

FILED
CHATHAM COUNTY
REBA G. THOMAS
REGISTER OF DEEDS

FILED Jul 09, 2004
AT 02:07:49 pm
BOOK 01116
START PAGE 0715
END PAGE 0792
INSTRUMENT # 08721

BOOK 1116 PAGE 715

DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS

FOR

CHAPEL RIDGE

Upon recording, please return to:
Nicolas P. Robinson, Esq.
Bradshaw & Robinson, LLP
P.O. Box 607
Pittsboro, NC 27312

Chatham County, North Carolina
REBA G. THOMAS Register of Deeds
The foregoing certificate(s) of
AMY M. MEACHAM

notary/notaries public
is/are certified to be correct.

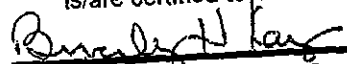

Assistant - Register of Deeds

TABLE OF CONTENTS

ARTICLE 1 DEFINITIONS	1
1.1. <u>Additional Property</u>	1
1.2. <u>Adjacent Properties</u>	1
1.3. <u>ARB</u>	1
1.4. <u>Area of Common Responsibility</u>	2
1.5. <u>Articles of Incorporation or Articles</u>	2
1.6. <u>Association</u>	2
1.7. <u>Board of Directors or Board</u>	2
1.8. <u>Builder</u>	2
1.9. <u>By-Laws</u>	2
1.10. <u>Class "B" Control Period</u>	2
1.11. <u>Common Area</u>	2
1.12. <u>Common Expenses</u>	2
1.13. <u>Community-Wide Standard</u>	2
1.14. <u>Cost Sharing Agreement</u>	2
1.15. <u>Days</u>	3
1.16. <u>Declarant</u>	3
1.17. <u>Design Guidelines</u>	3
1.18. <u>Development Period</u>	3
1.19. <u>Exclusive Common Area</u>	3
1.20. <u>General Assessment</u>	3
1.21. <u>Governing Documents</u>	3
1.22. <u>Majority</u>	3
1.23. <u>Master Plan</u>	3
1.24. <u>Member</u>	3
1.25. <u>Mortgage</u>	3
1.26. <u>Mortgagee</u>	3
1.27. <u>Neighborhood</u>	4
1.28. <u>Neighborhood Assessments</u>	4
1.29. <u>Neighborhood Association</u>	4
1.30. <u>Neighborhood Expenses</u>	4
1.31. <u>Owner</u>	4
1.32. <u>Person</u>	4
1.33. <u>Private Amenity</u>	4
1.34. <u>Private Sewer System</u>	4
1.35. <u>Properties</u>	5
1.36. <u>Public Records</u>	5
1.37. <u>Sewer Charge</u>	5
1.38. <u>Special Assessment</u>	5
1.39. <u>Specific Assessment</u>	5
1.40. <u>Supplemental Declaration</u>	5
1.41. <u>Unit</u>	5
ARTICLE 2 PROPERTY RIGHTS	5
2.1. <u>Common Area</u>	5
2.2. <u>Exclusive Common Area</u>	6
2.3. <u>No Partition</u>	7

2.4.	<u>Condemnation</u>	7
ARTICLE 3 MEMBERSHIP AND VOTING RIGHTS		7
3.1.	<u>Membership</u>	7
3.2.	<u>Voting</u>	8
3.3.	<u>Neighborhoods</u>	9
ARTICLE 4 RIGHTS AND OBLIGATIONS OF THE ASSOCIATION		10
4.1.	<u>Function of Association</u>	10
4.2.	<u>Personal Property and Real Property for Common Use</u>	10
4.3.	<u>Enforcement</u>	10
4.4.	<u>Implied Rights: Board Authority</u>	11
4.5.	<u>Governmental Interests</u>	11
4.6.	<u>Indemnification</u>	11
4.7.	<u>Dedication of or Grant of Easement on Common Area</u>	12
4.8.	<u>Security</u>	12
4.9.	<u>Street Lighting Agreement</u>	12
4.10.	<u>Golf Course</u>	12
4.11.	<u>Presence and Management of Wildlife</u>	13
ARTICLE 5 MAINTENANCE		14
5.1.	<u>Association's Responsibility</u>	14
5.2.	<u>Owner's Responsibility</u>	15
5.3.	<u>Neighborhood's Responsibility</u>	16
5.4.	<u>Standard of Performance</u>	16
5.5.	<u>Party Walls and Similar Structures</u>	16
5.6.	<u>Cost Sharing Agreements</u>	17
ARTICLE 6 INSURANCE AND CASUALTY LOSSES		17
6.1.	<u>Association Insurance</u>	17
6.2.	<u>Owners' Insurance</u>	20
6.3.	<u>Limitation of Liability</u>	21
ARTICLE 7 ANNEXATION AND WITHDRAWAL OF PROPERTY		21
7.1.	<u>Annexation by Declarant</u>	21
7.2.	<u>Annexation by Membership</u>	22
7.3.	<u>Withdrawal of Property</u>	22
7.4.	<u>Additional Covenants and Easements</u>	22
7.5.	<u>Amendment</u>	22
ARTICLE 8 ASSESSMENTS		23
8.1.	<u>Creation of Assessments</u>	23
8.2.	<u>Declarant's Obligation for Assessments</u>	24
8.3.	<u>Computation of General Assessment</u>	24
8.4.	<u>Computation of Neighborhood Assessments</u>	25
8.5.	<u>Reserve Budget and Capital Contribution</u>	25
8.6.	<u>Special Assessments</u>	25
8.7.	<u>Specific Assessments</u>	26
8.8.	<u>Remedies for Non-Payment of Assessments</u>	26
8.9.	<u>Date of Commencement of Assessments</u>	27

8.10.	<u>Failure to Assess</u>	28
8.11.	<u>Exempt Property</u>	28
8.12.	<u>Capitalization of Association</u>	28
ARTICLE 9 ARCHITECTURAL STANDARDS		28
9.1.	<u>General</u>	28
9.2.	<u>Architectural Review</u>	29
9.3.	<u>Guidelines and Procedures</u>	29
9.4.	<u>Architect, Builder and General Contractor Approval</u>	30
9.5.	<u>Specific Guidelines and Restrictions</u>	30
9.6.	<u>Construction Period</u>	32
9.7.	<u>No Waiver of Future Approvals</u>	33
9.8.	<u>Variance</u>	33
9.9.	<u>Limitation of Liability</u>	33
9.10	<u>Enforcement</u>	33
ARTICLE 10 USE RESTRICTIONS		34
10.1.	<u>General</u>	34
10.2.	<u>Rules and Regulations</u>	34
10.3.	<u>Residential Use</u>	34
10.4.	<u>Vehicles</u>	35
10.5.	<u>Leasing</u>	35
10.6.	<u>Occupants Bound</u>	35
10.7.	<u>Animals and Pets</u>	36
10.8.	<u>Nuisance</u>	36
10.9.	<u>Streams</u>	36
10.10.	<u>Drainage and Grading</u>	37
10.11.	<u>Sight Distance at Intersections</u>	37
10.12.	<u>Storage of Materials, Garbage, Dumping, Etc.</u>	37
10.13.	<u>Subdivision of Unit</u>	37
10.14.	<u>Guns</u>	38
10.15.	<u>Combustible Liquid</u>	38
10.16.	<u>Completion of Construction; Occupancy of Unfinished Units</u>	38
10.17.	<u>Lakes, Ponds and Streams</u>	38
10.18.	<u>Irrigation Systems and Wells</u>	38
10.19.	<u>Golf Course Areas</u>	38
ARTICLE 11 EASEMENTS		39
11.1.	<u>Easements of Encroachment</u>	39
11.2.	<u>Easements for Utilities, Etc.</u>	39
11.3.	<u>Easement for Slope Control, Drainage and Waterway Maintenance</u>	40
11.4.	<u>Easements to Serve Additional Property</u>	40
11.5.	<u>Easement for Entry</u>	41
11.6.	<u>Easements for Maintenance and Enforcement</u>	41
11.7.	<u>Easements for Lake and Pond Maintenance and Flood Water</u>	41
11.8.	<u>Lateral Support</u>	42
11.9.	<u>Easements for Private Amenities</u>	42
11.10.	<u>Easement for Special Events</u>	43
11.11.	<u>Rights to Stormwater Runoff, Effluent and Water Reclamation</u>	44
11.12.	<u>Liability for Use of Easements</u>	44

ARTICLE 12 MORTGAGEE PROVISIONS	44
12.1. <u>Notices of Action</u>	44
12.2. <u>No Priority</u>	44
12.3. <u>Notice to Association</u>	45
12.4. <u>Failure of Mortgagee to Respond</u>	45
12.5. <u>Construction of Article 12</u>	45
ARTICLE 13 DECLARANT'S RIGHTS.....	45
13.1. <u>Transfer or Assignment</u>	45
13.2. <u>Development and Sales</u>	45
13.3. <u>Improvements to Common Areas</u>	46
13.4. <u>Additional Covenants</u>	46
13.5. <u>Right of Class "B" Member to Disapprove Actions</u>	46
13.6. <u>Amendments</u>	47
ARTICLE 14 PRIVATE AMENITIES	47
14.1. <u>General</u>	47
14.2. <u>Conveyance of Private Amenities</u>	47
14.3. <u>View Impairment</u>	47
14.4. <u>Cost Sharing Agreements</u>	48
14.5. <u>Architectural Control</u>	48
14.6. <u>Use Restrictions</u>	48
14.7. <u>Limitations on Amendments</u>	48
14.8. <u>Jurisdiction and Cooperation</u>	48
ARTICLE 15 GENERAL PROVISIONS	49
15.1. <u>Duration</u>	49
15.2. <u>Amendment</u>	49
15.3. <u>Severability</u>	50
15.4. <u>Dispute Resolution</u>	50
15.5. <u>Litigation</u>	50
15.6. <u>Non-Merger</u>	50
15.7. <u>Grants</u>	51
15.8. <u>Cumulative Effect; Conflict</u>	51
15.9. <u>Use of the Words "Buck Mountain Golf Community"</u>	51
15.10. <u>Compliance</u>	51
15.11. <u>Right of First Refusal</u>	51
15.12. <u>Exhibits</u>	52

TABLE OF EXHIBITS

Exhibit	Subject Matter
"A"	Land Initially Submitted
"B"	Land Subject to Annexation
"C"	By-Laws

DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS

FOR

CHAPEL RIDGE

THIS DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS is made as of the date on the signature page hereof by Jordan Lake Preserve Corporation, a North Carolina corporation (the "Declarant").

Declarant is the owner of the real property described in Exhibit "A," which is attached and incorporated by reference. This Declaration imposes upon the Properties (as defined in Article 1 below) mutually beneficial restrictions under a general plan of improvement for the benefit of the owners of each portion of the Properties and establishes a flexible and reasonable procedure for the overall development, administration, maintenance and preservation of the Properties. In furtherance of such plan, this Declaration provides for the creation of Chapel Ridge Community Association, Inc. to own, operate and maintain Common Areas and to administer and enforce the provisions of this Declaration, the By-Laws, and the Design Guidelines (as these terms are defined below).

Declarant hereby declares that all of the property described in Exhibit "A" and any additional property subjected to this Declaration by Supplemental Declaration (as defined in Article 1 below) shall be held, sold, used and conveyed subject to the following easements, restrictions, covenants, and conditions, which shall run with the title to the real property subjected to this Declaration. This Declaration shall be binding upon all parties having any right, title, or interest in any portion of the Properties, their heirs, successors-in-title, and assigns, and shall inure to the benefit of each owner of any portion of the Properties.

ARTICLE 1.
DEFINITIONS

The terms in this Declaration and the exhibits to this Declaration shall generally be given their natural, commonly accepted definitions except as otherwise specified. Capitalized terms shall be defined as set forth below.

1.1. Additional Property. All of that certain real property which is more particularly described on Exhibit "B", which is attached and incorporated herein by this reference, and which real property is subject to annexation to the terms of this Declaration in accordance with Article 7.

1.2. Adjacent Properties. Any residential, nonresidential, or recreational areas, including without limitation single family residential developments, assisted living facilities, retail, office, commercial, or institutional areas and Private Amenities, which are located adjacent to, in the vicinity of, or within the Properties; which are owned and operated, in whole or in part, by Persons other than the Association; which are not subject to this Declaration; and which are neither Units nor Common Area as defined in this Declaration.

1.3. ARB. The Architectural Review Board, as described in Section 9.2.

1.4. Area of Common Responsibility. The Common Area, together with those areas, if any, for which the Association has or assumes responsibility pursuant to the terms of this Declaration, any Supplemental Declaration or other applicable covenant, contract, or agreement. The Area of Common Responsibility shall include any real property and improvements which are designated as areas to be maintained by the Association on a recorded subdivision plat for any portion of the Properties.

1.5. Articles of Incorporation or Articles. The Articles of Incorporation of Chapel Ridge Community Association, Inc., as filed with the Secretary of State of the State of North Carolina .

1.6. Association. Chapel Ridge Community Association, Inc., a North Carolina nonprofit corporation, its successors or assigns.

1.7. Board of Directors or Board. The body responsible for administration of the Association, selected as provided in the By-Laws and generally serving the same role as the board of directors under North Carolina corporate law.

1.8. Builder. Any Person who purchases one or more Units for the purpose of constructing improvements for later sale to consumers or purchases one or more parcels of land within the Properties for further subdivision, development, and/or resale in the ordinary course of such Person's business. Any Person occupying or leasing a Unit for residential purposes shall cease to be considered a Builder with respect to such Unit immediately upon occupancy of the Unit for residential purposes, notwithstanding that such Person originally purchased the Unit for the purpose of constructing improvements for later sale to consumers.

1.9. By-Laws. The By-Laws of Chapel Ridge Community Association, Inc., attached as Exhibit "C", as they may be amended.

1.10. Class "B" Control Period. The period of time during which the Class "B" Member is entitled to appoint a Majority of the members of the Board of Directors as provided in Section 3.2.

1.11. Common Area. All real and personal property, including easements and licenses, which the Association owns, leases or holds possessory or use rights in for the common use and enjoyment of the Owners. The term also shall include the Exclusive Common Area, as defined below.

1.12. Common Expenses. The actual and estimated expenses incurred, or anticipated to be incurred, by the Association for the general benefit of all Owners, including any reasonable reserve, as the Board may find necessary and appropriate pursuant to the Governing Documents.

1.13. Community-Wide Standard. The standard of conduct, maintenance, or other activity generally prevailing throughout the Properties. Such standard shall initially be established by the Declarant and may be more specifically determined by the Board of Directors and the ARB.

1.14. Cost Sharing Agreement. Any agreement, contract or covenant between the Association and an owner or operator of property adjacent to, in the vicinity of, or within the Properties, including any Private Amenity, for the allocation of expenses that benefit both the Association and the owner or operator of such property.

1.15. Days. Calendar Days; provided however, if the time period by which any action required hereunder must be performed expires on a Saturday, Sunday or legal holiday, then such time period shall be automatically extended to the close of business on the next regular business day.

1.16. Declarant. Jordan Lake Preserve Corporation, a North Carolina corporation, or any successor, successor-in-title, or assign who takes title to any portion of the property described on Exhibits "A" or "B" for the purpose of development and/or sale and who is designated as the Declarant in a recorded instrument executed by the immediately preceding Declarant; provided however, there shall be only one Person entitled to exercise the rights and powers of the "Declarant" hereunder at any one time.

1.17. Design Guidelines. The design and construction guidelines and application and review procedures applicable to the Properties promulgated and administered pursuant to Article 9.

1.18. Development Period. The period of time during which the Declarant owns any property which is subject to this Declaration, any Additional Property, or any Private Amenity, or has the unilateral right to subject Additional Property to this Declaration pursuant to Section 7.1.

1.19. Exclusive Common Area. A portion of the Common Area intended for the exclusive use or primary benefit of one or more, but less than all, Neighborhoods or Units, as more particularly described in Article 2.

1.20. General Assessment. Assessments levied on all Units subject to assessment under Article 8 to fund Common Expenses for the general benefit of all Units, as more particularly described in Sections 8.1 and 8.3.

1.21. Governing Documents. The Declaration, By-Laws, Articles of Incorporation, all Supplemental Declarations, the Design Guidelines and rules of the Association, or any of the above, as each may be amended from time to time.

1.22. Majority. Those votes, Owners, Members, or other group, as the context may indicate, totaling more than 50% of the total eligible number.

1.23. Master Plan. The land use plan or development plan for "Chapel Ridge," prepared by the land planning firm of C E Group, Inc., 1051 Pemberton Hill Road, Suite 201, Apex, NC 27502, as such plan may be amended from time to time, which includes the property described on Exhibit "A" and all or a portion of the property described on Exhibit "B" that Declarant may from time to time anticipate subjecting to this Declaration. Inclusion of property on the Master Plan shall not, under any circumstances, obligate Declarant to subject such property to this Declaration, nor shall the exclusion of property described on Exhibit "B" from the Master Plan bar its later annexation in accordance with Article 7.

1.24. Member. A Person entitled and subject to membership in the Association pursuant to Section 3.2.

1.25. Mortgage. A mortgage, a deed of trust, a deed to secure debt, or any other form of security instrument affecting title to any Unit.

1.26. Mortgagee. A beneficiary or holder of a Mortgage.

1.27. Neighborhood. A separately developed area within the Properties, whether or not governed by a Neighborhood Association (as defined below), in which the Owners of Units may have common interests other than those common to all Members of the Association. For example, and by way of illustration and not limitation, each single-family attached or detached housing development may constitute a separate Neighborhood, or a Neighborhood may be comprised of more than one housing type with other features in common.

Where the context permits or requires, the term Neighborhood shall also refer to the Neighborhood Committee, if any, (established in accordance with the By-Laws) or Neighborhood Association if any, (as defined below) having concurrent jurisdiction over the property within the Neighborhood. Neighborhood boundaries may be established and modified as provided in Section 3.3.

1.28. Neighborhood Assessments. Assessments levied against the Units in a particular Neighborhood or Neighborhoods to fund Neighborhood Expenses, as described in Sections 8.1 and 8.4.

1.29. Neighborhood Association. Any owners association having concurrent jurisdiction with the Association over any Neighborhood.

1.30. Neighborhood Expenses. The actual and estimated expenses incurred or anticipated to be incurred by the Association for the benefit of Owners of Units within a particular Neighborhood or Neighborhoods, which may include a reasonable reserve for capital repairs and replacements, as the Board may specifically authorize from time to time and as may be authorized herein or in Supplemental Declarations applicable to such Neighborhood(s).

1.31. Owner. One or more Persons who hold the record title to any Unit, including the Declarant and any Builder but excluding in all cases any party holding an interest merely as security for the performance of an obligation. If a Unit is sold under a recorded land sales contract, and the contract specifically so provides, the purchaser (rather than the fee owner) will be considered the Owner. If a Unit is owned by more than one Person, all such Persons shall be jointly and severally obligated to perform the responsibilities of such Owner.

