

Salem Village Association Governing Documents
BYLAWS OF SALEM VILLAGE ASSOCIATION

These Bylaws are amended on January 15, 2026 , following a vote of the majority of the Board of Directors, in accordance with Article VII of the Articles of Incorporation filed on May 11, 1973.

ARTICLE I: NAME AND LOCATION

SALEM VILLAGE ASSOCIATION (hereinafter, the “Association”) is a nonprofit corporation. The registered office shall be the office of Attorney Alex Thornton, 3400 Healy Drive, Suite 100, Winston-Salem, Forsyth County, North Carolina, 27103, unless otherwise directed by the Board of Directors. The Association may have other offices as the Board may determine or as required by the affairs of the Association.

ARTICLE II: DEFINITIONS

Section 1. “**Association**” shall mean SALEM VILLAGE ASSOCIATION.

Section 2. “**Common Area**” shall mean all real property owned by the Association for the common use and enjoyment of the members, including all grassy areas, tennis court, basketball court, and driveways.

Section 3. “**Lot**” shall mean any plot of land or dwelling unit used for residential purposes located within Salem Village, as recorded in Plat Book 25, Page 64 in the Office of the Register of Deeds of Forsyth County.

Section 4. “**Member**” shall mean a person designated on the records of the Association as a member.

Section 5. “**Owner**” shall mean record owner of the fee simple title to any lot within the jurisdiction of the Association, excluding those holding such interest merely as security for the performance of an obligation.

Section 6. “**Declaration**” shall mean the Deed of Declaration of Covenants, Conditions and Restrictions and any and all amendments thereto applicable to real property brought within the jurisdiction of the Association.

ARTICLE III: MEMBERSHIP AND ASSESSMENTS

Section 1. **Membership.** The membership is composed of Owners of lots within the jurisdiction of the Association.

Section 2. **Voting Rights.** All members have the right to one vote per lot owned.

Section 3. **Assessments.** Unit Owners must pay assessments as determined by the Board.

Section 4. **Delinquency and Suspension.**

A. Delinquency and Collection: Unpaid assessments may result in late fees, liens, and legal collection. The Board fixes quarterly or monthly assessments at least thirty (30) days in advance, and written notice must be sent to every Owner subject thereto at least fifteen (15) days in advance.

B. Collection Proceedings: The Board may institute proceedings for the collection of assessments delinquent by a period of more than thirty (30) days. Proceedings include imposition of a fine for late payment, filing a claim of lien, foreclosing on a lien, and instituting court action.

C. Suspension of Membership Rights: During any period in which a member is in default in the payment of any assessment, such member's voting rights and rights to use the recreational facilities may be suspended by the Board of Directors until the assessment is paid. Default is defined as the failure to pay in full all assessments within thirty (30) days after notice of dues are mailed. Suspension of voting rights and recreational facility use does not waive the Association's right to enforce an assessment against the property. A suspended member may request a hearing before the Board of Directors if he or she believes the suspension was wrong.

Section 5. **Fiscal Year.** The Fiscal Year runs January 1–December 31.

ARTICLE IV: PROPERTY RIGHT: RIGHTS OF ENJOYMENT

Section 1. **Use of Common Area.** Each member shall be entitled to the use and enjoyment of the common area and facilities as provided in the Declaration, subject to suspension provisions in Article III, Section 5. A member's use rights extend to the household of such member, including temporary guests while in the presence of a member of his/her household. A member may delegate rights of enjoyment to his tenant, provided the member notifies the Secretary in writing of the tenant's name. The Board of Directors may require members to display identification cards while using the common areas and facilities.

Section 2. **Fees for Use.** Irrespective of the Declaration giving the Association the right to charge reasonable admission and other fees for the use of any recreational facility, this right shall only be exercised upon written approval of one-fourth (1/4) of the financially eligible owners.

ARTICLE V: MEETINGS OF MEMBERS

Section 1. **Place of Meetings.** All meetings of members shall be held at the Reynolds Park Recreation Center, 2450 Reynolds Park Road, Winston-Salem, North Carolina, or at such other place as designated in the notice or agreed upon by the majority of members entitled to vote.

Section 2. **Annual Meetings.** Each semi-annual meeting shall be held within six (6) months of the preceding semi-annual meeting at a time and place approved by the Board and designated in the notice, for the purpose of electing Directors and transacting other business.

Section 3. **Special Meetings.** Special meetings may be called at any time by the President, Secretary, or the Board of Directors, or upon written request of members entitled to cast one-third (1/3) of the votes needed to elect a director.

