. "Flat Mountain" shall mean that land divided into residential lots as described at Map Book 12, Page 173, Watauga County Registry (EXCEPTING lots 1, 2, 29, and 30 whose access is directly from NCSR 1526), as well as any adjoining tracts which the Declarant should choose to add and subject to these restrictions.

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

ARTICLE II
PROPERTY SUBJECT TO THIS DECLARATION AND ADDITIONS THERETO

1. Existing Property. The real property which is subject to this Declaration is that land divided into residential lots as described at Map Book 12, PAGE 173, Watauga County Registry (EXCEPTING lots 1, 2, 29, and 30.

2. Additional Property. The Declarant reserves the absolute right, exercisable in its sole discretion from time to time add tracts to Flat Mountain Property Owners Association, Inc., and to subject such tracts to the terms of these Covenants. Such additions shall be made in order to extend the scheme of these Covenants to all real property that will become part of Flat Mountain Property Owners Association, Inc. and to bring such property within the jurisdiction of the Association, thereby subjecting such tracts to assessment for their just share of the Association's expenses. Such tracts shall be made a part of Flat Mountain Property Owners Association, Inc. by filing of record a deed with reference to this recorded document of Declaration of Covenants, which shall incorporate these Covenants by reference. The Declarant reserves the right to use existing roads for the benefit of such additional property.

3. Excluded Property. No property of Declarant shall be subject to these covenants except that property made subject thereto as herein provided. Any property conveyed by Declarant without specific reference to this recorded document of Declaration of Covenants shall not be subject to these covenants.

ARTICLE III
 PROPERTY RIGHTS

1. Private Roads. Each of the roads in Flat Mountain Property Owners Association, Inc. hereafter designated on any recorded or unrecorded map, is a private road, and neither the execution nor recording of any plat nor any other act of the Declarant or Declarant's successor in title to all or any portion of the property is, or is intended to be, or shall be construed as, a dedication to the public of any roads, except those that hereafter may be dedicated by a specific written and recorded deed or agreement of dedication.

2. Road Maintenance. The expense of maintenance shall be borne by the Declarant until such time as the Association is established.

ARTICLE IV
 PROPERTY OWNERS ASSOCIATION
ADMINISTRATION, MEMBERSHIP AND VOTING RIGHTS

1. Administration of Roads. The administration of the roads, including maintenance, repair, and upkeep of the private roads, including the acts required by the Declaration and the Bylaws, shall be performed by the Association.

2. Rules and Regulations. The Association may also adopt and enforce rules and regulations not inconsistent with these Covenants or the Bylaws of the Association for the operation and administration of the Association of its roads.

3. Membership. Every person or entity who is a record owner of a fee or undivided fee interest in any tract in Flat Mountain Property Owners Association, Inc. and is subjected to these covenants by reference by Declarant on their individual deeds, shall be a member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any tract, and shall be transferred automatically when the owner conveys, devises, gives or otherwise transfers his tract, even though such conveyance, devises or gift does not make mention of the membership rights of the Association.

Such membership is not intended to apply to those persons or entities who hold an interest in any tract merely as security for the performance of an obligation to pay money, e.g., mortgages or deeds of trust; however, if such secured party should realize upon his security and become the fee owner of a tract, he and his assigns of the tract

will then be subject to all the requirements and limitations imposed in these Covenants on owners of tracts within Flat Mountain Property Owners Association, Inc. and on members of the Association, including those provisions with respect to payment of annual charges. The Board of Directors may include reasonable rules relating to the proof of ownership of a tract in the Flat Mountain Property Owners Association, Inc.

4. Voting Rights and Membership.

a. Membership. Every person or entity who is a record owner of a fee simple interest in any tract or dwelling unit which is subjected to these covenants by reference by Declarant on his individual deed, is subject by this Declaration to assessment by the Association and shall be a member of the Association; provided, however, that any such person or entity to hold such interest merely as a security for the performance of any obligation shall not be a member.

b. Voting Rights. Any member shall be entitled to one vote for each dwelling unit or for each tract which he owns. When more than one person or entity holds an interest in any tract or dwelling unit, all such persons or entities shall be members. The vote for such tract or dwelling unit shall be exercised as they determine, but in no event shall more than one vote be cast with respect to any tract, nor shall any vote be fractionalized.