1.32. Person. A natural person, a corporation, a partnership, a limited liability company, a fiduciary acting on behalf of another person or any other legal entity.

1.33. Private Amenity. Certain real property and any improvements and facilities thereon located adjacent to, in the vicinity of, or within the Properties, designated by the Declarant and which are owned and operated, in whole or in part, by Persons other than the Association for recreational or other purpose. The use of the term "Private Amenity" shall not be construed to imply or require a private club. Private Amenities may be operated on a daily fee, use fee, public, or private basis or otherwise, and may include, without limitation, any golf course(s), so located and all related and supporting facilities and improvements. The Chapel Ridge Club is hereby designated as a Private Amenity and Declarant reserves the right to designate additional Private Amenities in its sole discretion.

1.34. Private Sewer System. Any sanitary sewer system providing sewer service to the Members located within or abutting the Properties, including sanitary sewer gravity based and pressure based collector lines and pressure pumping mechanisms installed by Declarant and sanitary sewer service connections and pressure lines to or within a Unit and any related components or equipment required for the collection, transmission, treatment or processing of waste effluent, including the wastewater treatment plant, grinder pumps, motors, casings, electrical lights and switches, whether installed by a Builder or

Owner to the extent such lines and equipment are not conveyed to, or owned by a public or private utility company.

1.35. Properties. The real property described on Exhibit "A," together with such additional property as is subjected to this Declaration in accordance with Article 7.

1.36. Public Records. The Office of the Clerk of the Superior Court of Chatham County, North Carolina.

1.37. "Sewer Charge". Any fee or charge established by the Association and paid to the Association to connect a Unit to the Private Sewer System, and thereafter any charge to any Owner required to maintain, repair or replace the Private Sewer System located upon a Unit.

1.38. Special Assessment. Assessments levied in accordance with Section 8.6.

1.39. Specific Assessment. Assessments levied in accordance with Section 8.7.

1.40. Supplemental Declaration. An instrument filed in the Public Records which subjects additional property to this Declaration, designates Neighborhoods, and/or imposes, expressly or by reference, additional restrictions and obligations on the land described in such instrument.

1.41. Unit. A portion of the Properties, whether improved or unimproved, which may be independently owned and conveyed and which is intended for development, use, and occupancy as an attached or detached residence for a single family. The term shall refer to the land, if any, which is part of the Unit as well as any improvements thereon. The term shall include within its meaning, by way of illustration but not limitation, townhouse units, cluster homes, patio or zero lot line homes, and single-family detached houses on separately platted units, as well as vacant land intended for development as such, but shall not include Common Area, common property owned by any Neighborhood Association, or property dedicated to the public. In the case of a building within a condominium or other structure containing multiple dwellings, each dwelling shall be deemed to be a separate Unit.

In the case of a parcel of vacant land or land on which improvements are under construction, the parcel shall be deemed to be a single Unit until such time as a subdivision plat or condominium plat is filed of record on all or a portion of the parcel. Thereafter, the portion encompassed by such plat shall contain the number of Units determined as set forth in the preceding paragraph and any portion not encompassed by such plat shall continue to be treated in accordance with this paragraph.

ARTICLE 2 PROPERTY RIGHTS

2.1. Common Area. Every Owner shall have a right and nonexclusive easement of use, access, and enjoyment in and to the Common Area, which is appurtenant to and shall pass with the title to each Unit, subject to:

- (a) This Declaration and all Governing Documents;
- (b) Any restrictions or limitations contained in any deed conveying such property to the Association;

(c) The right of the Board to adopt, amend and repeal rules regulating the use and enjoyment of the Common Area, including rules limiting the number of guests who may use the Common Area;

(d) The right of the Board to suspend the right of an Owner to use recreational facilities within the Common Area pursuant to Section 4.3;

(e) The right of the Association, acting through the Board, to dedicate or transfer all or any part of the Common Area, subject to such approval requirements as may be set forth in this Declaration;

(f) The right of the Board to impose reasonable requirements and charge reasonable admission or other use fees for the use of any facility situated upon the Common Area;

(g) The right of the Board and the Declarant to permit use of any facilities situated on the Common Area by persons other than Owners, their families, lessees and guests upon payment of reasonable use fees, if any, established by the Board;

(h) The right of the Association, acting through the Board, to mortgage, pledge, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred;

(i) The rights of certain Owners to the exclusive use of those portions of the Common Area designated "Exclusive Common Areas," as more particularly described in Section 2.2; and

(j) The right of the Declarant to conduct activities within the Common Area, such as tournaments, charitable events, and promotional events and to restrict Owners from using the Common Area during such activities, provided such activities shall be conducted in a manner to minimize (to the extent reasonably possible) any substantial interference with the Owners' use and enjoyment of the Common Area and shall not exceed seven consecutive Days.

Any Owner may extend his or her right of use and enjoyment to the members of his or her family, lessees, and social invitees, as applicable, subject to reasonable regulation by the Board. An Owner who leases his or her Unit shall be deemed to have assigned all such rights appurtenant to the leased Unit to the lessee of such Unit.

2.2. Exclusive Common Area. Certain portions of the Common Area may be designated as Exclusive Common Area and reserved for the exclusive use or primary benefit of Owners and occupants of specified Units or Neighborhoods. By way of illustration and not limitation, Exclusive Common Areas may include entry features, recreational facilities, roads, landscaped medians and cul-de-sacs, ponds, lakes and other portions of the Common Area within a particular Neighborhood or Neighborhoods. All costs associated with maintenance, repair, replacement, and insurance of an Exclusive Common Area shall be assessed against the Owners of Units to which the Exclusive Common Areas are assigned either as a Neighborhood Assessment or as a Specific Assessment, as applicable.

Initially, any Exclusive Common Area shall be designated as such, and the exclusive use thereof shall be assigned, in the deed by which the Common Area is conveyed to the Association or in this Declaration or any Supplemental Declaration and/or on the subdivision plat relating to such Common Area; provided however, any such assignment shall not preclude the Declarant from later assigning use of the same Exclusive Common Area to additional Units and/or Neighborhoods during the Development Period. Thereafter, a portion of the Common Area may be assigned as Exclusive Common Area of particular Units or a particular Neighborhood or Neighborhoods and Exclusive

Common Area may be reassigned upon approval of the Board and the vote of a Majority of the total Class "A" votes in the Association, including, if applicable, a Majority of the Class "A" votes within the Neighborhood(s) to which the Exclusive Common Area is assigned, if previously assigned, and within the Neighborhood(s) to which the Exclusive Common Area is to be assigned or reassigned.

The Association may, upon approval of a Majority of the Class "A" votes within the Neighborhood(s) to which any Exclusive Common Area is assigned, permit Owners of Units in other Neighborhoods to use all or a portion of such Exclusive Common Area upon payment of reasonable use fees, which fees shall be used to offset the Neighborhood Expenses or Specific Assessments attributable to such Exclusive Common Area.

2.3. No Partition. Except as permitted in this Declaration, there shall be no judicial partition of the Common Area. No Person shall seek any judicial partition unless the portion of the Common Area which is the subject of such partition action has been removed from the provisions of this Declaration. This Article shall not prohibit the Board from acquiring and disposing of tangible personal property nor from acquiring and disposing of real property which may or may not be subject to this Declaration.

2.4. Condemnation. If any part of the Common Area shall be taken (or conveyed in lieu of and under threat of condemnation by the Board acting on the written direction of at least 67% of the total Class "A" votes in the Association and the written consent of the Declarant, so long as the Declarant owns any property which is subject to this Declaration or which may be unilaterally subjected to this Declaration by the Declarant) by any authority having the power of condemnation or eminent domain, each Owner shall be entitled to written notice of such taking or conveyance prior to disbursement of any condemnation award or proceeds from such conveyance.

If the taking or conveyance involves a portion of the Common Area on which improvements have been constructed, the Association shall restore or replace such improvements on the remaining land included in the Common Area to the extent available, unless within 60 Days after such taking the Declarant, so long as the Declarant owns any property which is subject to this Declaration or which may be unilaterally subjected to this Declaration by the Declarant, and at least 67% of the total Class "A" vote of the Association shall otherwise agree. Any such construction shall be in accordance with plans approved by the Board and the ARB. The provisions of Section 6.1[®] regarding funds for the repair of damage or destruction shall apply.

If the taking or conveyance does not involve any improvements on the Common Area, or if a decision is made not to repair or restore, or if net funds remain after any such restoration or replacement is complete, then such award or net funds shall be disbursed to the Association and used for such purposes as the Board shall determine.

ARTICLE 3 MEMBERSHIP AND VOTING RIGHTS

3.1. Membership. Every Owner of a Unit shall be a Member of the Association. There shall be only one membership per Unit. If a Unit is owned by more than one Person, all Persons shall share the privileges of such membership, subject to reasonable Board regulation and the restrictions on voting set forth in Section 3.2(d) and in the By-Laws. The membership rights of any Member which is not a natural person may be exercised by any officer, director, member, manager, partner or trustee, or

by any individual designated from time to time by the Owner in a written instrument delivered to the secretary of the Association.

3.2. Voting. The Association shall have two classes of membership, Class "A" and Class "B" as set forth below.

(a) Class "A". Class "A" Members shall be all Owners except the Class "B" Member, if any. Class "A" Members shall have one equal vote for each Unit in which they hold the interest required for membership under Section 3.1; provided however, there shall be only one vote per Unit and no vote shall be exercised for any property which is exempt from assessment under Section 8.11. All Class "A" votes shall be cast as provided in Section 3.2(d) below.

(b) Class "B". The sole Class "B" Member shall be the Declarant. The rights of the Class "B" Member, including the right to approve, or withhold approval of, actions proposed under this Declaration, the By-Laws and the Articles, are specified in the relevant sections of this Declaration, the By-Laws and the Articles. The Class "B" Member may appoint a Majority of the members of the Board of Directors during the Class "B" Control Period which shall continue until the first to occur of the following:

(i) when 90% of the total number of Units permitted by the Master Plan for the property described on Exhibits "A" and "B" have certificates of occupancy issued thereon and have been conveyed to Persons other than Builders;

(ii) December 31, 2015; or

(iii) when, in its discretion, the Class "B" Member so determines and voluntarily relinquishes such right in a written instrument executed by Declarant and recorded in the Public Records.

After termination of the Class "B" Control Period, the Class "B" Member shall have a right to disapprove actions of the Board and committees as provided in the By-Laws. The Class "B" membership shall terminate upon the earlier of:

(i) two years after expiration of the Class "B" Control Period; or

(ii) when, in its discretion, the Declarant so determines and declares in a written instrument executed by Declarant and recorded in the Public Records.

Upon termination of the Class "B" membership, the Declarant shall be a Class "A" Member entitled to Class "A" votes for each Unit which it owns.

(c) Class "C". Class "C" Members shall be those owners or operators of any portion of the Adjacent Properties, including but not limited to any Private Amenities, that have entered into an agreement with the Association for the Association to provide sewerage treatment services to such owner's or operator's portion of the Adjacent Properties. Such agreement shall set forth the number of votes that any such owner or operator is entitled to cast on any matters requiring a vote of the Class "C" Members; provided however, that each Class "C" Member shall be entitled to at least one vote. Class "C" Members shall not have the right to vote on any matters except as specifically set forth in the Governing Documents.

(d) Additional Classes of Membership. The Declarant may, by Supplemental Declaration, create additional classes of membership for the owners of Units within any additional property made subject to this Declaration pursuant to Article 7, with such rights, privileges and obligations as may be specified in such Supplemental Declaration, in recognition of the different character and intended use of the property subject to such Supplemental Declaration.

(e) Exercise of Voting Rights by Class "A" Members. If there is more than one Owner of a Unit, the vote for such Unit shall be exercised as the co-Owners determine among themselves and advise the secretary of the Association in writing prior to the vote being taken. Absent such advice, the Unit's vote shall be suspended if more than one Person seeks to exercise it. No vote shall be exercised on behalf of any Unit if any assessment for such Unit is delinquent. If Voting Delegates have been elected pursuant to Section 3.4, the vote for each Unit owned by a Class "A" Member shall be exercised by the Voting Delegate representing the Neighborhood of which the Unit is a part, as provided in such Section.

3.3. Neighborhoods. Every Unit shall be located within a Neighborhood; provided however, unless and until additional Neighborhoods are established, the Properties shall consist of one Neighborhood. The Declarant, in its sole discretion, may establish Neighborhoods within the Properties by designation on Exhibit "A" to this Declaration, a Supplemental Declaration, or a plat. During the Development Period, the Declarant may unilaterally amend this Declaration or any Supplemental Declaration from time to time to assign property to a specific Neighborhood, to redesignate Neighborhood boundaries, or to remove property from a specific Neighborhood.

The Owner(s) of a Majority of the total number of Units within any Neighborhood may at any time petition the Board of Directors to divide the property comprising the Neighborhood into two or more Neighborhoods. Such petition shall be in writing and shall include a survey of the entire parcel which indicates the proposed boundaries of the new Neighborhoods or otherwise identifies the Units to be included within the proposed Neighborhoods. Such petition shall be deemed granted 30 Days following the filing of all required documents with the Board unless the Board of Directors denies such application in writing within such 30 Day period. The Board may deny an application only upon determination that there is no reasonable basis for distinguishing between the areas proposed to be divided into separate Neighborhoods. All applications and copies of any denials shall be filed with the books and records of the Association and shall be maintained as long as this Declaration is in effect.

The Units within a particular Neighborhood may be subject to additional covenants and/or the Unit Owners may be members of a Neighborhood Association in addition to the Association. However, a Neighborhood Association shall not be required except as required by law. Any Neighborhood which does not have a Neighborhood Association may, but shall not be obligated to, elect a Neighborhood Committee, as described in the By-Laws, to represent the interests of Owners of Units in such Neighborhood.

Any Neighborhood may request that the Association provide a higher level of service or special services for the benefit of Units in such Neighborhood and, upon the affirmative vote, written consent, or a combination thereof, of Owners of a Majority of the Units within the Neighborhood, the Association may, in its sole discretion, provide the requested services. The cost of such services, which may include a reasonable administrative charge in such amount as the Board deems appropriate (provided any such administrative charge shall apply at a uniform rate per Unit to all Neighborhoods receiving the same service), shall be assessed against the Units within such Neighborhood as a Neighborhood Assessment pursuant to Article 8 hereof.

ARTICLE 4
RIGHTS AND OBLIGATIONS OF THE ASSOCIATION

4.1. Function of Association. The Association shall be the entity responsible for management, maintenance, operation and control of the Area of Common Responsibility and all improvements thereon. The Association shall be the primary entity responsible for enforcement of this Declaration and such reasonable rules regulating use of the Properties as the Board may adopt pursuant to Article 10. The Association shall also be responsible for administering and enforcing the architectural standards and controls set forth in this Declaration and in the Design Guidelines. The Association shall perform its functions in accordance with the Governing Documents and the laws of the State of North Carolina.

4.2. Personal Property and Real Property for Common Use. The Association, through action of its Board, may acquire, hold, and dispose of tangible and intangible personal property and real property. The Declarant and its designees, with the Declarant's prior written consent, may convey to the Association improved or unimproved real estate, or interests in real estate, located within the property described in Exhibits "A" or "B," personal property and leasehold and other property interests. Such property shall be accepted by the Association and thereafter shall be maintained by the Association at its expense for the benefit of its Members, subject to any restrictions set forth in the deed or other instrument transferring such property to the Association. Declarant shall not be required to make any improvements whatsoever to property to be conveyed and accepted pursuant to this Section. Upon written request of Declarant, the Association shall reconvey to Declarant any unimproved portions of the Properties originally conveyed by Declarant to the Association for no consideration, to the extent conveyed by Declarant in error or needed by Declarant to make adjustments in property lines.

4.3. Enforcement. The Board, or any committee established by the Board, may impose sanctions for violation of the Governing Documents after compliance with the notice and hearing procedures set forth in Section 3.25 of the By-Laws. Such sanctions may include, without limitation:

(a) imposing monetary fines which shall constitute a lien upon the Unit of the violator (In the event that any occupant, guest or invitee of a Unit violates the Governing Documents and a fine is imposed, the fine shall first be assessed against the occupant; provided however, if the fine is not paid by the occupant within the time period set by the Board, the Owner shall pay the fine upon notice from the Board.);

(b) filing liens in the Public Records for nonpayment of any assessments or fees;

(c) filing notices of violations in the Public Records providing record notice of any violation of the Governing Documents;

(d) suspending an Owner's right to vote;

(e) suspending any Person's right to use any recreational facilities within the Common Area; provided however, nothing herein shall authorize the Board to limit ingress or egress to or from a Unit;

(f) suspending any services provided by the Association to an Owner or the Owner's Unit if the Owner is more than 30 Days delinquent in paying any assessment or other charge owed to the Association; and

(g) levying Specific Assessments to cover costs incurred in bringing a Unit into compliance in accordance with Section 8.7(b) or (c).

In addition, the Board, or the covenants committee if established, may elect to enforce any provision of the Governing Documents by entering the Unit and exercising self-help (specifically including, but not limited to, the towing of vehicles that are in violation of parking rules, the removal of pets that are in violation of pet rules or the correction of any maintenance, construction or other violation of the Governing Documents) or by suit at law or in equity to enjoin any violation or to recover monetary damages or both without the necessity of compliance with the procedures set forth in the By-Laws.

All remedies set forth in this Declaration and the By-Laws shall be cumulative of any remedies available at law or in equity. In any action to enforce the provisions of the Governing Documents, if the Association prevails, it shall be entitled to recover all costs, including, without limitation, attorneys fees and court costs, reasonably incurred in such action.

The Association shall not be obligated to take action to enforce any covenant, restriction, or rule which the Board in the exercise of its business judgment determines is, or is likely to be construed as, inconsistent with applicable law, or in any case in which the Board reasonably determines that the Association's position is not strong enough to justify taking enforcement action. Any such determination shall not be construed a waiver of the right of the Association to enforce such provision under any circumstances or prevent the Association from enforcing any other covenant, restriction or rule.

The Association, by contract or other agreement, may enforce county, city, state and federal ordinances, if applicable, and permit local and other governments to enforce ordinances on the Properties for the benefit of the Association and its Members.

4.4. Implied Rights; Board Authority. The Association may exercise any right or privilege given to it expressly by this Declaration or the By-Laws, or reasonably implied from or reasonably necessary to effectuate any such right or privilege. Except as otherwise specifically provided in this Declaration, the By-Laws, the Articles, or by law, all rights and powers of the Association may be exercised by the Board without a vote of the membership.