Section 4. **Notice of Meetings.** Written notice stating the date, time, and place shall be delivered not less than ten (10) nor more than sixty (60) days before the meeting, personally or by mail, by or at the direction of the President, Secretary, or other person(s) calling the meeting. For a special meeting, the notice must specifically state the purpose(s) for which it is called.

Section 5. **Quorum.** The presence at the meeting of members entitled to cast fifty percent (50%) of the votes of the membership constitutes a quorum. If a quorum is not present, the members entitled to vote may adjourn the meeting from time to time, without further notice other than announcement at the meeting, until a quorum is present.

Section 6. **Organization of Meeting.** The President, or a designated officer, presides. The Secretary, or an appointed substitute, acts as secretary of the meeting.

Section 7. **Proxies.** A member may vote in person or by proxy, in a method and manner proscribed by the Board.

ARTICLE VI: BOARD OF DIRECTORS: SELECTION: TERM OF OFFICE

Section 1. **Management.** The business and affairs of the Association shall be managed by the Board of Directors.

Section 2. **Number, Term, and Qualification.**

A. **Number:** The number of Directors shall be not less than five (5) nor more than nine (9). This number may be changed by the Board of Directors.

B. **Term:** Each Director shall hold office for a term of three (3) years.

C. **Qualification:** Directors must be members of the Association.

D. **Delinquency:** A member delinquent in the payment of assessments may not serve as a Director or serve on any Committee until the delinquency is cured. A member prevented from serving may request a hearing before the Board.

Section 3. **Election.** At the first semi-annual meeting, usually in June, members shall elect directors to replace retiring directors and elect new directors if positions were added by the Board.

A. **Nomination:** Nominations shall be made by a Nominating Committee, which consists of the President and two (2) other persons appointed by the President with the Board's consent. Nominations may also be made from the floor at an annual meeting.

- B. **B. Voting:** Election shall be by secret written ballot distributed to members. A ballot shall be mailed with the notice of the semi-annual meeting. It may be returned by mail and counted as if cast at the annual meeting, or the member may vote in person by secret written ballot at the semi-annual meeting. **No proxies may be recognized at a semi-annual or special meeting of members.** The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

Section 4. **Vacancies.** A vacancy created by removal shall be filled by majority vote of the members of the Board. Upon the death or resignation of a director, the successor shall be selected by the remaining members of the Board to serve for the unexpired term.

Section 5. **Removal.** Any director may be removed from the Board with or without cause, by a majority vote of the members. The Board may remove Directors (specifically the President) by majority vote if the President's actions are not in the best interest of the Association or are proven to have committed illegal actions.

Section 6. **Compensation.** No director shall receive compensation for services rendered as a director. However, any director may be reimbursed for actual expenses incurred in performance of duties. Compensation for services rendered to the Association other than as a director must be fully described in the notice of the annual meeting.

ARTICLE VII: MEETINGS OF DIRECTORS

Section 1. **Regular Meetings.** Held at a time and place determined by resolution of the Board, with no further notice required.

Section 2. **Special Meetings.** Held upon call of the President or 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 constitutes a quorum. Every act or decision done or made by a majority of the directors present at a duly convened meeting with a quorum present is considered an act of the Board.

Section 4. **Action Taken Without Meeting.** Directors may take action in the absence of a meeting by obtaining written or oral approval of a quorum of the directors. Such action must be reported to all directors as soon as practicable, and the dissent of any director(s) shall be recorded in the minutes upon request.

ARTICLE VIII: POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 1. **Powers.** The Board shall have power to:

- A. Elect the Officers of the Association.
- B. Adopt and publish rules and regulations governing the use of Common Area and facilities, and personal conduct, and establish penalties for infractions.

C. Exercise all powers, duties, and authority vested in or delegated to the Association not reserved to the membership by the Bylaws, Articles of Incorporation, or the Declaration.

D. Declare a director's office vacant if the member is absent from two (2) consecutive regular meetings if the other Board members deem such absences unexcused.

E. Employ a manager, independent contractor, or other necessary employees, and prescribe their duties.

F. Remove Directors by majority vote of Board Members, limited to instances where the President's actions are not in the best interest of the Association or illegal actions are proven.

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

A. Adopt and enforce rules, prepare annual budget, levy assessments, maintain common areas, and ensure compliance with law and documents.

B. Keep a complete record of all acts and corporate affairs and present a statement thereof to the members at the annual meeting.

C. Supervise all officers, agents, and employees.

D. Fix the amount of quarterly or monthly assessments and send written notice thereof.

E. Institute collection proceedings for delinquent assessments (more than 15 days).

F. Procure and maintain adequate liability insurance, and adequate hazard insurance on property owned by the Association.