5. Violation or Delinquency. During any period in which a member shall be in default in the payment of any annual, special or other assessment levied by the Association, his rights to vote and all other rights and in the Association may be suspended by the Board of Directors until such assessment is paid. A member's voting and use rights may also be suspended for violation of the Association's published rules and regulations; that prior to any suspension for such violation, the Board of Directors (or a committee thereof) shall conduct a hearing regarding the alleged violation after giving the accused member at least ten (10) days prior written notice specifying each alleged violation and setting the time, place and date of the hearing. At the hearing, the accused member shall have the right to call and question his own witnesses as well as any opposing witnesses. A determination of violation as well as the terms of any suspension shall be made only by a majority vote of the Board.

ARTICLE V
COVENANTS FOR MAINTENANCE ASSESSMENTS

1. Creation of Lien and Personal Obligation for Assessments. The owner of each tract in Flat Mountain Property Owners Association, Inc., by acceptance of a deed now or previously subjected to these covenants by Declarant, therefore, is deemed to covenant and agree to pay to the Association: (a) annual assessments or charges; and (b) special assessments for capital improvements. The annual and special assessments, together with interest, costs and reasonable attorney's fees, shall be a charge on the land and shall constitute a continuing lien upon the property against which each assessment is made. Each such assessment, together with interest, cost and reasonable attorney's fees, shall also be the personal obligation of the person who was owner of such property at the time when the assessment fell due. However, the personal obligation for delinquent assessments shall not pass to his successors in title (other than as the continuing lien on the land) unless expressly assumed by such successor.

2. Purpose of Assessments. All assessments levied by the Association shall be used to provide funds for such purposes as the Association may determine are for the benefit of its members. Such purposes may include, but are not limited to: maintenance of the roads; construction, repair and replacement of improvements upon the roads; the cost of labor, equipment, materials, management and supervision thereof; the procurement and maintenance of insurance; the employment of attorneys, accountants and other professionals to represent the Association when necessary or useful; and such other needs as may arise.

3. Determination of Assessment Amount. Prior to December 31 of each year the Board of Directors shall prepare a budget for the next calendar year and based upon such budget, the Board shall fix the

assessment amount for all property owners equally one share each for each tract.

4. Payment of Assessments. All annual and special assessments provided for herein shall commence as to all tracts on the first day of the month following the transfer of title to owner. The annual assessment shall be adjusted according to the number of months remaining in the calendar year. Thereafter, payment of assessments shall be made annually to the Association or its designee, on or before the due date established by the Board; however, the Board may elect to receive payments on a quarterly basis. The Board of Directors shall fix the amount of the annual assessment at least thirty days before the due date and written notice of the charge so fixed shall be sent to each member.

5. Special Assessments. In addition to the annual assessment authorized above, the association may levy, in any assessment year, a special assessment applicable to the year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of any roads. Prior to the imposition of any such special assessment, two-thirds (2/3) of each class of members voting at a meeting called to consider such assessment and at which a quorum was present, must vote their assent to its imposition.

6. Notice and Quorum. Except for a vote to amend the covenants contained herein, the notice and quorum required for any sections of the Association authorized by Article IV and V of this Declaration or as otherwise in the Bylaws or by law provided, shall be as follows;

a. Written notice of any meeting called for the purpose of taking any action authorized under Articles IV and V of these Covenants shall be sent to all members not less than ten (10) days nor more than sixty (60) days in advance of the meeting.

b. Members may attend and may vote in person or by proxy executed in writing by a member. No proxy shall be valid after eleven (11) months from the date of its execution, or after conveyance by the member of his tract.

c. At any meeting called for the purpose of taking some action by the Association membership the presence in person or by proxy of members entitled to cast 20% of all the votes shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and any number of members attending such subsequent meeting, so long as such number represents at least 10% of all the outstanding votes shall constitute a quorum. No such subsequent meeting shall be held more than six (6) months following the scheduled date of the preceding meeting.