4.5. Governmental Interests. During the Development Period, the Declarant may designate sites within the Properties for public or quasi-public facilities. No membership approval shall be required for such designation. The sites may include Common Area, in which case the Association shall take whatever action is required with respect to such site to permit such use, including conveyance of the site, if so directed by Declarant. The sites may include other property not owned by Declarant provided the owner consents.

4.6. Indemnification. The Association shall indemnify every officer, director, ARB member and committee member against all damages, liability, and expenses, including attorneys fees, reasonably incurred in connection with any action, suit, or other proceeding (including settlement of

any suit or proceeding, if approved by the then Board of Directors) to which he or she may be a party by reason of being or having been an officer, director, ARB member or committee member, except that such obligation to indemnify shall be limited to those actions for which liability is limited under this Section, the Articles of Incorporation and North Carolina law.

The officers, directors, and ARB and other committee members shall not be liable for any mistake of judgment, negligent or otherwise, except for their own individual willful misfeasance, malfeasance, misconduct, or bad faith. The officers, directors and ARB and other committee members shall have no personal liability with respect to any contract or other commitment made or action taken in good faith on behalf of the Association (except to the extent that such officers, directors or ARB or other committee members may also be Members of the Association). The Association shall indemnify and forever hold each such officer, director and ARB and other committee member harmless from any and all liability to others on account of any such contract, commitment or action. This right to indemnification shall not be exclusive of any other rights to which any present or former officer, director, or ARB or other committee member may be entitled. The Association shall, as a Common Expense, maintain adequate general liability and officers' and directors' liability insurance to fund this obligation, if such insurance is reasonably available.

4.7. Dedication of or Grant of Easement on Common Area. The Association may dedicate portions of the Common Area to Chatham County, North Carolina, or to any other local, state, or federal governmental or quasi-governmental entity or private utility provider.

4.8. Security. The Association may, but shall not be obligated to, maintain or support certain activities within the Properties designed to make the Properties safer than they otherwise might be. Neither the Association, the original Declarant, nor any successor Declarant shall in any way be considered insurers or guarantors of security within the Properties, nor shall any of them be held liable for any loss or damage by reason of failure to provide adequate security or ineffectiveness of security measures undertaken. No representation or warranty is made that any security system or measure, including any mechanism or system for limiting access to the Properties, can not be compromised or circumvented, nor that any such systems or security measures undertaken will in all cases prevent loss or provide the detection or protection for which the system is designed or intended. Each Owner acknowledges, understands and covenants to inform its tenants and all occupants of its Unit that the Association, its Board of Directors and committees, Declarant, and any successor Declarant are not insurers and that each Person using the Properties assumes all risks of personal injury and loss or damage to property, including Units and the contents of Units, resulting from acts of third parties.

4.9. Street Lighting Agreement. Declarant reserves the right to subject the Properties to a contract with an electric utility company for the installation of underground electric cables and/or the installation of street lighting, either or both which may require an initial payment and/or a continuing monthly payment to an electric utility company by each Owner or the Association. All street lights shall be installed or aimed so as to minimize the potential for either a disabling glare to drivers or pedestrians or a nuisance glare to neighboring properties.

4.10. Golf Course. By acceptance of a deed to any Unit, each Owner acknowledges and agrees that owning property adjacent to a golf course has benefits as well as detriments and that the detriments include: (a) the risk of damage to property or injury to persons and animals from golf balls which are hit onto an Owner's Unit or other portion of the Properties; (b) the entry by golfers onto an

Owner's Unit or other portion of the Properties utilized by the Owner to retrieve golf balls; (c) over spray in connection with the watering of the roughs, fairways and greens on the golf course; (d) noise from golf course maintenance and operation equipment (including, without limitation, compressors, blowers, mulches, tractors, utility vehicles and pumps, all of which may be operated at all times of the day and night and/or continuously); (e) odors arising from irrigation and fertilization of the turf situated on the golf course; and (f) disturbance and loss of privacy resulting from golf cart traffic and golfers. Additionally each Owner acknowledges that pesticides and chemicals may be applied to the golf course throughout the year and that reclaimed water, treated waste water or other sources of non-potable water may be used for irrigation of the golf course.

Each Owner expressly assumes such detriments and risks and agrees that neither Bluegreen Corporation, the Declarant, or any successor Declarant; the Association or its Members (in their capacity as such); the owner(s) of any golf course or their successors, successors-in-title, or assigns; any officer, director or partner of any of the foregoing; nor any officer or director of any partner of any of the foregoing shall be liable to any Owner or anyone claiming any loss or damage, including, without limitation, indirect, special or consequential loss or damage arising from personal injury, destruction of property, trespass or any other alleged wrong or entitlement to remedy based upon, due to, arising from or otherwise related to the proximity of an Owner's Unit to any golf course, including, without limitation, any claim arising in whole or in part from the negligence of Declarant, the owner of any golf course, or their successors or assigns. Each Owner hereby agrees to indemnify and hold harmless Bluegreen Corporation, a Massachusetts corporation, the Declarant, and any successor Declarant; the Association and its Members (in their capacity as such); the owner(s) of the Private Amenities and their successors, successors-in-title, and assigns; any officer, director or partner of any of the foregoing; and any officer or director of any partner of the foregoing against any and all such claims by Owner's invitees.

4.11. Presence and Management of Wildlife. Each Owner and occupant, and each tenant, guest and invitee of any Owner or occupant acknowledges that the Properties are located adjacent to and in the vicinity of wetlands, bodies of water and other natural areas. Such areas may contain wildlife, including without limitation, deer and raccoons. Neither the Association, the Board, the original Declarant, nor any successor Declarant shall be liable or responsible for any personal injury, illness or any other loss or damage caused by the presence of such wildlife on the Properties. Each Owner and occupant of a Unit and each tenant, guest and invitee of any Owner or occupant shall assume all risk of personal injury, illness, or other loss or damage arising from the presence of such wildlife and further acknowledges that the Association, the Board, the original Declarant or any successor Declarant have made no representations or warranties, nor has any Owner or occupant, or any tenant, guest, or invitee of any Owner or occupant relied upon any representations or warranties, expressed or implied, relative to the presence of such wildlife.

The Declarant, acting in its sole absolute discretion, retains the right, but not the obligation, to engage in wildlife and fishery management plans and practices on the Properties to the extent that such practices are permitted by applicant state and federal law. For the purpose of illustration and not limitation, this includes the right to manage and control any populations of deer, raccoons, and other wildlife through a variety of techniques, including organized hunting, shooting and trapping. The Declarant hereby reserves the right to assign these management rights to the Association.

**ARTICLE 5
MAINTENANCE**

5.1. Association's Responsibility.

(a) The Association shall maintain and keep in good condition, order and repair the Area of Common Responsibility, which shall include, but need not be limited to:

- (i) Common Area;
- (ii) The Private Sewer System;
- (iii) all landscaping and other flora, parks, sidewalks, ponds, structures, and improvements, including any entry features, and pedestrian pathways/trails, situated upon the Common Area;
- (iv) all furnishings, equipment and other personal property of the Association;
- (v) any street trees, landscaping and other flora, buffers (unless such areas are maintained by the owner of the Private Amenity), parks, sidewalks and pedestrian pathways/trails, structures and improvements within public rights-of-way within or abutting the Properties or upon such other public land adjacent to the Properties as deemed necessary in the discretion of the Board;
- (vi) any sewerage treatment plant within or abutting the Properties which provides services to the Members of the Association unless such facilities have been conveyed to a private utility company;
- (vii) such portions of any additional property included within the Area of Common Responsibility as may be dictated by this Declaration, any Supplemental Declaration, any Cost Sharing Agreement, or any contract or agreement for maintenance thereof entered into by the Association;
- (viii) all streams and/or wetlands located within the Properties which serve as part of the drainage and storm water retention system for the Properties, including any retaining walls, bulkheads or dams (earthen or otherwise) retaining water therein, and any fountains, lighting, pumps, conduits, and similar equipment installed therein or used in connection therewith unless such facilities are located within a Private Amenity and are maintained by the owner of the Private Amenity; and
- (ix) any property and facilities owned by the Declarant and made available, on a temporary or permanent basis, for the primary use and enjoyment of the Association and its Members, such property and facilities to be identified by written notice from the Declarant to the Association and to remain a part of the Area of Common Responsibility and be maintained by the Association until such time as Declarant revokes such privilege of use and enjoyment by written notice to the Association.

The Association may, as a Common Expense, maintain other property and improvements which it does not own, including, without limitation, property dedicated to the public, or provide maintenance or services related to such property over and above the level being provided by the property owner, if the Board of Directors determines that such maintenance is necessary or desirable to maintain the Community-Wide Standard. For example, the Association may maintain any fence, wall, entry feature or sign serving to enhance or designate the entry to Chapel Ridge regardless that such improvements are not located within the Common Area or the Properties.

The Private Sewer System shall receive the highest priority for expenditures by the Association except for federal, state and local taxes and insurance.

(b) The Association may be relieved of all or any portion of its maintenance responsibilities herein to the extent that (a) such maintenance responsibility is otherwise assumed by or assigned to an Owner, a Neighborhood Association or the owner of a Private Amenity or (b) such property is dedicated to any other local, state or federal governmental or quasi-governmental entity; provided however, that in connection with such assumption, assignment or dedication, the Association may reserve or assume the right or obligation to continue to perform all or any portion of its maintenance responsibilities, if the Board determines that such maintenance is necessary or desirable to maintain the Community-Wide Standard. Notwithstanding the above, the Association shall not be relieved of the obligation of maintaining the Private Sewer System until a new permit is issued to another entity by the Division of Water Quality of the State of North Carolina Department of Environmental and Natural Resources.

(c) The Association shall maintain the facilities and equipment within the Area of Common Responsibility in continuous operation, except for any periods necessary, as determined in the sole discretion of the Board, to perform required maintenance or repairs, unless Members holding 67% of the Class "A" votes in the Association and the Class "B" Member, if any, agree in writing to discontinue such operation; provided, however, the Association shall not be permitted to discontinue operation of the Private Sewer System.

Except as provided above, the Area of Common Responsibility shall not be reduced by amendment of this Declaration or any other means during the Development Period except with the written consent of the Declarant.

(d) Except as otherwise specifically provided herein, all costs associated with maintenance, repair and replacement of the Area of Common Responsibility shall be a Common Expense to be allocated among all Units as part of the General Assessment, without prejudice to the right of the Association to seek reimbursement from the owner(s) of, or other Persons responsible for, certain portions of the Area of Common Responsibility pursuant to this Declaration, any Cost Sharing Agreements, any recorded covenants, or any agreements with the owner(s) thereof. All costs associated with maintenance, repair and replacement of Exclusive Common Areas shall be a Neighborhood Expense assessed as a Neighborhood Assessment solely against the Units within the Neighborhood(s) to which the Exclusive Common Areas are assigned, or a Specific Assessment against the particular Units to which the Exclusive Common Areas are assigned, notwithstanding that the Association may be responsible for performing such maintenance hereunder.

(e) The Association may mow and maintain on each unimproved Unit any grass within that portion of the Unit located between the unit boundary adjacent to the street to the rear property line. For purposes of this section, unimproved Unit shall mean a Unit without a dwelling.

5.2. Owner's Responsibility. Each Owner shall maintain his or her Unit, and all structures, parking areas, landscaping and other flora and other improvements comprising the Unit in a manner consistent with the Community-Wide Standard and all Governing Documents, unless such maintenance responsibility is otherwise assumed by or assigned to the Association or a Neighborhood Association. With respect to any Unit upon which a dwelling has not yet been constructed, such maintenance responsibility shall include, but is not limited to, the removal of all litter and trash and lawn mowing on

a regular basis. Each Owner shall also maintain all landscaping and other improvements in the right-of-way immediately adjacent to the Owner's Unit. In addition to any other enforcement rights, if an Owner fails to perform properly his or her maintenance responsibility, the Association may perform such maintenance responsibilities and assess all costs incurred by the Association against the Unit and the Owner in accordance with Section 8.7. The Association shall afford the Owner reasonable notice and an opportunity to cure the problem prior to entry, except when entry is required due to an emergency situation.

5.3. Neighborhood's Responsibility. Upon resolution of the Board of Directors, the Owners of Units within each Neighborhood shall be responsible for paying, through Neighborhood Assessments, the costs of operating, maintaining and insuring certain portions of the Area of Common Responsibility within or adjacent to such Neighborhood. This may include, without limitation, the costs of maintaining any signage, entry features, right-of-way and greenspace between the Neighborhood and adjacent public roads; provided however, all Neighborhoods which are similarly situated shall be treated the same.

Any Neighborhood Association having responsibility for maintenance within a particular Neighborhood pursuant to additional covenants applicable to such Neighborhood shall perform such maintenance responsibility in a manner consistent with the Community-Wide Standard. If it fails to do so, the Association may perform such responsibilities and assess the costs as a Specific Assessment against all Units within such Neighborhood as provided in Section 8.7.

5.4. Standard of Performance. Unless otherwise specifically provided herein or in other instruments creating and assigning such maintenance responsibility, responsibility for maintenance shall include responsibility for repair and replacement, as necessary. All maintenance shall be performed in a manner consistent with the Community-Wide Standard and all Governing Documents. Neither the Association, any Owner nor any Neighborhood Association shall be liable for any damage or injury occurring on, or arising out of the condition of, property which such Person does not own except to the extent that it has been negligent in the performance of its maintenance responsibilities.

5.5. Party Walls and Similar Structures.

(a) General Rules of Law to Apply. Each wall, fence, driveway or similar structure built as a part of the original construction on the Units which serves and/or separates any two adjoining Units shall constitute a party structure. To the extent not inconsistent with the provisions of this Section, the general rules of law regarding party walls and liability for property damage due to negligence or willful acts or omissions shall apply thereto.

(b) Sharing of Repair and Maintenance. The cost of reasonable repair and maintenance of a party structure shall be shared equally by the Owners who make use of the party structure.

(c) Damage and Destruction. If a party structure is destroyed or damaged by fire or other casualty, then to the extent that such damage is not covered by insurance and repaired out of the proceeds of insurance, any Owner who has used the structure may restore it. If other Owners thereafter use the structure, they shall contribute to the restoration cost in equal proportions. However, such contribution will not prejudice the right to call for a larger contribution from the other users under any rule of law regarding liability for negligent or willful acts or omissions.

(d) Right to Contribution Runs With Land. The right of any Owner to contribution from any other Owner under this Section shall be appurtenant to the land and shall pass to such Owner's successors-in-title.

5.6. Cost Sharing Agreements. The Association may enter into Cost Sharing Agreements with the owners or operators of portions of the Adjacent Properties:

(a) to obligate the owners or operators of such Adjacent Properties to share in certain costs associated with the maintenance, repair, replacement and insuring of portions of the Area of Common Responsibility, if any, which are used by or benefit jointly the owners or operators of such Adjacent Properties and the owners within the Properties;

(b) to permit the use of any recreational and other facilities located on such Adjacent Properties by the Owners of all Units or by the Owners of Units within specified Neighborhoods; and/or

(c) to obligate the Association to share in certain costs associated with the maintenance, repair, replacement and insuring of portions of such Adjacent Properties, if any, which are used by or benefit jointly the owners of such Adjacent Properties and the owners within the Properties.

The owners of such Adjacent Properties shall not be Members of the Association and shall not be entitled to vote on any Association matter unless any such owner qualifies as a Class "C" Member of the Association as set forth in Section 3.2(c) of this Declaration

The owners of such Adjacent Properties shall be subject to assessment by the Association only in accordance with the provisions of such Cost Sharing Agreement(s). If the Association is obligated to share costs incurred by the owners of such Adjacent Properties, the Cost Sharing Agreement shall provide whether such payments by the Association shall constitute Common Expenses or Neighborhood Expenses of the Association. The owners of the Adjacent Properties shall not be subject to the restrictions contained in this Declaration except as otherwise specifically provided herein.

ARTICLE 6 INSURANCE AND CASUALTY LOSSES

6.1. Association Insurance.

(a) Required Coverages. The Association, acting through its Board or its duly authorized agent, shall obtain and continue in effect such types of insurance as set forth in Section 47F-3-113 of the North Carolina Planned Communities Act (the "Act"), including the following types of insurance, if reasonably available, or if not reasonably available, the most nearly equivalent coverages as are reasonably available:

(i) Blanket property insurance covering "risks of direct physical loss" on a "special form" basis (or comparable coverage by whatever name denominated) for all insurable improvements on the Common Area, if any, and on other portions of the Area of Common Responsibility to the extent that it has assumed responsibility for maintenance, repair and/or replacement in the event of a casualty. If such coverage is not generally available at reasonable cost, then "broad form" coverage may be substituted. The Association shall have the authority to and interest in insuring any property for which it has maintenance or repair responsibility, regardless of

ownership. All property insurance policies obtained by the Association shall have policy limits sufficient to cover the full replacement cost of the insured improvements;

(ii) Commercial general liability insurance on the Area of Common Responsibility, insuring the Association and its Members for damage or injury caused by the negligence of the Association or any of its Members, employees, agents, or contractors while acting on its behalf. If generally available at reasonable cost, the commercial general liability coverage (including primary and any umbrella coverage) shall have a limit of at least \$1,000,000.00 per occurrence with respect to bodily injury, personal injury, and property damage, provided should additional coverage and higher limits be available at reasonable cost which a reasonably prudent person would obtain, the Association shall obtain such additional coverages or limits;

(iii) Workers compensation insurance and employers liability insurance, if and to the extent required by law;

(iv) Directors and officers liability coverage;

(v) Fidelity insurance covering all Persons responsible for handling Association funds in an amount determined in the Board's best business judgment but not less than an amount equal to one-sixth of the annual General Assessments on all Units plus reserves on hand. Fidelity insurance policies shall contain a waiver of all defenses based upon the exclusion of Persons serving without compensation; and

(vi) Such additional insurance as the Board, in its best business judgment, determines advisable, which may include, without limitation, flood insurance, boiler and machinery insurance, and building ordinance coverage.

In addition, the Association may obtain and maintain property insurance on the insurable improvements within any Neighborhood in such amounts and with such coverages as the Owners in such Neighborhood may agree upon pursuant to Section 3.3. Any such policies shall provide for a certificate of insurance to be furnished to the Neighborhood Association and to the Owner of each Unit insured upon request.

Premiums for all insurance on the Area of Common Responsibility shall be Common Expenses and shall be included in the General Assessment, except that (i) premiums for property insurance obtained on behalf of a Neighborhood shall be charged to the Owners of Units within the benefitted Neighborhood as a Neighborhood Assessment; and (ii) premiums for insurance on Exclusive Common Areas may be included in the Neighborhood Assessment of the Neighborhood(s) benefitted unless the Board of Directors reasonably determines that other treatment of the premiums is more appropriate. The Association shall have no insurance responsibility for any portion of the Private Amenities.

(b) Policy Requirements. The Association shall arrange for an annual review of the sufficiency of insurance coverage by one or more qualified Persons, at least one of whom must be familiar with insurable replacement costs in Chatham County, North Carolina.