G. Cause all officers or employees having fiscal responsibilities to be bonded, as deemed appropriate.

H. Cause the Common Area to be maintained.

I. Cause the books of the Association to be examined by an independent Certified Public Accountant (CPA) no less frequently than every year.

ARTICLE IX: COMMITTEES

Section 1. **Appointment.** The Board of Directors may appoint committees as deemed appropriate, such as:

A. **Recreation Committee:** Advises on recreational programs and activities.

B. **Maintenance Committee:** Advises on maintenance, repair, or improvements of the Properties.

C. **Publicity Committee:** Informs members of activities and functions, and makes public releases (after consulting with the Board).

D. **Finance Committee:** Prepares the annual budget, advises on fiscal affairs, and assists the CPA in preparing a summary statement of income/expenses for the regular meeting. The Treasurer shall be the Chairman.

E. **Architectural Control Committee (ACC):** Responsible for maintaining aesthetic integrity of building exteriors, and approving substantial changes in landscaping, decoration, or architecture.

F. **Welcome Committee:** Welcomes new owners and tenants with a gift basket, copy of the By-Laws, and Board contact information.

Section 2. **Duties.** Each committee shall receive complaints from members concerning Association functions within its field of responsibility and dispose of or refer them as appropriate.

ARTICLE X: OFFICERS AND THEIR DUTIES

Section 1. **Officers of the Association.** The officers shall be a President and Vice President (who must at all times be members of the Board of Directors), a Secretary, and a Treasurer, and such other officers as the Board may elect. The offices of Secretary and Treasurer may be held by the same person, but generally no person shall simultaneously hold more than one of the other offices.

A. **Eligibility:** No Member shall be eligible to serve as an officer if the Association has obtained a judgment against such Member within the 36 months prior to the election, or if the member's account has been referred to an attorney for collection until timely payments of dues have been made for 36 months subsequent to the collection.

B. **President:** Principal officer; supervises and controls management (subject to Board control); presides at all meetings of members; signs official instruments.

C. **Vice President:** Acts in place of the President during absence, inability, or refusal to act, and performs other duties required by the Board.

D. **Secretary:** Records votes and keeps accurate records of all meetings; gives all required notices; has general charge of Association books and corporate seal; keeps current records of members and their addresses.

E. **Treasurer:** Supervises receipt and deposit of funds and disbursement of funds as directed by the Board; signs/countersigns checks; causes proper books of account to be kept; causes an audit by an independent CPA as directed; and submits an annual budget and statement of income/expenditures with the assistance of the Finance Committee.

Section 2. **Election and Term.** Officers shall be elected annually by the Board at the first meeting following the first semi-annual meeting of the year of the members. Each shall hold office for one year or until successors are elected, unless sooner removed or disqualified. The election of officers shall occur after the semi-annual meeting in July of each year.

Section 3. **Resignation and Removal.** Any officer may be removed from office with or without cause by the Board of Directors.

Section 4. **Vacancies.** A vacancy may be filled in the manner prescribed by regular election, and the elected officer shall serve for the remainder of the term.

Section 5. **Compensation.** No officer shall receive compensation for services rendered as an officer. An officer may be reimbursed for actual expenses incurred in the performance of his or her duties as director. Compensation for non-officer services must be fully described in the notice of the annual meeting.

ARTICLE XI: CONTRACTS, CHECKS AND DEPOSITS

Section 1. **Contracts.** The Board may authorize any officer or agent to enter into contracts or execute instruments on behalf of the Association; such authority may be general or confined to specific instances.

Section 2. **Checks and Drafts.** All checks, drafts, or other orders for payment shall be signed by such officer(s) or agent(s) and in such manner as determined by resolution of the Board.

Section 3. **Deposits.** All funds not otherwise employed shall be deposited to the credit of the Association in depositories directed by the Board.

ARTICLE XII: MEMBERSHIP AND TRANSFER THEREOF

Section 1. **Membership.** A current list of members shall be maintained by the Secretary.

Section 2. **Transfer of Membership.** Transfer shall be made on the transfer books upon notification by the member or Owner that membership should be transferred.

Section 3. **Closing Transfer Books and Fixing Record Date.** The Board may close the transfer books for a stated period, not to exceed fifty (50) days, to determine members entitled to notice or to vote. If closed for voting determination, they must be closed for at least ten (10) days immediately preceding the meeting. If books are not closed, the date notice of the meeting is mailed shall be the record date.