7. Exempt Property. All tracts owned by the Declarant shall be exempt from the assessments and charges created herein. In addition, the lien of a mortgage or deed of trust representing a first lien placed upon any tract for the purpose of purchasing the tract or for permanent financing and/or constructing a residence or the improvement thereon recorded in accordance with the applicable state laws from the date of recordation, shall be superior to any and all liens provided for herein. The sale or transfer of any tract by foreclosure of any first mortgage or any proceeding in lieu thereof, shall not extinguish the lien of such assessments as to payments due prior to such sale or transfer, provided such transfer shall not have been made for the purpose of defeating the lien.

8. Continuance of Lien.

a. The assessments and charges created herein shall constitute a continuing lien upon all tracts in Flat Mountain Property Owners Association, Inc. and no owner may waive or in any way reduce his liability for the assessment by non-use of road or abandonment of his tract.

b. In the event that any charge or assessment created in this Declaration remains unpaid by an Association member for thirty (30) days after the due date announced by the board of Directors, the Associations, through its agents and employees, may record with the Watauga County Clerk of court a notice of the lien created by this Declaration.

9. Effect of Nonpayment of Assessments: Remedies of the Association. In the event that any assessment or charge created herein remains unpaid for thirty (30) days after the due date announced by the

Board of Directors, such unpaid assessment shall bear interest from the date of delinquency, said interest rate to be set by the Board of Directors from time to time, but in no event shall it exceed the maximum interest rate allowed by law. The Association, its agent or representative, may bring an action by law against the owner personally obligated to pay the same and/or foreclose the lien against the tract subject to the unpaid assessment in either case, interest, costs and reasonable attorney's fees shall be added to the amount of such assessment to the extent allowed by law. Any foreclosure conducted pursuant to this section shall comply fully with the North Carolina procedure for judicial foreclosure.

10. Certificate of Payment. The Association shall, upon demand at any time, furnish a certificate in writing signed by an officer of the Association certifying that the charges on a specified tract have been paid or that certain charges against said tract remain unpaid, as the case may be. A reasonable charge may be made by the Board of Directors of the Association for the issuance of these certificates. For the purposes of obtaining a certificate, interested parties should contact the Association at its address.

ARTICLE VI GENERAL PROVISIONS

1. Enforcement. The Association shall have the right to enforce, by any proceeding at law or in equity, all conditions, covenants, reservations, liens and charges now or hereafter imposed by the provisions of this Declaration. Failure by the Association or by any owner to enforce any covenant herein contained shall in no event be deemed a waiver of the right to do so thereafter.

2. Term. The Covenants shall affect and run with the land and shall exist and be binding upon all parties and all persons claiming under them until January 1, 2021. By accepting a deed to a tract subject to these Covenants, the tract owners agree that after January 1, 2021, these Covenants shall be extended automatically for successive periods of ten (10) years each, unless an instrument signed by the members holding more than fifty (50) percent of the voting rights in the Association has been recorded, agreeing to change the covenants in whole or in part; provided, however, that at any time after January 1, 1994, these Covenants may be ended by the vote of two-thirds (2/3) of each Class of members of the Association to make variations in the Covenants but not to make changes that would annul any material rights of owners provided herein.

3. Mutuality of Benefit and Obligation. The Covenants and agreements set forth herein are made for the mutual and reciprocal benefit of each and every tract in this Association and are intended to create mutual, equitable servitudes upon each tract in favor of each and all of the other tracts therein; to create a privity of contract and estate between the grantees of said tracts, their heirs, successors and assigns, and to the Association, and shall, as to the owner of each tract, his heirs, successors and assigns, operate as covenants running with the land for the benefit of each and all other tracts in Flat Mountain Property Owners Association and their respective owners. Declarant, so long as it shall own a tract in its own name, any tract owner or the Association shall have the right to enforce these Covenants.