All Association policies shall provide for a certificate of insurance to be furnished to each Member insured and to the Association upon request.

The policies may contain a reasonable deductible and the amount thereof shall not be subtracted from the face amount of the policy in determining whether the policy limits satisfy the requirements of Section 6.1(a). In the event of an insured loss, the deductible shall be treated as a Common Expense or a Neighborhood Expense in the same manner as the premiums for the applicable insurance coverage. However, if the Board reasonably determines, after notice and an opportunity to be heard in accordance with the By-Laws, that the loss is the result of the negligence or willful misconduct of one or more Owners, their guests, invitees, or lessees, then the Board may specifically assess the full amount of such deductible against such Owner(s) and their Units pursuant to Section 8.7.

All insurance coverage obtained by the Board shall:

(i) be written with a company authorized to do business in the State of North Carolina which satisfies the requirements of the Federal National Mortgage Association, or such other secondary mortgage market agencies or federal agencies as the Board deems appropriate;

(ii) be written in the name of the Association as trustee for the benefitted parties. Policies on the Common Areas shall be for the benefit of the Association and the Owners. Policies secured on behalf of a Neighborhood shall be for the benefit of the Owners of Units within the Neighborhood and their Mortgagees, as their interests may appear;

(iii) not be brought into contribution with insurance purchased by Owners, occupants, or their Mortgagees individually;

(iv) contain an inflation guard endorsement; and

(v) include an agreed amount endorsement, if the policy contains a co-insurance clause.

In addition, the Board shall use reasonable efforts to secure insurance policies which list the Owners as additional insureds and provide:

(vi) a waiver of subrogation as to any claims against the Association's Board, officers, employees, and its manager, the Owners and their tenants, servants, agents, and guests;

(vii) a waiver of the insurer's rights to repair and reconstruct instead of paying cash;

(viii) an endorsement precluding cancellation, invalidation, suspension, or non-renewal by the insurer on account of any one or more individual Owners, or on account of any curable defect or violation without prior written demand to the Association to cure the defect or violation and allowance of a reasonable time to cure;

(ix) an endorsement excluding Owners' individual policies from consideration under any "other insurance" clause;

(x) an endorsement requiring at least 30 Days' prior written notice to the Association of any cancellation, substantial modification, or non-renewal;

(xi) a cross liability provision; and

(xii) a provision vesting the Board with the exclusive authority to adjust losses; provided however, no Mortgagee having an interest in such losses may be prohibited from participating in the settlement negotiations, if any, related to the loss.

(c) Damage and Destruction. Immediately after damage or destruction to all or any part of the Properties covered by insurance written in the name of the Association, the Board or its duly authorized agent shall file and adjust all insurance claims and obtain reliable and detailed estimates of the cost of repair or reconstruction. Repair or reconstruction, as used in this subsection means repairing or restoring the property to substantially the condition in which it existed prior to the damage, allowing for changes or improvements necessitated by changes in applicable building codes.

Any damage to or destruction of the Common Area shall be repaired or reconstructed unless at least 80% of the total Class "A" votes in the Association, and the Class "B" Member, if any, decide within 60 Days after the loss not to repair or reconstruct. If such damage or destruction affects any sewerage treatment plan maintained by the Association, then the Association shall also obtain the approval of Class "C" Members holding at least 67% of the total Class "C" votes in the Association of any decision not to repair or reconstruct.

If either the insurance proceeds or reliable and detailed estimates of the cost of repair or reconstruction, or both, are not available to the Association within such 60-Day period, then the period shall be extended until such funds or information are available. However, such extension shall not exceed 60 additional Days. No Mortgagee shall have the right to participate in the determination of whether the damage or destruction to the Common Area shall be repaired or reconstructed.

If determined in the manner described above that the damage or destruction to the Common Area shall not be repaired or reconstructed and no alternative improvements are authorized, the affected property shall be cleared of all debris and ruins and thereafter shall be maintained by the Association in a neat and attractive, landscaped condition consistent with the Community-Wide Standard. If any portion of the community is not repaired or reconstructed as set forth above, any insurance proceeds shall be distributed to all the Members (of, if appropriate, their Mortgagees) of the Association or the Neighborhood, as appropriate.

Any insurance proceeds remaining after paying the costs of repair or reconstruction, or after such settlement as is necessary and appropriate, shall be retained by and for the benefit of the Association or the Neighborhood, as appropriate, and placed in a capital improvements account. This is a covenant for the benefit of Mortgagees and may be enforced by the Mortgagee of any affected Unit.

If insurance proceeds are insufficient to cover the costs of repair or reconstruction, the Board of Directors may, without a vote of the Members, levy Special Assessments to cover the shortfall against those Owners responsible for the premiums for the applicable insurance coverage under Section 6.1(a).

6.2. Owners' Insurance. By virtue of taking title to a Unit, each Owner covenants and agrees with all other Owners and with the Association to carry property insurance for the full replacement cost of all insurable improvements on his or her Unit, less a reasonable deductible, unless either the Neighborhood Association (if any) for the Neighborhood in which the Unit is located or the Association carries such insurance (which they may, but are not obligated to do hereunder). If the Association assumes responsibility for obtaining any insurance coverage on behalf of Owners, the

premiums for such insurance shall be levied as a Specific Assessment against the benefitted Unit and the Owner thereof pursuant to Section 8.7.

Each Owner further covenants and agrees that in the event of damage to or destruction of structures on or comprising his Unit, the Owner shall proceed promptly to repair or to reconstruct in a manner consistent with the original construction or such other plans and specifications as are approved in accordance with Article 9. The ARB shall have the authority to establish time periods for commencing and completing any repair or reconstruction. Alternatively, the Owner shall clear the Unit of all debris and ruins and maintain the Unit in a neat and attractive, landscaped condition consistent with the Community-Wide Standard. The Owner shall pay any costs which are not covered by insurance proceeds.

The requirements of this Section shall apply to any Neighborhood Association that owns common property within the Neighborhood in the same manner as if the Neighborhood Association were an Owner and the common property were a Unit. Additional recorded covenants applicable to any Neighborhood may establish more stringent requirements for insurance and more stringent standards for rebuilding or reconstructing structures on the Units within such Neighborhood and for clearing and maintaining the Units in the event the structures are not rebuilt or reconstructed.

6.3. Limitation of Liability. Notwithstanding the duty of the Association to maintain and repair portions of the Common Area, neither the Association, its Board of Directors, its successors or assigns, nor any officer or director or committee member, employee, agent, contractor (including the management company, if any) of any of them shall be liable to any Member or any member of a Member's immediate household for any injury or damage sustained in the Area of Common Responsibility, the Common Area or other area maintained by the Association, or for any injury or damage caused by the negligence or misconduct of any Members or their family members, guests, invitees, agents, servants, contractors or lessees, whether such loss occurs in the Common Area or in individual Units.

Each Owner, by virtue of the acceptance of title to his or her Unit, and each other Person having an interest in or right to use any portion of the Properties, by virtue of accepting such interest or right to use, shall be bound by this Section and shall be deemed to have automatically waived any and all rights, claims, demands, and causes of action against the Association arising from or connected with any matter for which the liability of the Association has been disclaimed under this Section.

ARTICLE 7 ANNEXATION AND WITHDRAWAL OF PROPERTY

7.1. Annexation by Declarant. Until 20 years after the recording of this Declaration in the Public Records, Declarant may from time to time unilaterally subject to the provisions of this Declaration all or any portion of the Additional Property. The Declarant may transfer or assign this right to annex property, provided that the transferee or assignee is the developer of at least a portion of the real property described in Exhibits "A" or "B" and that such transfer is memorialized in a written, recorded instrument executed by Declarant.

Such annexation shall be accomplished by filing a Supplemental Declaration in the Public Records describing the property being annexed. Such Supplemental Declaration shall not require the consent of Members, but shall require the consent of the owner of such property, if other than

Declarant. Any such annexation shall be effective upon the filing for record of such Supplemental Declaration unless otherwise provided therein.

Nothing in this Declaration shall be construed to require the Declarant or any successor to annex or develop any of the Additional Property in any manner whatsoever.

7.2. Annexation by Membership. The Association may annex any real property to the provisions of this Declaration with the consent of the owner of such property, the affirmative vote of Members representing a Majority of the Class "A" votes of the Association represented at a meeting duly called for such purpose, and the written consent of the Declarant during the Development Period.

Such annexation shall be accomplished by filing a Supplemental Declaration describing the property being annexed in the Public Records. Any such Supplemental Declaration shall be signed by the President and the Secretary of the Association, and by the owner of the annexed property, and by the Declarant, if the Declarant's consent is required. Any such annexation shall be effective upon filing unless otherwise provided therein.

7.3. Withdrawal of Property. The Declarant reserves the right to amend this Declaration during the Development Period, for the purpose of removing any portion of the Properties from the coverage of this Declaration, provided such withdrawal is not contrary to the overall, uniform scheme of development for the Properties. By way of example, and not limitation, of the foregoing, a removal of property for the purpose of (i) adjusting boundary lines, (ii) complying with any applicable governmental statute, rule, regulation or judicial determination, (iii) enabling any reputable title insurance company to issue title coverage regarding the Properties or on any portion thereof, (iv) enabling any institutional or governmental lender, purchaser, insurer or guarantor of Mortgage loans, including for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to make, purchase, insure or guarantee Mortgage loans on the Units, (v) satisfying the requirements of any local, state or federal governmental agency, or (vi) exempting any tracts of land, either designated now or in the future for nonresidential development, from the provisions of this Declaration, shall be deemed as a permissible withdrawal which is not inconsistent with the overall uniform scheme of development. Such amendment shall not require the consent of any Person other than the owner of the property to be withdrawn, if not the Declarant. If the property is Common Area, the Association shall consent to such withdrawal.

7.4. Additional Covenants and Easements. The Declarant may unilaterally subject any portion of the Properties to additional covenants and easements, including covenants obligating the Association to maintain and insure such property on behalf of the Owners and obligating such Owners to pay the costs incurred by the Association through Neighborhood Assessments. Such additional covenants and easements shall be set forth in a Supplemental Declaration filed either concurrently with or after the annexation of the subject property, and shall require the written consent of the owner(s) of such property, if other than the Declarant. Any such Supplemental Declaration may supplement, create exceptions to, or otherwise modify the terms of this Declaration as it applies to the subject property in order to reflect the different character and intended use of such property.

7.5. Amendment. This Article shall not be amended during the Development Period without the prior written consent of Declarant.

ARTICLE 8
ASSESSMENTS

8.1. Creation of Assessments. There are hereby created assessments for Association expenses as the Board may specifically authorize from time to time. There shall be four types of assessments: (a) General Assessments to fund Common Expenses for the general benefit of all Units; (b) Neighborhood Assessments for Neighborhood Expenses benefitting only Units within a particular Neighborhood or Neighborhoods; (c) Special Assessments as described in Section 8.6; and (d) Specific Assessments as described in Section 8.7. Each Owner, by accepting a deed or entering into a contract of sale for any portion of the Properties, is deemed to covenant and agree to pay these assessments.

All assessments and fees, together with interest, late charges, costs of collection, and reasonable attorneys fees, shall be a charge and continuing lien upon each Unit against which the assessment is made until paid, as more particularly provided in Section 8.8. Each such assessment, together with interest, late charges, costs, and reasonable attorneys fees, also shall be the personal obligation of the Person who was the Owner of such Unit at the time the assessment arose. Upon a transfer of title to a Unit, the grantee shall be jointly and severally liable for any assessments and other charges due at the time of conveyance. However, no first Mortgagee who obtains title to a Unit by exercising the remedies provided in its Mortgage or through a deed in lieu of foreclosure shall be liable for unpaid assessments which accrued prior to such acquisition of title.

The Association shall, upon request, furnish to any Owner liable for any type of assessment a written statement signed by an Association officer setting forth whether such assessment has been paid. Such statement shall be conclusive evidence of payment. The Association may require the advance payment of a reasonable processing fee for the issuance of such statement.

Assessments shall be paid in such manner and on such dates as the Board may establish, which may include discounts for early payment or similar time/price differentials. The Board may require advance payment of assessments at closing of the transfer of title to a Unit and impose special requirements for Owners with a history of delinquent payment. If the Board so elects, assessments may be paid in two or more installments. Unless the Board otherwise provides, the General Assessment and any Neighborhood Assessment shall be due and payable in advance on the first day of each fiscal year. If any Owner is delinquent in paying any assessments or other charges levied on his Unit, the Board may require any unpaid installments of all outstanding assessments to be paid in full immediately. Any assessment or installment thereof shall be considered delinquent on the 15th day following the due date unless otherwise specified by Board resolution.

No Owner may exempt himself from liability for assessments by non-use of Common Area, including Exclusive Common Area reserved for such Owner's use, abandonment of his Unit, or any other means. The obligation to pay assessments is a separate and independent covenant on the part of each Owner. No diminution or abatement of assessments or set-off shall be claimed or allowed for any alleged failure of the Association or Board to take some action or perform some function required of it, or for inconvenience or discomfort arising from the making of repairs or improvements, or from any other action it takes.

The Association is specifically authorized to enter into subsidy contracts or contracts for "in kind" contribution of services, materials, or a combination of services and materials with the Declarant or other entities for payment of Common Expenses.

8.2. Declarant's Obligation for Assessments. During the Class "B" Control Period, Declarant may annually elect either to pay an amount equal to regular assessments on all of its unsold Units or to pay the difference between the amount of assessments levied on all other Units subject to assessment and the amount of actual expenditures by the Association during the fiscal year. Unless the Declarant otherwise notifies the Board in writing at least 60 Days before the beginning of each fiscal year, the Declarant shall be deemed to have elected to continue paying on the same basis as during the immediately preceding fiscal year. The Declarant's obligations hereunder may be satisfied in the form of cash or by "in kind" contributions of services or materials, or by a combination of these.

8.3. Computation of General Assessment. At least 30 Days before the beginning of each fiscal year, the Board shall prepare a budget covering the estimated Common Expenses during the coming year, which may include a capital contribution to establish a reserve fund in accordance with a budget separately prepared as provided in Section 8.5.

General Assessments shall be levied equally against all Units subject to assessment and shall be set at a level which is reasonably expected to produce total income for the Association equal to the total budgeted Common Expenses, including reserves. In determining the total funds to be generated through the levy of General Assessments, the Board, in its discretion, may consider other sources of funds available to the Association, including any surplus from prior years and any assessment income expected to be generated from any additional Units reasonably anticipated to become subject to assessment during the fiscal year.

During the Class "B" Control Period, the Declarant may, but shall not be obligated to, reduce the General Assessment for any fiscal year by payment of a subsidy and/or contributions of services and materials (in addition to any amounts paid by Declarant under Section 8.2), which may be treated as either a contribution or an advance against future assessments due from the Declarant, or a loan, in the Declarant's discretion. Any such anticipated payment or contribution by the Declarant shall be disclosed as a line item in the Common Expense budget. Payments by the Declarant in any year shall under no circumstances obligate the Declarant to continue such payments in future years and the treatment of such payment shall be made known to the membership, unless otherwise provided in a written agreement between the Association and the Declarant.

The Board shall send a copy of the budget and notice of the amount of the General Assessment for the following year to each Owner at least 30 Days prior to the beginning of the fiscal year for which it is to be effective. Such budget and assessment shall become effective unless disapproved at a meeting of Members representing at least 67% of the total Class "A" votes in the Association and by the Declarant, during the Development Period. There shall be no obligation to call a meeting for the purpose of considering the budget except on petition of the Members as provided for special meetings in Section 2.4 of the By-Laws, which petition must be presented to the Board within 20 Days after delivery of the notice of assessments. If a meeting is requested, assessments pursuant to such proposed budget shall not become effective until after such meeting is held, provided such assessments shall be retroactive to the original effective date of the budget if the budget is not disapproved at such meeting.

If the proposed budget is disapproved or the Board fails for any reason to determine the budget for any year, then until such time as a budget is determined, the budget in effect for the immediately preceding year shall continue for the current year. The Board shall send a copy of the revised budget to each Owner at least 30 Days prior to its becoming effective. The revised budget shall become effective unless disapproved in accordance with the above procedure.

8.4. Computation of Neighborhood Assessments. At least 30 Days before the beginning of each fiscal year, the Board shall prepare a separate budget covering the estimated Neighborhood Expenses for each Neighborhood on whose behalf Neighborhood Expenses are expected to be incurred during the coming year. The Board shall be entitled to set such budget only to the extent that this Declaration, any Supplemental Declaration, or the By-Laws specifically authorizes the Board to assess certain costs as a Neighborhood Assessment. Any Neighborhood may request that additional services or a higher level of services be provided by the Association and, upon approval of Owners in accordance with Section 3.3(a), any additional costs shall be added to such budget. Such budget may include a contribution establishing a reserve fund for repair and replacement of capital items maintained as a Neighborhood Expense, if any, within the Neighborhood. Neighborhood Expenses shall be allocated equally among all Units within the Neighborhood(s) benefitted thereby and levied as a Neighborhood Assessment.

At least 30 Days prior to the beginning of each fiscal year and no more than 30 Days after the budget's adoption by the Board, the Board shall cause a copy of such budget and notice of the amount of the Neighborhood Assessment for the coming year to be delivered to each Owner of a Unit in the Neighborhood. The notice shall include a statement that the budget may be ratified without a quorum. Such budget and related assessment shall become effective unless disapproved by Owners of a Majority of the Units in the Neighborhood to which the Neighborhood Assessment applies and by the Declarant, during the Development Period. There shall be no obligation to call a meeting for the purpose of considering the budget except on petition of Owners of at least 10% of the Units in such Neighborhood. This right to disapprove shall only apply to those line items in the Neighborhood budget which are attributable to services requested by the Neighborhood. If a meeting is requested, assessments pursuant to such proposed budget shall not become effective until after such meeting is held, provided such assessments shall be retroactive to the original effective date of the budget if the budget is not disapproved at such meeting.

If the Owners within any Neighborhood disapprove any line item of a Neighborhood budget, the Association shall not be obligated to provide the services anticipated to be funded by such line item of the budget. If the Board fails for any reason to determine a Neighborhood budget for any year, then until such time as a budget is determined, the budget in effect for the immediately preceding year shall continue for the current year.

8.5. Reserve Budget and Capital Contribution. The Board, in its sole discretion, may annually prepare reserve budgets for both general and Neighborhood purposes which take into account the number and nature of replaceable assets within the Area of Common Responsibility, the expected life of each asset, and the expected repair or replacement cost. The Board may include in the budget a capital contribution in an amount sufficient to permit meeting the projected needs of the Association, as shown on the reserve budget, with respect both to amount and timing by annual General Assessments or Neighborhood Assessments, as appropriate, over the budget period.