ARTICLE XIII: RECORDS

Section 1. **Records.** The Secretary shall keep a copy of:

A. Deed and Declaration of Covenants, Conditions, and Restrictions, and all current amendments.

B. Articles or restated Articles of Incorporation and all current amendments.

C. Bylaws or restated Bylaws and all current amendments.

D. Resolutions adopted by the Board of Directors.

E. The minutes of all member meetings for the past three years.

F. A list of the names and addresses of its current directors and officers.

Section 2. **Financial Statements.** The Association shall make available to its members annual financial statements, including a balance sheet, an income statement, and a statement of cash flow for the year.

ARTICLE XIV: GENERAL PROVISIONS

Section 1. **Seal.** The seal shall be in the form of a circle with the Association name and “N. C.” on the circumference and the word “SEAL” in the center. Use of the Seal is not required on any instrument duly signed by an authorized officer.

Section 2. **Notice.** Written notice by the Corporation to a member is effective when deposited in the United States mail with postage prepaid and correctly addressed to the member’s address shown in the Corporation’s current record of members.

Section 3. **Waiver of Notice.** A written waiver signed by the person(s) entitled to notice, whether before or after the stated time, is equivalent to the giving of notice.

Section 4. **Governing Law.** Governed by laws of North Carolina.

Section 5. **Severability.** Invalid provisions do not affect the remaining provisions.

Section 6. **Bylaw Amendments (Director Vote).** These Bylaws may be amended or repealed and new Bylaws may be adopted by the affirmative vote of a majority of the Directors then holding office at any regular or special meeting of the Board of Directors. Notice of the alteration, amendment, or rescission must be given pursuant to Article V, Section 4.

ARTICLE XV: SALEM VILLAGE RULES AND REGULATIONS

Section 1. **Aesthetics and Conduct.** The community should be kept looking good, clean, and beautiful.

Section 2. **Nuisance and Disorderly Conduct.** No noxious or offensive activity shall be conducted upon any Lot, nor shall anything be done thereon which may become an annoyance or nuisance to the neighborhood. The pursuit of hobbies or other activities which might lead to disorderly, unsightly or unkempt conditions shall not be pursued or undertaken on any Lot.

Section 3. **Disturbing Others (Noise).** No loud music or profanity should be used that other neighbors can hear. No owner shall permit any musical instrument, phonograph, television, radio

or other sound-making equipment to be operated on property at a volume which disturbs or annoys other residents at any time. Residents making loud noise will be reported to the police department, and fined after 2 calls.

Section 4. **Pets and Animals.**

A. **Restrictions:** Not more than two (2) dogs, cats, or other household pets may be kept or maintained, provided they are not kept for commercial purposes.

B. **Confinement/Conduct:** Pets must be kept inside the dwelling and must not annoy or offend other residents due to barking or other conduct. Owners must clean up behind their pets and keep them on a leash. No animals, livestock, or poultry of any kind shall be kept, raised, or bred in or on any property.

C. **City Code (Winston-Salem, 1975):** It is unlawful for any homeowner to permit any animal belonging to him/her to run at large upon the streets of the city. Habitually and regularly noisy dogs (barking, howling, or whining for at least 15 minutes) resulting in serious annoyance constitute a nuisance. The police department shall notify the person maintaining the nuisance upon complaint, and the person shall abate the nuisance within 24 hours. Housing and premises for dogs must be maintained in a sanitary manner, and manure must be removed frequently (daily placement in bin/pit/barrel; removal every 5 days March 15–Sept 15; weekly Sept 16–March 14). It is unlawful to permit a dog to leave its droppings on the property of another.

Section 5. **Owner/Guest/Tenant Responsibility.** Homeowners are responsible for their guests' and tenants' conduct.

Section 6. **Recreational Use.** Any person requesting use of common areas for social gatherings is required to pay a \$50.00 refundable deposit, provided the area is restored to its original condition. Inflatable toys, including bouncies (bounce houses), are not allowed in the common areas, and the responsible owner assumes all liability for violations.

Section 7. **Illegal Activities.** There should be no illegal drug activity on the premises, including use or selling of drugs anywhere in the community or on common areas.

Section 8. **Smoking.** There should be no smoking around the common areas.

Section 9. **Traffic and Parking.**

A. **Speeding:** There should be no speeding throughout the complex.

B. **Prohibited Parking:** No parking of vehicles on the grass, or parking that blocks other neighbor's property or parking spaces. Only conventional automobiles and pick-up trucks shall be parked and maintained on any portion of the property.

C. Prohibited Vehicles and Towing: No unlicensed vehicles shall be on the premises. Vehicles with expired tags and inoperable vehicles shall not be parked on property. Any such vehicle shall be towed at the vehicle owner's expense after a thirty (30) day notification. No immobile or junk vehicles, tractors, boats, campers, boat trailers, or other similar vehicles may be stored or regularly parked on any lot or street.