4. Severability. Every part of these Covenants are hereby declared to be independent of, and severable from the rest of the Covenants and of and from every other one of the Covenants and of and from every combination of the covenants. Therefore, if any of the Covenants shall be held to be invalid or to be unenforceable or to lack the quality of running with the land, that holding shall be without effect upon the validity, enforceability, or "running" quality of any other one of the Covenants.

5. Captions. The captions preceding the various paragraphs and subparagraphs of these Covenants are for convenience or reference only, and none of them shall be used as an aid to construction of any provision of these Covenants. Wherever and whenever applicable, the singular form of any word shall be taken to mean or apply to the plural,

and the masculine form shall be taken to mean or to apply to the feminine or to the neuter.

6. Right of Declarant or Association to Amend to Achieve Tax-Exempt Status. The Board of Directors of the Association, may amend this Declaration as shall be necessary, in its opinion, and without the consent of any owner, in order to qualify the Association or the properties or any portion thereof, for tax-exempt status. Such amendment shall become effective upon the date of its recordation in the Watauga County Registry.

IN WITNESS WHEREOF, MOUNTAIN RESOURCE COMPANY, a North Carolina Corporation has caused this Declaration to be executed, this the 21st day of May, 1993.

MOUNTAIN RESOURCE COMPANY,
a NORTH CAROLINA CORPORATION

BY: R B Johnston, Jr.
R B Johnston, Jr, Pres.



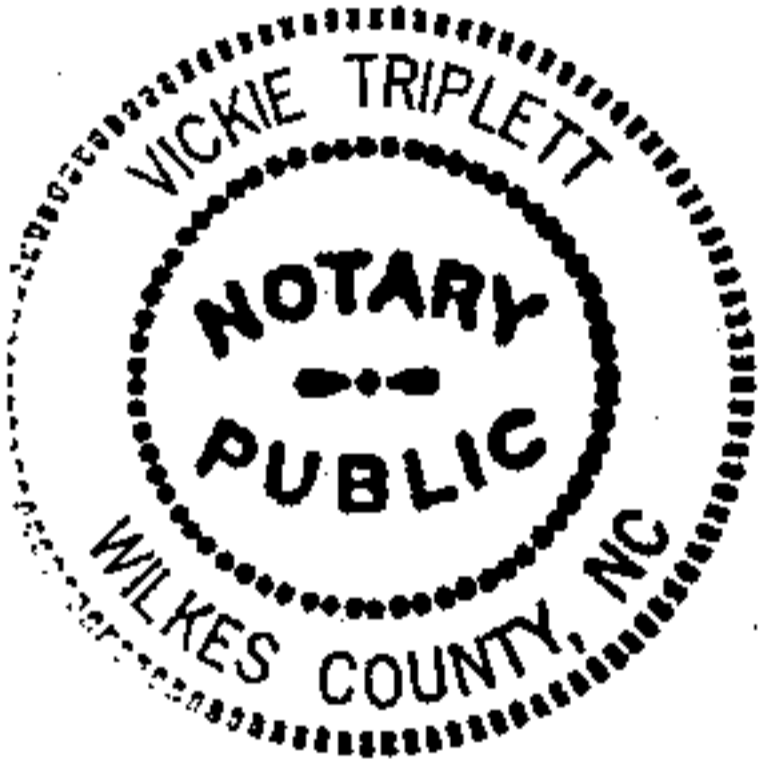
ATTEST: Wm C Johnston
Wm C Johnston, Sec.

NORTH CAROLINA
WILKES COUNTY

I, a Notary Public of the County and State aforesaid, certify that WM C JOHNSTON personally came before me this day and acknowledged that he is Secretary of MOUNTAIN RESOURCE COMPANY, a North Carolina corporation, and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its President, sealed with its corporate seal and attested by him as its Secretary. Witness my hand and official stamp or seal, this 21st day of May, 1993.

Vickie Triplett
Notary Public

My Commission Expires: 3/29/98



NORTH CAROLINA WATAUGA COUNTY

The foregoing certificate of Vickie Triplett, Notary Public, Wilkes County, NC is certified to be correct. This the 21st day of May, 1993.

Wanda C. Scott-Register of Deeds

by: Jan Russell Deputy