8.6. Special Assessments. In addition to other authorized assessments, the Association may levy Special Assessments from time to time to cover unbudgeted expenses or expenses in excess of those budgeted. Any such Special Assessment may be levied against all Units, if such Special Assessment is for Common Expenses, or against the Units within any Neighborhood if such Special Assessment is for Neighborhood Expenses. Special Assessments shall be allocated equally among all Units subject to such Special Assessment. Any Special Assessment shall become effective unless disapproved at a meeting of Members representing at least 67% of the total Class "A" votes allocated

to Units which will be subject to such Special Assessment and by the Declarant during the Development Period. There shall be no obligation to call a meeting for the purpose of considering any Special Assessment except on petition of the Members as provided for special meetings in Section 2.4 of the By-Laws, which petition must be presented to the Board within 20 Days after delivery of the notice of such Special Assessment. Special Assessments shall be payable in such manner and at such times as determined by the Board, and may be payable in installments extending beyond the fiscal year in which the Special Assessment is approved.

8.7. Specific Assessments. The Association shall have the power to levy Specific Assessments against a particular Unit or Units as follows:

(a) to cover the costs, including overhead and administrative costs, of providing benefits, items, or services to the Unit(s) or occupants thereof upon request of the Owner pursuant to a menu of special services which the Board may from time to time authorize to be offered to Owners and occupants (which might include, without limitation, landscape maintenance, janitorial service, pest control, etc.), which assessments may be levied in advance of the provision of the requested benefit, item or service as a deposit against charges to be incurred by the Owner;

(b) to cover the costs associated with maintenance, repair, replacement and insurance of any Exclusive Common Area assigned to one or more Units; and

(c) to cover costs incurred in bringing the Unit(s) into compliance with the terms of the Governing Documents or costs incurred as a consequence of the conduct of the Owner or occupants of the Unit, their agents, contractors, employees, licensees, invitees, or guests; provided however, the Board shall give the Unit Owner prior written notice and an opportunity for a hearing, in accordance with the By-Laws, before levying any Specific Assessment under this subsection (c).

The Association may also levy a Specific Assessment against the Units within any Neighborhood to reimburse the Association for costs incurred in bringing the Neighborhood into compliance with the provisions of the Declaration, any applicable Supplemental Declaration, the Articles, the By-Laws, and rules; provided however, the Board shall give prior written notice to the Owners of Units in the Neighborhood and an opportunity for such Owners to be heard before levying any such assessment.

8.8. Remedies for Non-Payment of Assessments. Any assessments or other charges which are not paid when due shall be delinquent. Delinquent assessments shall bear interest from the due date at the rate established by the Board of Directors of the Association, or if not set by the Board, at the highest rate allowed by law, together with such late fees as may be set by the Board. The Association may file a lien of record against any Unit where there remains an assessment unpaid for a period of thirty (30) Days or longer. Said lien shall be filed in the Public Records in a manner provided therefore by Section 47F-3-116 of the Act. Such lien shall be superior to all other liens, except (a) the liens of all taxes, bonds, assessments, and other levies which by law would be superior, and (b) the lien or charge of any first Mortgage of record (meaning any recorded Mortgage with first priority over other Mortgages) made in good faith and for value. The Association may bring an action at law against any Owner personally obligated to pay any assessments, charges, interest or other costs. Costs and reasonable attorneys' fees for the prosecution of any such action shall be added to the amount due. In the event of such action at law and in the further event that such action results in a judgment being entered against the Owner and in favor of the Association, then, and in that event, the Association shall

collect on such judgment in such manner and to the extent provided and permitted by the laws of the State of North Carolina.

The Association's lien may be foreclosed in like manner as a mortgage on real estate under power of sale under Chapter 45 of the North Carolina General Statutes. All fees, charges, late charges, fines, and interest are enforceable as assessments.

In any foreclosure action brought under the power of sale provisions, the Association shall be deemed to be the holder and owner of the obligation secured by this Declaration. The registered agent of the Association shall be the trustee for all purposes of the foreclosure proceeding, and the Association shall have the power to appoint a substitute trustee if for any reason the Association desires to replace the trustee, and the substitute trustee shall succeed to all rights, powers and duties thereof. The Association shall request of the trustee to sell the unit subject to the lien at public action for cash, after having first given such notice and advertising the time and place of such sale in such manner as may then be provided by law for mortgages and deeds of trust, and upon such sale and upon compliance with the law then relating to foreclosure proceedings under power of sale to convey to the purchaser in as full and ample manner as authorized by Chapter 45. The trustee shall be authorized to retain an attorney to represent such trustee in such proceedings. The proceeds of the sale shall, after the trustee retains its commission, together with any additional attorneys' fees incurred by the trustee, be applied to the costs of the sale, including but not limited to costs of collection, taxes, assessments, costs of recording, service fees, and incidental expenditures, the amount due on any note secured by the unit, and any advancements made by the Association in the protection of the security.

The Association may bid for the Unit, at the foreclosure sale and acquire, hold, lease, mortgage, and convey the Unit. While a unit is owned by the Association following foreclosure: (a) no right to vote shall be exercised on its behalf; (b) no assessment shall be levied on it; and (c) each other unit shall be charged, in addition to its usual assessment, its pro rata share of the assessment that would have been charged such unit had it not been acquired by the Association. The Association may sue for unpaid assessments and other charges authorized hereunder without foreclosing or waiving the lien securing the same.

The sale or transfer of any Unit shall not affect the assessment lien or relieve such Unit from the lien for any subsequent assessments. However, the sale or transfer of any Unit pursuant to foreclosure of the first Mortgage shall extinguish the lien as to any installments of such assessments due prior to such sale or transfer. A Mortgagee or other purchaser of a Unit who obtains title pursuant to foreclosure of the Mortgage shall not be personally liable for assessments on such Unit due prior to such acquisition of title. Such unpaid assessments shall be deemed to be Common Expenses collectible from Owners of all Units subject to assessment under Section 8.9, including such acquirer, its successors and assigns.

All other Persons acquiring liens or encumbrances on any Unit after this Declaration has been recorded shall be deemed to consent that such liens or encumbrances shall be inferior to future liens for assessments, as provided herein, whether or not prior consent is specifically set forth in the instruments creating such liens or encumbrances.

8.9. Date of Commencement of Assessments. The obligation to pay assessments shall commence as to each Unit on the date that such Unit is conveyed to a Person other than a Builder or Declarant. With respect to any Unit owned by a Builder, assessments shall commence upon the earlier

of (a) actual occupancy of such Unit, excluding any period that such Unit is being used exclusively as a model home or a sales office approved by Declarant; or (b) one year from the date that such Builder or any entity or Person related to such Builder acquired title to such Unit. The first annual General Assessment and Neighborhood Assessment, if any, levied on each Unit shall be adjusted according to the number of Days remaining in the fiscal year at the time of assessments commence on the Unit.

8.10. Failure to Assess. Failure of the Board to fix assessment amounts or rates or to deliver or mail each Owner an assessment notice shall not be deemed a waiver, modification, or a release of any Owner from the obligation to pay assessments. In such event, each Owner shall continue to pay General Assessments and Neighborhood Assessments on the same basis as during the last year for which an assessment was made, if any, until a new assessment is levied, at which time the Association may retroactively assess any shortfalls in collections.

8.11. Exempt Property. The following property shall be exempt from payment of General Assessments, Neighborhood Assessments, and Special Assessments:

(a) All Common Area and such portions of the property owned by the Declarant as are included in the Area of Common Responsibility pursuant to Section 5.1;

(b) Any property dedicated to and accepted by any governmental authority or public utility; and

(c) Property owned by any Neighborhood Association for the common use and enjoyment of its members, or owned by the members of a Neighborhood Association as tenants-in-common.

8.12. Capitalization of Association. Upon acquisition of record title to a Unit by the first Owner thereof other than the Declarant, a contribution shall be made by or on behalf of the purchaser to the working capital of the Association in an amount equal to the greater of one hundred dollars or one-sixth of the annual General Assessment per Unit for that year. This amount shall be in addition to, not in lieu of, the annual General Assessment and shall not be considered an advance payment of such assessment. This amount shall be collected and disbursed to the Association at closing of the purchase and sale of the Unit to the first owner, the capital contribution shall be paid immediately upon demand by the Association. Capital contributions shall be used by the Association in covering operating expenses and other expenses incurred by the Association pursuant to the Governing Documents.

ARTICLE 9 ARCHITECTURAL STANDARDS

9.1. General. No exterior structure or improvement, as described in Section 9.5 shall be placed, erected, installed or made upon any Unit or adjacent to any Unit where the purpose of the structure is to service such Unit, and no improvements shall be permitted except in compliance with this Article, and with the prior written approval of the appropriate reviewing body under Section 9.2, unless exempted from the application and approval requirements pursuant to Section 9.3.

Any Owner may remodel, paint or redecorate the interior of structures on his Unit without approval. However, modifications to the interior of porches, screened porches, patios, and similar portions of a Unit visible from outside the structures on the Unit shall be subject to approval.

All dwellings constructed on any portion of the Properties shall be designed by and built in accordance with the plans and specifications of a licensed architect unless Declarant or its designee otherwise approves in its sole discretion.

This Article shall not apply to the activities of the Declarant, nor to improvements to the Common Area by or on behalf of the Association or to improvements to any Private Amenity.

This Article may not be amended without the Declarant's written consent during the Development Period.

9.2. Architectural Review. Responsibility for administration of the Design Guidelines and review of all applications for construction and modifications under this Article shall be handled by the ARB, the members of which need not be Members of the Association or representatives of Members, and may, but need not, include architects, landscape architects, engineers or similar professionals, whose compensation, if any, shall be established from time to time by the ARB. The ARB may establish and charge reasonable fees for review of applications hereunder and may require such fees to be paid in full prior to review of any application. Such fees may include the reasonable costs incurred by the ARB in having any application reviewed by architects, engineers or other professionals.

The ARB shall have exclusive jurisdiction over all construction on any portion of the Properties. Until 100% of the Properties have been developed and conveyed to Owners other than Builders, and initial construction on each Unit has been completed in accordance with the Design Guidelines, the Declarant retains the right to appoint all members of the ARB which may consist of one or more Persons, who shall serve at the Declarant's discretion. There shall be no surrender of this right prior to that time except in a written instrument in recordable form executed by Declarant. Upon the expiration or surrender of such right, the Board shall appoint the members of the ARB who shall thereafter serve and may be removed in the Board's discretion.

9.3. Guidelines and Procedures.

(a) Design Guidelines. The Declarant shall prepare the initial Design Guidelines for the Properties. The Design Guidelines may contain general provisions applicable to all of the Properties, as well as specific provisions which vary according to land use and from one portion of the Properties to another depending upon the location, unique characteristics, and intended use. For example, by way of illustration but not limitation, the Design Guidelines may impose stricter requirements on those portions of the Properties adjacent to or visible from any Private Amenity or any lake, pond, river, stream or other body of water. The Design Guidelines are intended to provide guidance to Owners and Builders regarding matters of particular concern to the committees in considering applications hereunder. The Design Guidelines are not the exclusive basis for decisions of the committees and compliance with the Design Guidelines does not guarantee approval of any application.

The ARB shall adopt the Design Guidelines prior to closing on the first Unit and thereafter shall have sole and full authority to amend them. Any amendments to the Design Guidelines shall be prospective only and shall not apply to require modifications to or removal of structures previously approved once the approved construction or modification has commenced. There shall be no limitation on the scope of amendments to the Design Guidelines; the ARB is expressly authorized to amend the Design Guidelines to remove requirements previously imposed or otherwise to make the Design Guidelines less restrictive. The ARB shall make the Design Guidelines available to Owners and Builders who seek to engage in development or construction within the Properties.

(b) Procedures. Plans and specifications showing the nature, kind, shape, color, size, materials, and location of all proposed structures and improvements shall be submitted to the appropriate committee for review and approval (or disapproval). In addition, information concerning irrigation systems, drainage, lighting, landscaping and other features of proposed construction shall be submitted as applicable and as required by the Design Guidelines. In reviewing each submission, the committees may consider the quality of workmanship and design, harmony of external design with existing structures, and location in relation to surrounding structures, topography, and finish grade elevation, among other considerations. Decisions of the committees may be based solely on aesthetic considerations. Each Owner acknowledges that opinions on aesthetic matters are subjective and may vary over time.

In the event that the ARB fails to approve or to disapprove any application within 30 Days after submission of all information and materials reasonably requested, the application shall be deemed approved. However, no approval, whether expressly granted or deemed granted pursuant to the foregoing, shall be inconsistent with the Design Guidelines unless a variance has been granted in writing by the ARB pursuant to Section 9.8.

Notwithstanding the above, the ARB by resolution may exempt certain activities from the application and approval requirements of this Article, provided such activities are undertaken in strict compliance with the requirements of such resolution.

9.4. Architect, Builder and General Contractor Approval. All architects, Builders and general contractors must be approved by the ARB prior to engaging in any construction activities. The ARB shall implement an approval process utilizing established criteria and requiring the submission of a written application for approval. Approval of architects, Builders and contractors may not be construed as a recommendation of a specific architect, Builder or contractor by the ARB or the Declarant, nor a guarantee or endorsement of the work or financial condition of such architect, Builder or contractor. Owners shall have no claim at law or in equity against the ARB, the Association, the Declarant nor any members or agents of the same on the basis of any ARB approval of an architect, Builder or general contractor. Once approved (unless such approval is withdrawn by the ARB), an approved architect, Builder or contractor shall not be required to re-submit to the approval process.

9.5. Specific Guidelines and Restrictions.

(a) Exterior Structures and Improvements. Exterior structures and improvements shall include, but shall not be limited to, staking, clearing, excavation, grading and other site work; installation of utility lines or drainage improvements; initial construction of any dwelling or accessory building; exterior alteration of existing improvements; installation or replacement of mailboxes; basketball hoops; swing sets and similar sports and play equipment; clotheslines; garbage cans; wood piles; swimming pools; gazebos or playhouses; window air-conditioning units or fans; hot tubs; solar panels; antennas; satellite dishes or any other apparatus for the transmission or reception of television, radio, satellite, or other signals of any kind; hedges, walls, dog runs, animal pens, or fences of any kind, including invisible fences; artificial vegetation or sculpture; and planting or removal of landscaping materials. Notwithstanding the foregoing, the Declarant and the Association shall regulate antennas, satellite dishes, or any other apparatus for the transmission or reception of television, radio, satellite or other signals of any kind only in strict compliance with all federal laws and regulations.

(b) In addition to the foregoing activities requiring prior approval, the following items are strictly regulated, and the reviewing body shall have the right, in its sole discretion, to prohibit or restrict these items within the Properties. Each Owner must strictly comply with the terms of this Section unless

approval or waiver in writing is obtained from the appropriate reviewing body. The ARB may, but is not required to, adopt specific guidelines as part of the Design Guidelines or rules and regulations which address the following items.

(i) Signs. No "for sale" or "for rent" signs are permitted on the Properties. No other sign of any kind shall be erected by an Owner or occupant without the prior written consent of the ARB, as applicable, except (1) such signs as may be required by legal proceedings; and (2) not more than one (1) professional security sign of such size deemed reasonable by the ARB in its sole discretion. Unless in compliance with this Section, no signs shall be posted or erected by any Owner or occupant within any portion of the Properties, including the Common Area, any Unit, any structure or dwelling located on the Common Area or any Unit (if such sign would be visible from the exterior of such structure or dwelling as determined in the reviewing body's sole discretion) or from any Private Amenity.

The Declarant and the ARB reserve the right to prohibit signs and to restrict the size, content, color, lettering, design and placement of any approved signs. All authorized signs must be professionally prepared. This provision shall not apply to entry, directional, or other signs installed by the Declarant or its duly authorized agent as may be necessary or convenient for the marketing and development of the Properties, including, without limitation, "for sale" signs installed by Declarant and Builder signs installed in accordance with the Design Guidelines.

(ii) Tree Removal. No trees that are more than four (4) inches in diameter at a point two (2) feet above the ground shall be removed without the prior written consent of the ARB; provided however, any trees, regardless of their diameter, that are located within ten (10) feet of a drainage area, a residence, or a driveway, or any diseased or dead trees needing to be removed to promote the growth of other trees or for safety reasons may be removed without the written consent of the ARB. The ARB may adopt or impose requirements for, or condition approval of, tree removal upon the replacement of any tree removed.

(iii) Lighting. Exterior lighting visible from a public street shall not be permitted except for: (1) approved lighting as originally installed on a Unit; (2) one (1) approved decorative post light; (3) pathway lighting; (4) porch lighting (5) street lights in conformity with an established street lighting program for the Properties; (6) seasonal decorative lights during the usual and common season; or (7) front house illumination of model homes. All street lights shall be installed or aimed so as to minimize the potential for either a disabling glare to drivers or pedestrians or a nuisance glare to neighboring properties.

(iv) Temporary or Detached Structures. Except as may be permitted by the Declarant during initial construction, or the ARB thereafter, no temporary house, dwelling, garage, barn or other building shall be placed or erected on any Unit.

No mobile home, trailer home, travel trailer, camper or recreational vehicle shall be stored, parked or otherwise allowed to be placed on a Unit as a temporary or permanent dwelling. These recreational vehicles shall be subject to the restrictions set forth in Section 10.4 of the Declaration.

In addition, no modular home or manufactured home shall be placed, erected, constructed or permitted within the Properties. "Modular home and manufactured home" shall include, without limitation, any prefabricated or pre-build dwelling which consists of one or more transportable sections or components and shall also be deemed to include manufactured building, manufactured home, modular building, modular home, modular construction, and prefabricated construction. The placement

of prefabricated and transportable sections onto a permanent foundation and the inspection of the resulting structure by the building inspector shall not exempt such structure from this prohibition. Prefabricated accessory structures, such as sheds and gazebos, must be reviewed and approved in strict accordance with Article 9 of the Declaration.

(v) Utility Lines. Overhead utility lines, including lines for cable television, are not permitted except for temporary lines as required during construction and lines installed by or at the request of Declarant.

(vi) Standard Mailboxes. The ARB reserves the right to approve the style, design, color and location prior to any original installation or replacement of any mailbox and may require the installation of a standard mailbox which may vary from one Neighborhood to another. Application shall be made to the ARB prior to installation or replacement. By accepting a deed to a Unit, each Owner agrees that the ARB may remove any nonapproved mailbox in a reasonable manner; all costs for same shall be paid by Owner of such Unit, and all claims for damages caused by the ARB are waived.

(vii) Minimum Dwelling Size. The Design Guidelines may establish a minimum square footage of enclosed, heated and cooled living space for residential dwellings, which minimum may vary from one (1) Neighborhood to another. Upon written request of an Owner, the ARB may waive the minimum square footage requirement if, in the ARB's sole discretion, the resulting appearance of such residential dwelling will preserve and conform to the overall appearance, scheme, design, value and quality within the Properties.