Section 10. **Commercial Activity.** No commercial business (such as a beauty or barber shop, etc.) shall operate in an individual unit.

Section 11. **Signs.** With the exception of real estate sale signage, and political signs within two (2) weeks prior to an election, no signs, advertisement, or notices shall be erected, exhibited, maintained, inscribed, painted or affixed on any portion of a townhome by anyone.

Section 12. **Outbuildings/Temporary Structures.** No mobile home, tent, barn, shed, pet pen, pet house, green house, or other similar outbuilding or structure, nor any structure of a temporary character, shall be placed on any Lot.

Section 13. **Waste and Recycling.**

A. **General Waste:** All trash and rubbish shall be placed in the provided containers. No portion of a Lot shall be used as a dumping ground. Trash, garbage or other waste must be kept in adequate sanitary containers and removed from the street as soon as possible after City pick-up.

B. **Bulk Items:** Furniture, mattresses, large appliances, discarded wood, discarded carpeting, and other large household items should not be placed in or around the dumpsters. Bulk items can be disposed of at Hanes Mill Landfill (325 W. Hanes Mill Road) at the owner's expense. The complex's yard man can remove bulky items for a nominal fee; contact the Board secretary for this request.

C. **Recycling:** Appropriate items (junk mail, paper, cans, glass, cardboard, etc.) should be placed in the recycle bins located beside the dumpsters. No food items shall be placed in the Recycle Bins. Inappropriate items (motor oil, plastic bags, ceramics, paint cans, light bulbs, styrofoam, etc.) are prohibited. Household hazardous waste can be recycled at 3RC, 1401 S. Martin Luther King, Jr. Drive.

Section 14. **Children's Activities.** Parents/guardians should monitor the activities of their children when they are playing outside to avoid property damage and/or injury.

Section 15. **Reporting Activity.** Residents should report any suspicious activity to the police and any Association board member living on the premises.

Section 16. **Interior Window Coverings.** All interior window coverings as viewed from the exterior shall be white or off-white in color.

Section 17. **Mailboxes.** No mailbox shall be erected or installed on any Lot unless the Owner has received prior written consent from the Declarant as to the design, style, and location.

ARTICLE XVI: RENTAL OF PROPERTY

Renting for any reason is discouraged, but recognized.

Section 1: **Tenant Acknowledgment.** Owners must acknowledge in writing that their tenant, lessee, or contract purchaser fully understands the CC&Rs and has received a copy of the Rules and Regulations.

Section 2: **Owner Liability.** The Owner (member of record) will be held responsible for the actions of their tenants, including penalty assessments for violations and costs for repairing damage to common or other property caused by tenants.

Section 3: **Agreement Submission.** A copy of the rental agreement must be submitted to the Secretary of the Board of Directors at least 10 days prior to the property being occupied.

Section 4: **Lessee Information.** At least 10 days prior to occupancy, the Owner must provide the Secretary with the lessee's name, names of other occupants, previous address, a copy of any rental application, any credit or criminal background check performed by the Owner, and the number of cars to be parked at Salem Village.

Section 5: **Processing Fee.** The Association may assess a \$25 processing fee for each rental agreement.

Section 6: **Lease Content:** Leases should address the following matters:

- The Association's right to enforce governing documents against both Owner and Tenant. (Owner is responsible for supplying documents and Tenant must execute a lease information form).
- The responsibility of both Owner and Tenant to maintain the grounds and common area in keeping with Association policies.
- The liability of Owner and Tenant for any damage to Association property and common areas.
- The responsibility of the Owner for all Homeowner dues and assessments, regardless of private arrangements with the Tenant for payment.
- No more than three unrelated persons can occupy a home.

Section 7: **Short-Term Rentals:** No property shall be leased, occupied, or used for short-term vacation purposes, including platforms such as Airbnb, VRBO, or any similar service. Properties shall be used solely for private residential purposes.

ARTICLE XVII: MAINTENANCE AND REPAIR

Section 1. **Association Right of Entry for Maintenance/Repair.** The Board may enter any unit when necessary in connection with maintenance or construction for which the Board is responsible, provided entry is made during reasonable hours with minimum inconvenience to the owner. Any damage caused by such entry shall be repaired by the Board and treated as a common expense.

Section 2. **Association Corrective Maintenance.** The Board may maintain and repair any unit if necessary to protect the common areas or other portions of the building, and the Owner has failed or refused to perform such maintenance within a reasonable time after written notice. The Board shall levy a special assessment against such owner for the costs.

Section 3. **Owner's Responsibility.** Unless specifically identified as the Association's responsibility, all maintenance and repair of a Lot, Townhome, and other improvements thereon is the responsibility of the Owner. This includes maintenance, repair, and replacement of:

- The roof.
- All fixtures, equipment, and appliances (including the heat and air-conditioning system).
- All chutes, flues, ducts, conduits, wires, pipes, plumbing, and gutters or other apparatus deemed part of the Lot.
- All glass, lights and light fixtures (exterior and interior), awnings, window boxes, window screens, and all screened or glass-enclosed porches, balconies, or decks. Each Owner shall maintain the exterior of the Townhome and the grounds of the Lot in good, neat, clean, and sanitary condition, including power washing and maintenance of all lawns, trees, shrubs, hedges, grass, and other landscaping.

Section 4. **Failure of Maintenance.** If an owner fails to maintain any portion of the Lot (including the Townhome and Backyard Area), the Board has the right, after giving the owner at least five (5) days' notice and opportunity to correct, to enter the Lot and correct the condition. The owner is personally liable for all direct and indirect costs incurred by the Association, which liability is secured by the same liens and collection means as assessments.

Section 5. **Architectural Review/Structural Changes.** The Architectural Control Committee shall approve any substantial changes in landscaping, decoration or architecture. No modification or alteration to a townhome which affects the structural integrity or soundness of the improvement of the property may be made without obtaining a written approval from the Board.

A. **Antennas and A/C Units:** No owner shall install television or radio antennae, window or roof-top air conditioning units or similar machines or objects outside of the Owner's Townhome or which protrude through the walls or roof.

B. **Broken Fixtures:** Owners are responsible for broken blinds and windows.

C. **Roofs:** No objects on the roof.

D. Plumbing: Homeowners are responsible for plumbing in their home.

ARTICLE XVII: PARTY WALLS AND CASUALTY LOSSES

Section 1. **Party Walls - General Rules.** Each wall built as part of the original construction on the dividing line between Lots constitutes a party wall, and adjoining Owners assume the rights and obligations imposed by general rules of law regarding party walls.

A. Repair and Maintenance: The cost of repair and maintenance shall be shared by the Owners who make use of the wall in proportion to such use.

B. Weatherproofing: An Owner who by negligent or willful act causes the party wall to be exposed to the elements shall bear the whole cost of furnishing the necessary protection.

C. Right to Contribution: The right of any Owner to contribution from any other Owner shall be appurtenant to the land and shall pass to such Owner's successors in title.

D. Townhome Construction Note: Townhomes appear to have common party walls but were constructed with separate exterior stud walls separated by an air space. The exterior of these two walls is unfinished.

Section 2. **Destruction/Rebuilding.** If a Townhome is damaged by casualty, the Owner shall promptly reconstruct or repair it to restore it as nearly as possible to its condition prior to the damage. All reconstruction/repair must be done in accordance with plans and specifications approved by the Association.

A. Failure to Rebuild: If a structure is destroyed and the Owner elects not to rebuild, that Owner is responsible for the cost of finishing the exterior of exposed unfinished walls of contiguous Townhomes that are exposed to view. The finish must be compatible with the other visible exterior walls and subject to the approval of the Declarant. The Owner must also immediately weatherproof the exposed unfinished walls of contiguous Townhomes if necessary.

ARTICLE XVIII: INSURANCE AND DISBURSEMENTS

Section 1. **Association Insurance.** The Board shall obtain insurance for all insurable improvements on the common area against loss or damage (fire, extended coverage, vandalism, mischief) sufficient to cover full replacement cost. The Board shall also obtain a public liability policy applicable to the common area, covering the Association, its officers, directors, members, and agents, with at least a million dollar limit per occurrence.

Section 2. **Fidelity Bond.** The Board shall obtain, as a common expense, a fidelity bond or bonds on directors, officers, employees, and others handling Association funds. The coverage may not be less than three (3) months' assessments plus reserves on hand, and bonds may not be canceled or substantially modified without ten (10) days prior written notice.

Section 3. **Common Area Damage/Destruction.** Damage to the Common Area shall be repaired or reconstructed unless at least seventy five percent (75%) of the total vote of the Association and the Declarant decide within sixty (60) days after the casualty not to repair or reconstruct. If not repaired or reconstructed, the property shall be restored to a natural state and maintained as an undeveloped portion by its respective owner or owners.

Section 4. **Insufficient Proceeds/Special Assessment.** If insurance proceeds are insufficient to repair damage, the Board shall levy a special assessment against all Owners ultimately responsible for the policy premium in the same proportion as other assessments, without a vote of the members.