(viii) Water Facilities. No individual water supply system shall be permitted within the Properties.

(ix) Private Sewer Equipment. No sewer equipment may be installed on any Unit without the prior approval of the ARB. All grinder pumps and other equipment used in connection with the Private Sewer System must satisfy the specifications set forth in the Design Guidelines including but not limited to standards for grinder pumps as to the manufacturer and model, power, clean-out criteria, and location. ARB reserves the right to prohibit the use of any equipment and/or vendor that does not meet the minimum requirements of the Design Guidelines which may change from time to time.

(x) Fences and Hedges. All fences and hedges shall be installed in accordance with the Design Guidelines and unless otherwise approved by the ARB, shall be located at least two feet inside the property line.

9.6. Construction Period. After commencement of construction, each Owner shall diligently continue construction to complete such construction in a timely manner. The initial construction of all structures must be completed within one (1) year after commencement of construction, unless extended by the ARB in its sole discretion. All other construction shall be completed within the time limits established by the ARB at the time the project is approved by the ARB.

For the purposes of this Section, commencement of construction shall mean that (a) all plans for such construction have been approved by the ARB; (b) a building permit has been issued for the Unit by the appropriate jurisdiction; and (c) construction of a structure has physically commenced including site preparation and pouring of footings or a slab foundation, as applicable. Completion of a structure shall mean that a final certificate of occupancy has been issued by the appropriate jurisdiction for the Unit.

9.7. No Waiver of Future Approvals. Approval of proposals, plans and specifications, or drawings for any work done or proposed, or in connection with any other matter requiring approval, shall not be deemed to constitute a waiver of the right to withhold approval as to any similar proposals, plans and specifications, drawings, or other matters subsequently or additionally submitted for approval.

9.8. Variance. The ARB may authorize variances from compliance with any of its guidelines and procedures when circumstances such as topography, natural obstructions, hardship, or aesthetic or environmental considerations require, but only in accordance with duly adopted rules and regulations. Such variances may only be granted, however, when unique circumstances dictate and no variance shall (a) be effective unless in writing; (b) be contrary to this Declaration; or (c) stop the ARB from denying a variance in other circumstances. For purposes of this Section, the inability to obtain approval of any governmental agency, the issuance of any permit, or the terms of any financing shall not be considered a hardship warranting a variance.

9.9. Limitation of Liability. The standards and procedures established pursuant to this Article are intended to provide a mechanism for maintaining and enhancing the overall aesthetics of the Properties only, and shall not create any duty to any Person. Review and approval of any application pursuant to this Article is made on the basis of aesthetic considerations only and the ARB shall bear no responsibility for ensuring the structural integrity or soundness of approved construction or modifications the adequacy of soils or drainage, nor for ensuring compliance with building codes and other governmental requirements. Neither the Declarant, the Association, the Board, the ARB or any committee, or member of any of the foregoing shall be held liable for any injury, damages, or loss arising out of the manner or quality of approved construction or modifications to any Unit. In all matters, the committees and their members shall be defended and indemnified by the Association as provided in Section 4.6.

9.10. Enforcement. The Declarant, any member of the ARB, or the Board, or the representatives of each shall have the right, during reasonable hours and after reasonable notice, to enter upon any Unit to inspect for the purpose of ascertaining whether any structure or improvement is in violation of this Article. Any structure, improvement or landscaping placed or made in violation of this Article shall be deemed to be nonconforming. Upon written request from the ARB, Owners shall, at their own cost and expense, remove such structure or improvement and restore the property to substantially the same condition as existed prior to the nonconforming work. Should an Owner fail to remove and restore as required, any authorized agent of Declarant, the ARB, or the Board shall have the right to enter the property, remove the violation, and restore the property to substantially the same condition as previously existed. Entry for such purposes and in compliance with this Section shall not constitute a trespass. In addition, the Board may enforce the decisions of the Declarant and the ARB by any means of enforcement described in Section 4.3. All costs, together with the interest at the maximum rate then allowed by law, may be assessed against the benefitted Unit and collected as a Specific Assessment.

Unless otherwise specified in writing by the committee granting approval, all approvals granted hereunder shall be deemed conditioned upon completion of all elements of the approved work and all work previously approved with respect to the same Unit, unless approval to modify any application has been obtained. In the event that any Person fails to commence and diligently pursue to completion all approved work, the Association shall be authorized, after notice to the Owner of the Unit and an opportunity to be heard in accordance with the By-Laws, to enter upon the Unit and remove or

complete any incomplete work and to assess all costs incurred against the Unit and the Owner thereof as a Specific Assessment.

Neither the ARB or any member of the foregoing nor the Association, the Declarant, or their members, officers or directors shall be held liable to any Person for exercising the rights granted by this Article. Any contractor, subcontractor, agent, employee, or other invitee of an Owner who fails to comply with the terms and provisions of this Article or the Design Guidelines may be excluded by the ARB from the Properties, subject to the notice and hearing procedures contained in the By-Laws.

In addition to the foregoing, the Association shall have the authority and standing to pursue all legal and equitable remedies available to enforce the provisions of this Article and the decisions of the ARB.

ARTICLE 10 USE RESTRICTIONS

10.1. General. This Article sets out certain use restrictions which must be complied with by all Owners and occupants of any Unit. The Properties shall be used only for residential, recreational, and related purposes (which may include, without limitation, model homes, sales offices for Builders, an information center and/or a sales office for any real estate broker retained by the Declarant to assist in the sale of property described on Exhibits "A" or "B," offices for any property manager retained by the Association, business offices for the Declarant or the Association or related parking facilities) consistent with this Declaration and any Supplemental Declaration.

10.2. Rules and Regulations. In addition to the use restrictions set forth in this Article, the Board may, from time to time, without consent of the Members, promulgate, modify, or delete rules and regulations applicable to the Properties. Such rules shall be distributed to all Owners and occupants prior to the date that they are to become effective and shall thereafter be binding upon all Owners and occupants until and unless overruled, canceled, or modified in a regular or special meeting by a Majority of the Members, and during the Development Period the written consent of the Declarant.

10.3. Residential Use. All Units may be used only for residential purposes of a single family and for ancillary business or home office uses. A business or home office shall be considered ancillary so long as: (a) the existence or operation of the activity is not apparent or detectable by sight, sound, or smell from outside the Unit; (b) the activity conforms to all zoning requirements for the Properties; and limits the number of employees on the premises to not more than two (2) at any given time; provided, further that there is reasonable parking to accommodate such employees; (c) the activity does not involve regular visitation of the Unit by clients, customers, suppliers, or other invitees or door-to-door solicitation of residents of the Properties; (d) the activity does not increase traffic or include frequent deliveries within the Properties; and (e) the activity is consistent with the residential character of the Properties and does not constitute a nuisance, or a hazardous or offensive use, or threaten the security or safety of other residents of the Properties, as may be determined in the sole discretion of the Board.

No real estate brokerage firms, real estate sales offices, or any other business directly or indirectly selling and/or managing real property or improvements shall be permitted within the Properties except with the Declarant's prior written approval which may be denied in Declarant's sole discretion. No other trade or business activity shall be conducted upon a Unit without the prior written approval of the Board. The terms "business" and "trade," as used in this provision, shall be construed

to have their ordinary, generally accepted meanings and shall include, without limitation, any occupation, work, or activity undertaken on an ongoing basis which involves the provision of goods or services to persons other than the provider's family and for which the provider receives a fee, compensation, or other form of consideration, regardless of whether: (a) such activity is engaged in full or part-time, (b) such activity is intended to or does generate a profit, or (c) a license is required.

The leasing of a Unit shall not be considered a business or trade within the meaning of this Section. This Section shall not apply to any activity conducted by the Declarant or a Builder approved by the Declarant with respect to its development and sale of the Properties or its use of any Units which it owns within the Properties.

10.4. Vehicles.

(a) Automobiles and non-commercial trucks and vans shall be parked only in the garages or in the driveways, if any, serving the Units unless otherwise approved by the ARB. No automobile or non-commercial truck or van may be left upon any portion of the Properties, except in a garage, if it is unlicensed or if it is in a condition such that it is incapable of being operated upon the public highways. Such vehicle shall be considered a nuisance and may be removed from the Properties. No motorized vehicles shall be permitted on pathways or unpaved Common Area except for public safety vehicles authorized by the Board and vehicles used by the Association or the owner of a Private Amenity in maintenance of all or a portion of the Properties or Private Amenity.

(b) Recreational vehicles shall be parked only in the garages, if any, serving the Units. The term "recreational vehicles," as used herein, shall include, without limitation, motor homes, mobile homes, boats, jet skis or other watercraft, trailers, other towed vehicles, motorcycles, minibikes, scooters, go-carts, golf carts, campers, buses, commercial trucks and commercial vans. Any recreational vehicle parked or stored in violation of this provision shall be considered a nuisance and may be removed from the Properties.

(c) Recreational vehicles may be operated on the streets within the Properties only by a licensed driver in accordance with North Carolina law.

(d) All vehicles shall be subject to such reasonable rules and regulations as the Board of Directors may adopt, including, without limitation, the right to limit the number of vehicles permitted on each Unit.

10.5. Leasing. Units may be leased for residential purposes only. All leases shall require, without limitation, that the tenant acknowledge receipt of a copy of the Declaration, By-Laws, use restrictions, and rules and regulations of the Association. The lease shall also obligate the tenant to comply with the foregoing. The Board may require notice of any lease together with such additional information deemed necessary by the Board.

10.6. Occupants Bound. All provisions of the Declaration, By-Laws, and of any rules and regulations, use restrictions or Design Guidelines governing the conduct of Owners and establishing sanctions against Owners shall also apply to all occupants even though occupants are not specifically mentioned. Fines may be levied against Owners or occupants. If a fine is first levied against an occupant and is not paid timely, the fine may then be levied against the Owner.

10.7. Animals and Pets. No animals, livestock, or poultry of any kind may be raised, bred, kept, or permitted on any Unit, with the exception of dogs, cats, or other usual and common household pets in reasonable number, as determined by the Board. No animals shall be kept, bred or maintained for commercial purposes. All pets shall be on a leash or otherwise reasonably controlled by the owner whenever outside a Unit and shall be kept in such a manner as to not become a nuisance by barking or other acts. The owners of the pet shall be responsible for all of the pet's actions. Pets shall not be permitted on any golf course, in any lake, or within any Private Amenity except in compliance with conditions established by the owner of such Private Amenity. If, in the sole opinion of the Board, any animal becomes dangerous or an annoyance or nuisance in the Properties or to nearby property or destructive of wildlife, they shall be removed from the Properties. By way of explanation and not limitation, this Section may be enforced by exercising self-help rights provided in Section 4.3.

10.8. Nuisance. It shall be the responsibility of each Owner and occupant to prevent the development of any unclean, unhealthy, unsightly, or unkempt condition on his or her property. No property within the Properties shall be used, in whole or in part, for the storage of any property or thing that will cause such Unit to appear to be in an unclean or untidy condition or that will be obnoxious to the eye; nor shall any substance, thing, or material be kept that will emit foul or obnoxious odors or that will cause any noise or other condition that will or might disturb the peace, quiet, safety, comfort, or serenity of the occupants of surrounding property.

Each Owner shall maintain its Unit in a neat and orderly condition throughout initial construction of a residential dwelling and not allow trash and debris from its activities to be carried by the wind or otherwise scattered within the Properties. Storage of construction materials on the Unit shall be subject to such conditions, rules, and regulations as may be set forth in the Design Guidelines. Each Owner shall keep roadways, easements, swales, and other portions of the Properties clear of silt, construction materials and trash from its activities at all times. Trash and debris during initial construction of a residential dwelling shall be contained in standard size dumpsters or other appropriate trash receptacles and removed regularly from Units and shall not be buried or covered on the Unit. Owners shall remove trash and debris from the Unit upon reasonable notice by Declarant in preparation for special events.

No noxious or offensive activity shall be carried on within the Properties, nor shall anything be done tending to cause embarrassment, discomfort, annoyance, or nuisance to any Person using any property within the Properties. There shall not be maintained any plants or animals or device or thing of any sort whose activities or existence in any way is noxious, dangerous, unsightly, unpleasant, or of a nature as may diminish or destroy the enjoyment of the Properties. Without limiting the generality of the foregoing, no speaker, horn, whistle, siren, bell, amplifier or other sound device, except such devices as may be used exclusively for security purposes or as approved by the ARB, shall be located, installed or maintained upon the exterior of any Unit unless required by law.

The reasonable and normal development, construction and sales activities conducted or permitted by the Declarant shall not be considered a nuisance or a disturbance of the quiet enjoyment of any Owner or occupant.

10.9. Streams. No streams which run across any Unit may be dammed, or the water therefrom impounded, diverted, or used for any purpose without the prior written consent of the Board, except that the Declarant shall have such rights as provided in Article 11.

10.10. Drainage and Grading. Catch basins and drainage areas are for the purpose of natural flow of water only. No obstructions or debris shall be placed in these areas. No Owner or occupant may obstruct or rechannel the drainage flows after location and installation of drainage swales, storm sewers, or storm drains.

No Person shall alter the grading of any Unit without prior approval pursuant to Article 9 of this Declaration. No Person may fill in or pipe any roadside or lot-line swale, except as necessary to provide a minimum driveway crossing, nor may any Person pipe, fill in, or alter any lot line swale used to meet Chatham County regulations, if any. The Declarant hereby reserves for itself and the Association a perpetual easement across the Properties for the purpose of altering drainage and water flow. However, the exercise of such an easement shall not materially diminish the value of or unreasonably interfere with the use of any Unit without the Owner's consent.

To the extent that Chatham County regulations applicable to the Properties provide that no more than a certain portion of each Unit shall be covered by impervious structures, including asphalt, gravel, concrete, stone, slate or similar material, not including wood decking or the water surface of swimming pools, those impervious structure requirements shall be incorporated in the Design Guidelines.

10.11. Sight Distance at Intersections. No fence, wall, hedge, or shrub planting which obstructs sight lines at elevations between 2 and 6 feet above the roadways shall be placed or permitted to remain on any corner Unit within the triangular area formed by the street property lines and a line connecting them at points 25 feet from the intersection of the street lines, or in the case of a rounded property corner, from the intersection of the street property lines extended. The same sight line limitations shall apply on any Unit within 10 feet from the intersection of a street property line with the edge of a driveway or alley pavement. No tree shall be permitted to remain within such distances of such intersection unless the foliage line is maintained at sufficient height to prevent obstruction of such sight lines.

10.12. Storage of Materials, Garbage, Dumping, Etc. All garbage cans shall be located or screened so as to be concealed from view of neighboring streets and property. All rubbish, trash, and garbage shall be regularly removed and shall not be allowed to accumulate. There shall be no dumping of grass clippings, leaves or other debris; rubbish, trash or garbage; petroleum products, fertilizers, or other potentially hazardous or toxic substances in any drainage ditch, stream, pond, or lake within the Properties, except that fertilizers may be applied to landscaping on Units provided care is taken to minimize runoff. Due to the sensitivity of the surrounding land, Owners shall use their best efforts to avoid excessive use of fertilizers.

No lumber, metals, bulk materials, refuse, trash or other similar materials shall be kept, stored, or allowed to accumulate outside the buildings on any Unit, except during the initial construction period of the improvements to the Unit. In addition, during construction the building materials on any Unit shall be placed and kept in an orderly fashion. Any Unit on which construction is in progress shall be policed prior to each weekend and during the weekend all materials shall be neatly stacked or placed and any trash or waste materials shall be removed.

10.13. Subdivision of Unit. No Unit shall be subdivided or its boundary lines changed after a subdivision plat including such Unit has been approved and filed in the Public Records without the Declarant's written consent. Declarant, however, hereby expressly reserves the right to replat any Unit

or Units which it or any Builder owns, with the written prior consent of the owner of the Unit or Units affected. Any such division, boundary line change, or replatting shall not be in violation of the applicable subdivision and zoning regulations, if any.

10.14. Guns. The discharge of firearms on the Properties is prohibited. The term "firearms" includes without limitation "B-B" guns, pellet guns, and firearms of all types. The Board may impose fines and exercise other enforcement remedies as set forth in this Declaration to enforce this restriction, but shall not be obligated to exercise self-help to prevent any such discharge.

10.15. Combustible Liquid. There shall be no storage of gasoline, propane, heating or other fuels, except for a reasonable amount of fuel that may be stored in containers appropriate for such purpose on each Unit for emergency purposes and operation of lawn mowers and similar tools or equipment and except as may be approved in writing by the ARB. The Association shall be permitted to store fuel for operation of maintenance vehicles, generators and similar equipment.

10.16. Completion of Construction; Occupancy of Unfinished Units. No dwelling erected upon any Unit shall be occupied in any manner before commencement of construction or while in the course of construction, nor at any time prior to the dwelling being fully completed. After commencement of construction, each Owner shall diligently continue construction to complete such construction in a timely manner. With respect to construction of a residential dwelling, such construction shall be completed within one year from commencement.

For the purposes of this Section, commencement of construction shall mean that (i) all plans for such construction have been approved by the ARB; (ii) a building permit has been issued for the Unit by the appropriate jurisdiction; and (iii) construction of a residential dwelling on the Unit has physically commenced beyond site preparation. Completion of a dwelling shall mean that a certificate of occupancy has been issued by the appropriate jurisdiction for the Unit.

10.17. Lakes, Ponds and Streams. Swimming, boating and other active uses of lakes, ponds or streams within or adjacent to the Properties shall be prohibited. The Association shall not be responsible for any loss, damage, or injury to any person or property arising out of the authorized or unauthorized use of lakes, ponds, or streams within the Properties.

10.18. Irrigation Systems and Wells. Sprinkler or irrigation systems shall be installed only in accordance with the Design Guidelines. Declarant shall have the right to install sprinkler or irrigation systems or nonpotable wells within or abutting the Properties which draw upon water from lakes, streams, rivers, ponds, wetlands, canals, or other ground or surface waters within the Properties and the Declarant and the owner of any golf course shall have the right to draw water from such sources within the Properties.

10.19. Golf Course Areas. Owners of Units adjacent to any golf course, as well as their families, tenants, guests, invitees, and pets, shall be obligated to refrain from any actions which would distract from the playing qualities of any golf course adjacent to the Properties. Such prohibited activities shall include, but shall not be limited to, burning materials where the smoke will cross the golf course property, maintenance of dogs or other pets under conditions which interfere with golf course play due to their loud barking or other actions, playing of loud radios, televisions, stereos or musical instruments, running, bicycling, skateboarding, walking or trespassing in any way on the golf course property, picking up balls or similar interference with play. In addition, no Person shall, by

BOOK 1116 PAGE 758

virtue of this Declaration, have any right to (a) prune or otherwise alter any landscaping located on the golf course property or (b) use any portion of any golf cart path system, including any portion thereof which may be situated upon Common Area. This covenant is for the benefit of any golf course adjacent to the Properties and the owner thereof and persons playing golf on said golf courses and shall be enforceable by the owner of such golf course.