Section 5. **Lot Owner's Insurance and Rebuilding Obligation.** Each Owner covenants to carry all risk casualty insurance if the Association does not carry blanket all-risk casualty insurance on Lots. In the event of partial destruction of a structure, the Owner shall promptly repair or reconstruct the damaged structure consistent with the original construction. If a Residential Unit is totally destroyed or rendered uninhabitable and the Owner determines not to rebuild, that Owner shall clear the Lot of all debris and return it to substantially the natural state.

ARTICLE XIX: FINANCIAL POLICIES AND ASSESSMENTS

Section 1: BUDGET

The annual budget shall contain estimates of the cost of performing Association functions, including:

- A. Maintenance and operation of common elements (Landscaping, street/walkways/parking areas).
- B. Utility Services, Water Services, and Trash Collections.
- C. Casualty Insurance and Liability Insurance.
- D. Administration and legal costs.

Section 2: PURPOSE OF ASSESSMENTS

Assessments shall be used exclusively to promote the recreation, health, safety, and welfare of the residents and for the acquisition, improvement, and maintenance of properties, services, and facilities devoted to this purpose, including:

- Costs of repairs, replacements, and additions, labor, equipment, materials, management, and supervision, including costs to install and maintain security cameras.
- Payment of taxes assessed against Common Elements.
- Maintenance of open spaces, streets, roadway medians/islands, drives, and parking areas within the Common Elements.

- Erection, maintenance, and repair of signs, entranceways, landscaping, and lighting.
- Operation, maintenance, and repair of street lights.
- Garbage collection and municipal water and sewer services furnished to the Common Elements.
- Employment of attorneys and other agents.
- Provision of adequate reserves for the replacement of capital improvements (including paving) and other major expenses.

The Association shall establish and maintain an adequate reserve fund for periodic maintenance, repair, and replacement of improvements to the Common Elements and portions maintained by the Association. This fund is established out of regular assessments for common expense.

Section 3: PROPOSED ASSESSMENTS

- A. **Annual Assessment Increases:** From and after January 1st, 2026, the maximum annual assessment may not be increased by more than five (5) percent above the maximum assessment for the previous year without a vote of the membership. From and after January 1st, 2027, the maximum annual assessment may be increased by more than five (5) percent by a vote of twenty-eight (28) members of each class of members of the Owner's Association who are voting in person, or by proxy, at a duly called meeting.
- B. **Board Authority:** The Board of Directors may fix the annual assessment without a member vote, provided the amount is not in excess of the maximum.
- C. **Special Assessment:** The Association may levy a special assessment for the purpose of defraying the cost of construction, reconstruction, repair, or replacement of a capital improvement, provided any such assessment has the assent of twenty-eight (28) members of the votes of each class of members who are voting in person or by proxy at a duly called meeting.

ARTICLE XX: EFFECT OF NONPAYMENT OF ASSESSMENTS:

REMEDIES OF THE ASSOCIATION

Section 1: **Interest and Fees:** Any assessment not paid within thirty (30) days after the due date shall bear interest from the due date at a rate established by the Association, not to exceed six percent (6%) per annum. The Association may charge a reasonable late fee, established by the Executive Board, for assessments not paid within five (5) days after the due date (after notice and opportunity to be heard).

Section 2: **Suspension of Privileges:** The Association may suspend privileges or services (except rights of access to Lots) if assessments remain unpaid for a period of thirty (30) days or longer

(which suspension may continue without further hearing until the delinquency is cured). The delinquent owner will lose all voting rights until the balance is paid in full.

Section 3: **Collection Actions:** The Association may bring an action at law against the Owner personally obligated to pay or foreclose the lien created herein against the property in the same manner as prescribed by North Carolina law. Interest, late fees, costs, and all applicable attorney's fees shall be added to the assessment amount to the fullest extent authorized by law.

Section 4: **Waiver of Liability:** No Owner may waive or escape liability for the assessment by nonuse of the Common Elements or abandonment of the Lot, nor shall damage or destruction of improvements abate or diminish the assessments.

Section 5: **Due Date and Delinquency:** The due date is prescribed in the assessment billing notice. For imposition of late fees, assessments are delinquent if not paid within the first five (5) days of the due date on the first of each month; the sixth (6) is the start of the "delinquency date".

Section 6: **Late Notice:** If payment is unpaid after the fifth of the month, a late notice may be sent, and the account may be charged a late fee in the amount of 5% of the missed payment. This late fee shall be in addition to, and not in lieu of, the interest that shall continue to accrue on unpaid dues on a monthly basis.