10.20. Wetlands. All areas designated on any recorded plat as "wetlands" shall be generally left in a natural state, and any proposed alteration of the wetlands must be in accordance with any restrictions or covenants recorded against such property and be approved by the Army Corps of Engineers (COE) and the North Carolina Department of Environmental and Natural Resources, as applicable. Notwithstanding anything contained in this Section, the Declarant, the Association, and the successors, assigns, affiliates and designees of each may conduct such activities as have been or may be permitted by the U.S. Army Corps of Engineers or any successor thereof responsible for the regulation of wetlands. All areas designated on any recorded plat as "wetlands" shall be generally left in a natural state, and any proposed alteration of the wetlands must be in accordance with any restrictions or covenants recorded against such property and be approved by the Army Corps of Engineers (COE) and North Carolina Department of Environmental and Natural Resources, if applicable.

ARTICLE 11 EASEMENTS

Declarant reserves, creates, establishes, promulgates, and declares the non-exclusive, perpetual easements set forth herein for the enjoyment of the Declarant, the Association, the Members, the Owners, and the owners of any Private Amenities, and their successors-in-title.

11.1. Easements of Encroachment. There shall be reciprocal appurtenant easements of encroachment, and for maintenance and use of any permitted encroachment, between adjacent Units, between each Unit and any adjacent Common Area, and between each Unit and any adjacent Private Amenity due to the unintentional placement or settling or shifting of the improvements constructed, reconstructed, or altered thereon (in accordance with the terms of these restrictions) to a distance of not more than three feet, as measured from any point on the common boundary along a line perpendicular to such boundary. However, in no event shall an easement for encroachment exist if such encroachment occurred due to willful and knowing conduct on the part of, or with the knowledge and consent of, the Person claiming the benefit of such easement.

11.2. Easements for Utilities, Etc.

(a) There are hereby reserved to the Declarant during the Development Period, the Association, and the designees of each (which may include, without limitation, any governmental or quasi-governmental entity and any utility company) perpetual non-exclusive easements upon, across, over, and under all of the Properties to the extent reasonably necessary for the purpose of installing, constructing, monitoring, replacing, repairing, maintaining, operating and removing cable television systems, master television antenna systems, and other devices for sending or receiving data and/or other electronic signals; security and similar systems; roads, walkways, pathways and trails; lakes, ponds, wetlands, irrigation, and drainage systems; street lights and signage; and all utilities, including, but not limited to, water, sewer, telephone, gas, and electricity, and utility meters; and an easement for access of vehicular and pedestrian traffic over, across, and through the Properties, as necessary, to exercise the easements described above.

Declarant specifically grants to the local water supplier, sewer service provider, electric company, telephone company, cable company, and natural gas supplier the easements set forth herein across the Properties for ingress, egress, installation, reading, replacing, repairing, and maintaining utility lines, meters and boxes, as applicable.

(b) There is hereby reserved to the Declarant during the Development Period, the non-exclusive right and power to grant such specific easements as may be necessary, in the sole discretion of Declarant, in connection with the orderly development of any property described on Exhibits "A" or "B."

(c) Any damage to a Unit resulting from the exercise of the easements described in subsections (a) and (b) of this Section shall promptly be repaired by, and at the expense of, the Person exercising the easement. The exercise of these easements shall not extend to permitting entry into the structures on any Unit, nor shall it unreasonably interfere with the use of any Unit, and except in an emergency, entry onto any Unit shall be made only after reasonable notice to the Owner or occupant.

(d) Declarant reserves unto itself the right, in the exercise of its sole discretion, upon the request of any Person holding, or intending to hold, an interest in the Properties, or at any other time, (i) to release all or any portion of the Properties from the burden, effect, and encumbrance of any of the easements granted or reserved under this Section, or (ii) to define the limits of any such easements.

11.3. Easement for Slope Control, Drainage and Waterway Maintenance. The Declarant, for itself and the Association, and their respective representatives, successors and assigns, contractors and agents, hereby establishes and reserves a permanent and perpetual non-exclusive easement appurtenant over, across, under, through and upon each Unit for the purposes of:

(a) controlling soil erosion, including grading and planting with vegetation any areas of any Unit which are or may be subject to soil erosion;

(b) drainage of natural or man-made water flow and water areas from any portion of the Properties or any Private Amenity;

(c) changing, modifying or altering the natural flow of water, water courses or waterways on or adjacent to any Unit or Common Area;

(d) dredging, enlarging, reducing or maintaining any water areas or waterways within the Properties; and

(e) installing such pipes, lines, conduits or other equipment as may be necessary for slope control, drainage and waterway maintenance of any portion of the Properties or any Private Amenity.

11.4. Easements to Serve Additional Property. The Declarant hereby reserves for itself and its duly authorized agents, representatives, and employees, successors, assigns, licensees, and mortgagees, an easement over the Common Area for the purposes of enjoyment, use, access, and development of the Additional Property, whether or not such property is made subject to this Declaration. This easement includes, but is not limited to, a right of ingress and egress over the Common Area for construction of roads, for the posting of signs, and for connecting and installing utilities serving the Additional Property. Declarant agrees that it and its successors or assigns shall be responsible for any damage caused to the Common Area as a result of vehicular traffic connected with development of the Additional Property

(a) The Association shall have the right, but not the obligation, and a perpetual easement is hereby granted to the Association, to enter all portions of the Properties, including each Unit, for emergency, security, and safety reasons. Such right may be exercised by the authorized agents, employees and managers of the Association, any member of its Board or committees, and its officers, and by all police officers, fire fighters, ambulance personnel, and similar emergency personnel in the performance of their duties. Except in emergencies, entry onto a Unit shall be only during reasonable hours and after notice to the Owner. This easement includes the right to enter any Unit to cure any condition which may increase the possibility of fire, slope erosion, immediate risk of personal injury, or other hazard if an Owner fails or refuses to cure the condition within a reasonable time after request by the Board, but shall not authorize entry into any dwelling without permission of the Owner, except by emergency personnel acting in their official capacities. Any entry by the Association or its authorized agents, employees or managers of the Association, any member of its Board or committees, or its officers onto a Unit for the purposes specified herein shall not constitute a trespass.

(b) Declarant hereby reserves for itself and grants to the Association, to the relatives or descendants of any deceased person in any cemetery or burial ground that is located within the boundary of the Properties, and to any persons seeking access to any cemetery or burial ground for academic or historical purposes, a nonexclusive, perpetual easement of ingress and egress over such portions of the Common Area as are necessary for such access.

11.6. Easements for Maintenance and Enforcement. Authorized agents of the Association shall have the right, and a perpetual easement is hereby granted to the Association, to enter all portions of the Properties, including each Unit to (a) perform its maintenance responsibilities under Article 5, and (b) make inspections to ensure compliance with the Governing Documents. Except in emergencies, entry onto a Unit shall be only during reasonable hours. This easement shall be exercised with a minimum of interference to the quiet enjoyment to Owners' property, and any damage shall be repaired by the Association at its expense. Entry under this Section shall not constitute a trespass, and prior notice shall not be required except as provided in Section 5.2.

The Association also may enter a Unit to abate or remove, using such measures as may be reasonably necessary, any structure, thing or condition which violates the Governing Documents. All costs incurred, including reasonable attorneys fees, may be assessed against the violator as a Specific Assessment.

11.7. Easements for Lake and Pond Maintenance and Flood Water. The Declarant reserves for itself and its successors, assigns, and designees the nonexclusive right and easement, but not the obligation, to enter upon the lakes, ponds, streams, and wetlands located within the Area of Common Responsibility to (a) install, keep, maintain, and replace pumps and irrigation systems in order to provide water for the irrigation of any of the Area of Common Responsibility or any Private Amenity; (b) construct, maintain, and repair any bulkhead, wall, dam, or other structure retaining water; and (c) remove trash and other debris therefrom and fulfill their maintenance responsibilities as provided in this Declaration. Declarant and its designees shall have an access easement over and across any of the Properties abutting or containing any portion of any pond, stream, or wetland to the extent reasonably necessary to exercise their rights under this Section.

Declarant further reserves for itself and its successors, assigns and designees, a perpetual, nonexclusive right and easement of access and encroachment over the Common Area and Units (but not the dwellings thereon) adjacent to or within 20 feet of ponds, streams and wetlands in order to (a) temporarily flood and back water upon and maintain water over such portions of the Properties; (b) fill, drain, dredge, deepen, clean, fertilize, dye, and generally maintain the ponds, streams, and wetlands within the Area of Common Responsibility; (c) maintain and landscape the slopes and banks pertaining to such ponds, streams, and wetlands; and (d) enter upon and across such portions of the Properties for the purpose of exercising its rights under this Section. All persons entitled to exercise these easements shall use reasonable care in, and repair any damage resulting from the intentional exercise of such easements. Nothing herein shall be construed to make Declarant or any other Person liable for damage resulting from flooding due to heavy rainfall or other natural disasters.

Declarant reserves unto itself the right, in the exercise of its sole discretion, upon the request of any Person holding, or intending to hold, an interest in the Properties, or at any other time, (i) to release all or any portion of the Properties from the burden, effect, and encumbrance of any of the easements granted or reserved under this Section, or (ii) to define the limits of any such easements.

11.8. Lateral Support. Every portion of the Common Area, every Unit, and any improvement which contributes to the lateral support of another portion of the Common Area or of another Unit shall be burdened with an easement for lateral support, and each shall also have the right to lateral support which shall be appurtenant to and pass with title to such property.

11.9. Easements for Private Amenities.

(a) Every Unit and the Common Area and the common property of any Neighborhood Association adjacent to any Private Amenity are burdened with an easement permitting golf balls unintentionally to come upon such Common Area, Units or common property of a Neighborhood and for golfers at reasonable times and in a reasonable manner to come upon the Common Area, common property of a Neighborhood, or the exterior portions of a Unit to retrieve errant golf balls; provided however, if any Unit is fenced or walled, the golfer shall seek the Owner's permission before entry. The existence of this easement shall not relieve golfers of liability for damage caused by errant golf balls. Under no circumstances shall any of the following Persons be held liable for any damage or injury resulting from any activity relating to the Private Amenity, including but not limited to, any errant golf balls or the exercise of this easement: the Declarant, or any successor Declarant; the Association or its Members (in their capacity as such); the owner(s) of the Private Amenities or their successors, successors-in-title, or assigns; any Builder or contractor (in their capacities as such); the golf course designer or builder; or any officer or director, member, manager or partner of any of the foregoing.

(b) The owner(s) of the Private Amenities, their respective successors and assigns, shall have a perpetual, exclusive easement of access over the Properties for the purpose of retrieving golf balls from bodies of water within the Common Area and any Unit lying reasonably within range of golf balls hit from any golf course within such Private Amenity.

(c) The owner of any Private Amenity within or adjacent to any portion of the Properties, its agents, successors and assigns, shall at all times have a right and non-exclusive easement of access and use over those portions of the Common Area reasonably necessary to the operation, maintenance, repair and replacement of its Private Amenity.

(d) Declarant hereby reserves for itself, its successors and assigns and the Owner(s) of any Private Amenities over, across and upon each and every Unit, a twenty (20) foot easement as measured from the boundary line of the Unit that separates such Unit from any golf course to a line running parallel thereto being located twenty (20) feet into the interior of such Unit. Such easement may be used for the purposes of operation and maintenance of any golf course, including, without limitation, installation and maintenance of cart paths. By way of example and not limitation, such easement shall be for the purpose of authorizing entry onto such portions of the Unit to maintain or landscape the area encumbered by such easement. Such maintenance and landscaping shall include planting of grass, irrigation, fertilizer application, mowing and edging, and removal of any underbrush, trash, debris and trees of less than two (2) inches in diameter.

(e) There is hereby established for the benefit of the Private Amenities and their members (regardless of whether such members are Owners hereunder), guests, invitees, employees, agents, contractors, and designees, a right and nonexclusive easement of access and use over all roadways located within the Properties reasonably necessary to travel between the entrance to the Properties and the Private Amenities and over those portions of the Properties (whether Common Area or otherwise) reasonably necessary to the operation, maintenance, repair, and replacement of the Private Amenities. Without limiting the generality of the foregoing, members of the Private Amenities and guests and invitees of the Private Amenities shall have the right to park their vehicles on the roadways located within the Properties at reasonable times before, during, and after special events, tournaments and other similar functions held by or at the Private Amenities.

(f) Any portion of the Properties immediately adjacent to the Private Amenities are hereby burdened with a non-exclusive easement in favor of the adjacent Private Amenities for over spray of water from the irrigation system serving the Private Amenities. Under no circumstances shall the Association or the owner(s) of the Private Amenities be held liable for any damage or injury resulting from such over spray or the exercise of this easement.\

(g) The Declarant hereby reserves for itself, its successors and assigns, and may assign to the owner(s) of the Private Amenities, an easement and all rights to draw water from the lakes and ponds within or adjacent to the Properties for purposes of irrigation of the Private Amenities and for access to and the right to enter upon the lakes and ponds within or adjacent to the Properties, if any, for installation and maintenance of any irrigation systems.

(h) Any Private Amenity may include an extensive system of paths for use by pedestrians, golf carts and maintenance vehicles. To the extent such paths are not located on the Private Amenity, Declarant hereby reserves a nonexclusive easement appurtenant to the Private Amenity on, over, under and across the Properties as reasonably necessary for the installation, maintenance, repair, replacement, reconstruction, use and enjoyment of such paths. The owner(s) of the Private Amenities shall be solely responsible for maintaining such paths at its sole cost and expense, including those portions which are located on a Unit or Common Area. The aforesaid easements are reserved for the benefit of the owner(s) of the Private Amenities, and their respective members, guests, invitees, employees, contractors, agents, and designees and shall be appurtenant to the Private Amenity.

11.10. Easement for Special Events. Declarant hereby reserves for itself, its successors, assigns and designees a perpetual, non-exclusive easement over the Common Area for the purpose of conducting educational, cultural, entertainment, or sporting events, and other activities of general community interest at such locations and times as Declarant, in its sole discretion, deems appropriate.

Each Owner, by accepting a deed or other instrument conveying any interest in a Unit, acknowledges and agrees that the exercise of this easement may result in a temporary increase in traffic, noise, gathering of crowds, and related inconveniences, and each Owner agrees on behalf of itself and the occupants of its Unit to take no action, legal or otherwise, which would interfere with the exercise of such easement or to recover damages for or as the result of any such activities.

11.11. Rights to Stormwater Runoff, Effluent and Water Reclamation. Declarant hereby reserves for itself and its designees, including but not limited to the owner of any Private Amenity, all rights to ground water, surface water, storm water runoff, and effluent located or produced within the Properties, and each Owner agrees, by acceptance of a deed to a Unit, that Declarant shall retain all such rights. Such right shall include an easement over the Properties for access, and for installation and maintenance of facilities and equipment to capture and transport such water, runoff and effluent.

11.12. Liability for Use of Easements. No Owner shall have a claim or cause of action against the Declarant, its successors or assigns, including without limitation the owner(s) of any Private Amenities, arising out of the exercise or non-exercise of any easement reserved hereunder or shown on any subdivision plat for the Properties, except in cases of willful or wanton misconduct.

ARTICLE 12 MORTGAGEE PROVISIONS

The following provisions are for the benefit of holders, insurers and guarantors of first Mortgages on Units in the Properties. The provisions of this Article apply to both this Declaration and to the By-Laws, notwithstanding any other provisions contained therein.

12.1. Notices of Action. An institutional holder, insurer, or guarantor of a first Mortgage who provides a written request to the Association (such request to state the name and address of such holder, insurer, or guarantor and the street address of the Unit to which its Mortgage relates, thereby becoming an "Eligible Holder"), will be entitled to timely written notice of:

(a) Any condemnation loss or any casualty loss which affects a material portion of the Properties or which affects any Unit on which there is a first Mortgage held, insured, or guaranteed by such Eligible Holder;

(b) Any delinquency in the payment of assessments or charges owed by a Unit subject to the Mortgage of such Eligible Holder, where such delinquency has continued for a period of 60 Days, or any other violation of the Declaration or By-Laws relating to such Unit or the Owner or Occupant which is not cured within 60 Days;

(c) Any lapse, cancellation, or material modification of any insurance policy maintained by the Association; or

(d) Any proposed action which would require the consent of a specified percentage of Eligible Holders pursuant to Federal Home Loan Mortgage Corporation requirements.

12.2. No Priority. No provision of this Declaration or the By-Laws gives or shall be construed as giving any Owner or other party priority over any rights of the first Mortgagee of any Unit in the case of distribution to such Owner of insurance proceeds or condemnation awards for losses to or a taking of the Common Area.

12.3. Notice to Association. Upon request, each Owner shall be obligated to furnish to the Association the name and address of the holder of any Mortgage encumbering such Owner's Unit.

12.4. Failure of Mortgagee to Respond. Any Mortgagee who receives a written request from the Board to respond to or consent to any action shall be deemed to have approved such action if the Association does not receive a written response from the Mortgagee within 30 Days of the date of the Association's request, provided such request is delivered to the Mortgagee by certified or registered mail, return receipt requested.

12.5. Construction of Article 12. Nothing contained in this Article shall be construed to reduce the percentage vote that must otherwise be obtained under the Declaration, By-Laws, or North Carolina law for any of the acts set out in this Article.

ARTICLE 13 DECLARANT'S RIGHTS

13.1. Transfer or Assignment. Any or all of the special rights and obligations of the Declarant set forth in the Governing Documents may be transferred or assigned in whole or in part to the Association or to other Persons, provided that the transfer shall not reduce an obligation nor enlarge a right beyond that which the Declarant has under this Declaration or the By-Laws. Upon any such transfer, the Declarant shall be automatically released from any and all liability arising with respect to such transferred rights and obligations. No such transfer or assignment shall be effective unless it is in a written instrument signed by the Declarant and duly recorded in the Public Records.

13.2. Development and Sales. The Declarant and Builders authorized by Declarant may maintain and carry on the Properties such activities as, in the sole opinion of the Declarant, may be reasonably required, convenient, or incidental to the development of the Properties and/or the construction or sale of Units, such as sales activities, tournaments, charitable events, and promotional events, and restrict Members from using the Common Area during such activities. Such activities shall be conducted in a manner to minimize (to the extent reasonably possible) any substantial interference with the Members' use and enjoyment of the Common Area. In the event that any such activity necessitates exclusion of Owners from Common Areas, such activities shall not exceed seven (7) consecutive Days. The Declarant and authorized Builders shall have easements over the Properties for access, ingress and conducting such activities.