Section 7: **Pre-Lien Demand:** No sooner than thirty (30) days beyond the due date, a formal demand letter ("Demand Lien Letter") may be sent. All fees and collection costs associated with this letter are charged to the delinquent owner's account and secured by the assessment lien.

Section 8: **Notice of Lien:** No sooner than sixty (60) days after the due date, where an owner has failed to pay in full, the Association may record a written notice of lien with the Forsyth County Recorder's Office. Fines, late charges, and interest thereon do not constitute a lien on the lot automatically, but assessments and charges do.

Section 9: **Referral to Legal Counsel:** In addition, no sooner than sixty (60) days after the due date, legal counsel may pursue other legal remedies, including personal judgment suits and foreclosure. A fee can be charged to the owner's account for transferring the file, secured by the assessment lien.

Section 10: **Application of Funds Received:** Monies received are applied in the following order: First, to assessments; Next, to late fees and interest on those late assessments; Then, to collection fees and attorneys' fees/costs; Next, to other unpaid fees, charges, and fines or interest/late charges on those amounts.

Section 11: **Personal Obligation:** The person who is the owner of a lot as of the due date is personally liable for the payment. The personal obligation for a delinquent assessment does not pass to successors in title (though the lien runs with the property).

ARTICLE XXI: SUBORDINATION OF THE LIEN FOR ASSESSMENTS

The lien for assessments is subordinate to the lien of first mortgages. A purchaser of a lot who obtains title as a result of foreclosure of a first mortgage or deed in lieu of foreclosure shall not be liable for assessments that become due prior to the acquisition of title. Such unpaid assessments are deemed Common expenses collectible from all Owners.

ARTICLE XXII: EFFECT OF DEFAULT IN PAYMENT OF AD VALOREM TAXES BY ASSOCIATION

If the Association defaults on payment of ad valorem taxes or assessments for public improvements levied against the Common Elements for six (6) months, each Lot Owner becomes personally obligated to pay a portion of such unpaid taxes/assessments (determined by dividing the total due by the total number of Lots). Failure to pay within thirty (30) days after notice results in a continuing lien on the Lot, enforceable by the taxing or assessing governmental authority.

ARTICLE XXIII: VIOLATION AND FINE POLICY

A. ESTABLISHMENT OF VIOLATION. Any activity or condition continuing on any lot that is in direct opposition to the Association's governing documents and is not expressly authorized by the board is deemed a "violation".

B. VIOLATION NOTIFICATION AND CURE

Action	Fine and Violation Policy	Fine Policy Schedule
Initial Notice	Sent upon verification of violation.	Time to Cure: 10 days . Courtesy (No Fine*).
Second Notice	Sent no earlier than ten (10) days from Initial Notice if violation continues.	Time to Cure: 10 days . Fine: \$50.00 .
Continuing Violation	Failure to remedy or cease work within ten (10) days following the Second Notice results in a continuing violation, in which case a hearing will be held by the Board of Directors, or a disciplinary committee appointed by the Board, to determine ongoing, subsequent daily fines, or other legal remedy.	Hearing to consider defenses to fines, and determine amount of ongoing daily fines not to exceed \$100 per day.
Hearing	If Owner disputes fine, Owner has fifteen (15) days from the initial notice of fine date to request a hearing in writing.	Fines are due and payable within 30 days after the fine is assessed after providing notice and an opportunity to be heard.

Note: The Board reserves the right to alter the timeline and fine amount under circumstances it determines are just, and reserves the right to refer any violation to legal counsel at any time.

C. CORRECTIVE ACTION AND FEES

1. **Association Corrective Action:** With Board approval, management may undertake to correct, remove, or abate the violation if it determines the violation may be readily corrected without undue expense and without breach of peace. Management must give prior written notice to the Lot Owner. The cost incurred will be recovered from the Lot Owner as an assessment.
2. **Cure During Enforcement:** An Owner may correct the violation at any time, voiding the notice of violation upon verification. However, the Lot Owner remains liable for all accrued costs, fines, and attorney fees.
3. **Reoccurrence:** If a violation reoccurs during a six (6) month period, the violation shall continue on the process where the last notice was given.

ARTICLE XXIII: RIGHT OF ENTRY

The Association, or its authorized person, may enter any unit or limited common elements in case of an emergency or dangerous condition originating in or threatening that unit. The Association, after reasonable notice to a unit owner, may enter for the purposes of performing any of the Association's duties or obligations. The Association shall be responsible for the repair of any damage caused by its entry, and the cost thereof shall be a common expense.