In addition, the Declarant and Builders authorized by Declarant may establish within the Properties, including any clubhouse, such facilities as, in the sole opinion of the Declarant, may be reasonably required, convenient, or incidental to the development of the Properties and/or the construction or sale of Units, including, but not limited to, business offices, signs, model homes, tents, sales offices, sales centers and related parking facilities. During the Development Period, Owners may be excluded from use of all or a portion of such facilities in the Declarant's sole discretion. The Declarant and authorized Builders shall have easements over the Properties for access, ingress, and egress and use of such facilities.

Declarant may permit the use of any facilities situated on the Common Area by Persons other than Owners without the payment of any use fees.

13.3. Improvements to Common Areas. The Declarant and its employees, agents and designees shall also have a right and easement over and upon all of the Common Area for the purpose of making, constructing and installing such improvements to the Common Area as it deems appropriate in its sole discretion.

13.4. Additional Covenants. No Person shall record any declaration of covenants, conditions and restrictions, declaration of condominium, easements, or similar instrument affecting any portion of the Properties without Declarant's review and written consent. Any attempted recordation without such consent shall result in such instrument being void and of no force and effect unless subsequently approved by written consent signed by the Declarant and recorded in the Public Records. No such instrument recorded by any Person, other than the Declarant pursuant to Section 7.4, may conflict with the Declaration, By-Laws or Articles.

13.5. Right of Class "B" Member to Disapprove Actions. So long as the Class "B" membership exists, the Class "B" Member shall have the right to disapprove any action, policy or program of the Association, the Board and any committee which, in the sole judgment of the Class "B" Member, would tend to impair rights of the Declarant or Builders under the Governing Documents, or interfere with development of, construction on, or marketing of any portion of the Properties, or diminish the level of services being provided by the Association. This right to disapprove is in addition to, and not in lieu of, any right to approve or disapprove specific actions of the Association, the Board or any committee as may be granted to the Class "B" Member or the Declarant in the Governing Documents.

(a) The Class "B" Member shall be given written notice of all meetings and proposed actions approved at meetings (or by written consent in lieu of a meeting) of the Association, the Board or any committee. Such notice shall be given by certified mail, return receipt requested, or by personal delivery at the address the Class "B" Member has registered with the secretary of the Association, which notice complies with the By-Laws and which notice shall, except in the case of the regular meetings held pursuant to the By-Laws, set forth in reasonable particularity the agenda to be followed at such meeting. The Class "B" Member may waive its right to receive notice in the same manner as provided in the By-Laws.

(b) The Class "B" Member shall be given the opportunity at any such meeting to join in or to have its representatives or agents join in discussion from the floor of any prospective action, policy, or program which would be subject to the right of disapproval set forth herein. The Class "B" Member, its representatives or agents may make its concerns, thoughts, and suggestions known to the Board and/or the members of the subject committee.

(c) No action, policy or program subject to the right of disapproval set forth herein shall become effective or be implemented until and unless the requirements of subsections (a) and (b) above have been met and the time period set forth in subsection (d) below has expired.

(d) The Class "B" Member, acting through any officer or director, agent or authorized representative, may exercise its right to disapprove at any time within ten (10) Days following the meeting at which such action was proposed or, in the case of any action taken by written consent in lieu of a meeting, at any time within ten (10) Days following receipt of written notice of the proposed action. No action, policy or program shall be effective or implemented if the Class "B" Member exercises its right to disapprove. This right to disapprove may be used to block proposed actions but

shall not include a right to require any action or counteraction on behalf of any committee, or the Board or the Association. The Class "B" Member shall not use its right to disapprove to reduce the level of services which the Association is obligated to provide or to prevent capital repairs or any expenditure required to comply with applicable laws and regulations.

13.6. Amendments. Notwithstanding any contrary provision of this Declaration, no amendment to or modification of any use restrictions and rules or Design Guidelines made after termination of the Class "B" Control Period shall be effective without prior notice to and the written consent of the Declarant, during the Development Period. This Article may not be amended without the written consent of the Declarant. The rights contained in this Article shall terminate upon the earlier of (a) twenty-five (25) years from the date this Declaration is recorded, or (b) upon recording by Declarant of a written statement that all sales activity has ceased.

ARTICLE 14 PRIVATE AMENITIES

14.1. General. Private Amenities shall not be a portion of the Common Area, and neither membership in the Association nor ownership or occupancy of a Unit shall confer any ownership interest in or right to use any Private Amenity. Rights to use the Private Amenities will be granted only to such persons, and on such terms and conditions, as may be determined from time to time by the respective owners of the Private Amenities. The owners of the Private Amenities shall have the right, from time to time in their sole and absolute discretion and without notice, to amend or waive the terms and conditions of use of their respective Private Amenities, including, without limitation, eligibility for and duration of use rights, categories of use, extent of use privileges, and number of users, and to require the payment of a purchase price, membership contribution, initiation fee, membership deposit, dues, use charges, and other charges for use privileges and to change, eliminate, or lease operation of any or all facilities; and to reserve use rights and to terminate use rights altogether, subject to the terms of any written agreements.

14.2. Conveyance of Private Amenities. All Persons, including all Owners, are hereby advised that no representations or warranties have been or are made by the Declarant, the Association, any Builder, or by any Person acting on behalf of any of the foregoing; with regard to the continuing ownership or operation of any Private Amenity, and no purported representation or warranty in such regard, either written or oral, shall be effective unless specifically set forth in a written instrument executed by the record owner of the Private Amenity. Further, the ownership or operation of the Private Amenities may change at any time by virtue of, but without limitation, (a) the sale to or assumption of operations of any Private Amenity by a Person other than the current owner or operator; or (b) the conveyance of any Private Amenity to one or more affiliates, shareholders, employees, or independent contractors of the Declarant. No consent of the Association, any Neighborhood Association, or any Owner shall be required to effectuate any change in ownership or operation of any Private Amenity, for or without consideration and subject to or free of any mortgage, covenant, lien or other encumbrance.

14.3. View Impairment. Neither the Declarant, the Association, nor the owner of any Private Amenity, guarantees or represents that any view over and across any Private Amenity, the Common Area or any public facilities from Units will be preserved without impairment. The owners of such property, shall have no obligation to prune or thin trees or other landscaping, and shall have the right, in their sole and absolute discretion, to add trees and other landscaping or to install improvements

or barriers (both natural and artificial) to the Private Amenities, the Common Area or the public facilities from time to time. In addition, the owner of any Private Amenity which includes a golf course may, in its sole and absolute discretion, change the location, configuration, size and elevation of the trees, bunkers, fairways and greens from time to time. Any such additions or changes may diminish or obstruct any view from the Units and any express or implied easements for view purposes or for the passage of light and air are hereby expressly disclaimed.

14.4. Cost Sharing Agreements. The Association may enter into a Cost Sharing Agreement with any Private Amenity obligating the Private Amenity or the Association to contribute funds for, among other things, shared property or services and/or a higher level of Common Area maintenance.

14.5. Architectural Control. Neither the Association, nor any committee thereof, shall approve or permit any construction, addition, alteration, change, or installation on or to any portion of the Properties which is contiguous to or within one hundred (100) feet of, any Private Amenity without giving the owner of such Private Amenity at least fifteen (15) Days prior written notice of its intent to approve or permit the same together with copies of the request and all other documents and information finally submitted in such regard. The owner of such Private Amenity shall then have fifteen (15) Days to approve or disapprove the proposal in writing delivered to the appropriate committee or Association, stating in detail the reasons for any disapproval. The failure of the owner of such Private Amenity to respond to the notice within the fifteen (15) Day period shall constitute a waiver of the owner of such Private Amenity's right to object to the matter. If in the reasonable opinion of the owner of the Private Amenity whether by restriction of view, hazards to person or otherwise, the requesting party shall resubmit to the ARB the proposed construction or modification so as to take into account the objection of the Private Amenity, and the review and approval process set forth in this Section shall apply to the resubmitted plans and specifications. This Section shall also apply to any work on the Common Area contiguous to the Private Amenity.

14.6. Use Restrictions. Upon request of the owner of any Private Amenity, the Association shall enforce its use restrictions and rules against any Owner or occupant violating such regulations within such Private Amenity, including but not limited to the exercise of the Association's self-help rights for violation of sign and pet restrictions.

14.7. Limitations on Amendments. In recognition of the fact that the provisions of this Article are for the benefit of the Private Amenity, no amendment to this Article, and no amendment in derogation of any other provisions of this Declaration benefitting any Private Amenity, may be made without the written approval of the owner(s) of the affected Private Amenity. The foregoing shall not apply, however, to amendments made by the Declarant.

14.8. Jurisdiction and Cooperation. It is Declarant's intention that the Association and the Private Amenities shall cooperate to the maximum extent possible in the operation of the Properties and the Private Amenities. Each shall reasonably assist the other in upholding the Community-Wide Standard as it pertains to maintenance and the Design Guidelines. The Association shall have no power to promulgate rules or regulations affecting activities on or use of the Private Amenities without the prior written consent of the owners of the Private Amenities affected thereby.

ARTICLE 15
GENERAL PROVISIONS

15.1. Duration.

(a) Unless terminated as provided in Section 15.1(b), this Declaration shall run with the land and shall be binding on all parties and Persons claiming under them for a period of 20 years from the date this Declaration is recorded. This Declaration shall automatically be extended at the expiration of such period for successive periods of 10 years each, unless terminated as provided herein. Notwithstanding the above, if any of the covenants, conditions, restrictions, or other provisions of this Declaration shall be unlawful, void, or voidable for violation of the rule against perpetuities, then such provisions shall continue only until 21 years after the death of the last survivor of the now living descendants of Elizabeth II, Queen of England.

(b) Unless otherwise provided by North Carolina law, in which case such law shall control, this Declaration may not be terminated within 20 years of the date of recording without the consent of all Owners. Thereafter, it may be terminated only by an instrument signed by Owners of at least 75% of the total Units within the Properties and by the Declarant, if the Declarant owns any portion of the Properties, which instrument is recorded in the Public Records. Nothing in this Section shall be construed to permit termination of any easement created in this Declaration without the consent of the holder of such easement.

15.2. Amendment.

(a) By Declarant. Until termination of the Class "B" membership, Declarant may unilaterally amend this Declaration for any purpose. Thereafter, the Declarant may unilaterally amend this Declaration at any time and from time to time if such amendment is necessary (i) to bring any provision into compliance with any applicable governmental statute, rule, regulation, or judicial determination; (ii) to enable any reputable title insurance company to issue title insurance coverage on the Units; (iii) to enable any institutional or governmental lender, purchaser, insurer or guarantor of Mortgage loans, including, for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to make, purchase, insure or guarantee Mortgage loans on the Units; or (iv) to satisfy the requirements of any local, state or federal governmental agency. However, any such amendment shall not adversely affect the title to any Unit unless the Owner shall consent in writing. In addition, so long as the Declarant owns property which is subject to this Declaration or which may be unilaterally subjected to the Declaration by the Declarant, it may unilaterally amend this Declaration for any other purpose, provided the amendment has no material adverse effect upon any right of any Owner.

(b) By Members. Except as otherwise specifically provided above and elsewhere in this Declaration, this Declaration may be amended only by the affirmative vote or written consent, or any combination thereof, of Members representing 67% of the total Class "A" votes in the Association, including 67% of the Class "A" votes held by Members other than the Declarant, and the written consent of the Declarant, so long as the Declarant owns any property which is subject to this Declaration or which may be unilaterally subjected to this Declaration by the Declarant.

Notwithstanding the above, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

(c) Validity and Effective Date. Any amendment to the Declaration shall become effective upon recordation in the Public Records, unless a later effective date is specified in the amendment. Any procedural challenge to an amendment must be made within six months of its recordation or such amendment shall be presumed to have been validly adopted. In no event shall a change of conditions or circumstances operate to amend any provisions of this Declaration. No amendment may remove, revoke, or modify any right or privilege of the Declarant or the Class "B" Member without the written consent of the Declarant, the Class "B" Member, or the assignee of such right or privilege.

If an Owner consents to any amendment to this Declaration or the By-Laws, it will be conclusively presumed that such Owner has the authority to consent, and no contrary provision in any Mortgage or contract between the Owner and a third party will affect the validity of such amendment.

15.3. Severability. Invalidation of any provision of this Declaration, in whole or in part, or any application of a provision of this Declaration by judgment or court order shall in no way affect other provisions or applications.

15.4. Dispute Resolution. It is the intent of the Association and the Declarant to encourage the amicable resolution of disputes involving the Properties and to avoid the emotional and financial costs of litigation if at all possible. Accordingly, the Association, the Declarant and each Owner covenants and agrees that it shall attempt to resolve all claims, grievances or disputes involving the Properties, including, without limitation, claims, grievances or disputes arising out of or relating to the interpretation, application or enforcement of this Declaration, the By-Laws, the Association rules, or the Articles through alternative dispute resolution methods, such as mediation and arbitration. To foster the amicable resolution of disputes, the Board may adopt alternative dispute resolution procedures.

Participation in alternative dispute resolution procedures shall be voluntary and confidential. Should either party conclude that such discussions have become unproductive or unwarranted, then the parties may proceed with litigation.

15.5. Litigation. Except as provided below, no judicial or administrative proceeding shall be commenced or prosecuted by the Association unless approved by a vote of Members representing 75% of the total Class "A" votes in the Association. This Section shall not apply, however, to (a) actions brought by the Association to enforce the provisions of this Declaration (including, without limitation, the foreclosure of liens); (b) the imposition and collection of assessments as provided in Article 8; (c) proceedings involving challenges to ad valorem taxation; (d) counter-claims brought by the Association in proceedings instituted against it or (e) actions brought by the Association against any contractor, vendor, or supplier of goods and services arising out of a contract for services or supplies. This Section shall not be amended unless such amendment is approved by the percentage of votes, and pursuant to the same procedures, necessary to institute proceedings as provided above.

15.6. Non-Merger. Notwithstanding the fact that Declarant is the current owner of the Properties, it is the express intention of Declarant that the easements established in the Declaration for the benefit of the Properties and Owners shall not merge into the fee simple estate of individual units

conveyed by Declarant or its successor, but that the estates of the Declarant and individual lot owners shall remain as separate and distinct estates. Any conveyance of all or a portion of the Properties shall be subject to the terms and provisions of this Declaration, regardless of whether the instrument of conveyance refers to this Declaration.

15.7. Grants. The parties hereby declare that this Declaration, and the easements created herein shall be and constitute covenants running with the fee simple estate of the Properties. The grants and reservations of easements in this Declaration are independent of any covenants and contractual agreements undertaken by the parties in this Declaration and a breach by either party of any such covenants or contractual agreements shall not cause or result in a forfeiture or reversion of the easements granted in this Declaration.

15.8. Cumulative Effect; Conflict. The provisions of this Declaration shall be cumulative with any additional covenants, restrictions, and declarations applicable to any Neighborhood, and the Association may, but shall not be required to, enforce the covenants, conditions, and provisions applicable to any Neighborhood; provided however, in the event of a conflict between or among this Declaration and such covenants or restrictions, and/or the provisions of any articles of incorporation, by-laws, rules and regulations, policies, or practices adopted or carried out pursuant thereto, this Declaration, the By-Laws, Articles, and use restrictions and rules of the Association shall prevail over those of any Neighborhood. The foregoing priorities shall apply, but not be limited to, the lien for assessments created in favor of the Association. Nothing in this Section shall preclude any Supplemental Declaration or other recorded declaration, covenants and restrictions applicable to any portion of the Properties from containing additional restrictions or provisions which are more restrictive than the provisions of this Declaration, and the Association shall have the standing and authority to enforce the same.

15.9. Use of the Words "Chapel Ridge". No Person shall use the words "Chapel Ridge" or any logo of Chapel Ridge or any derivative in any printed or promotional material without the Declarant's prior written consent. However, Owners may use the term "Chapel Ridge" in printed or promotional matter where such term is used solely to specify that particular property is located within Chapel Ridge and the Association and any other community association located on Chapel Ridge shall be entitled to use the words "Chapel Ridge" in its name.

15.10. Compliance. Every Owner and occupant of any Unit shall comply with the Governing Documents. Failure to comply shall be grounds for an action by the Association or by any aggrieved Owner(s) to recover sums due, for damages or injunctive relief, or for any other remedy available at law or in equity, in addition to those enforcement powers granted to the Association in Section 4.3.

15.11. Right of First Refusal.

(a) Each Owner acknowledges, and the deed of conveyance to each Owner may provide, that the Declarant shall retain a right of first refusal for any Unit within the Properties on the terms and conditions set forth below. This Section shall not restrict an Owner's right to enter into a binding contract for the sale of a Unit, provided that, for so long as this right of first refusal exists, the contract provides that the Owner may not convey a Unit to any third party without giving the Declarant the right of first refusal on the terms and conditions set forth below. This right of first refusal shall not apply to any transfer or conveyance in connection with a Mortgage foreclosure or deed in lieu of foreclosure except where the intent of the parties is to circumvent this right of first refusal. The failure by

Declarant to exercise its right of first refusal with respect to a Unit shall not be deemed a waiver of such right with respect to any other transfer or conveyance.

(b) If any Owner desires to convey any Unit to a third party, the Owner proposing to transfer said Unit shall deliver to Declarant within seven Days of its execution a copy of the executed, binding real estate sales contract between the Owner and the prospective purchaser. The real estate sales contract shall provide that Declarant shall have 30 Days after actual receipt of the executed binding real estate contract upon which to exercise its right of first refusal for the Unit on the same terms and conditions as the real estate sales contract between the Owner and prospective purchaser. Declarant shall provide written notice of the exercise of the right of first refusal to the transferor. If the Declarant fails to exercise such right as provided herein, the right of first refusal shall be waived and extinguished. Upon request and receipt of a release in form and content satisfactory to Declarant, Declarant shall execute a release of such right of first refusal in recordable form if the Declarant does not intend to exercise such right.

(c) If Declarant exercises its right of first refusal, the owner of the Unit shall convey the Unit by general warranty deed (subject to such exceptions and easements of record as are standard and customary) to the Declarant within 30 Days after the date of receipt of the Declarant's notice the right of first refusal has been exercised. The remaining terms of the real estate sales contract shall remain in full force and effect.

(d) If Declarant does not exercise its right to repurchase, the Owner of the Unit shall give the Board written notice of the name and address of the purchaser or transferee, the date of such transfer of title, and such other information as the Board may reasonably require not later than the date of closing. The transferor shall continue to be jointly and severally responsible with the transferee for all obligations of the Owner of the Unit, including assessment obligations, until the date upon which such notice is received by the Board, notwithstanding the transfer of title.

(e) The right of first refusal set forth in this Section shall automatically terminate as to each Unit upon the issuance of a certificate of occupancy by the County of Camden, North Carolina building department for a residential dwelling on such Unit. Upon issuance of a certificate of occupancy and receipt from any Owner of such Unit by Declarant of a written request and a release in form and content satisfactory to Declarant, Declarant shall execute a release of such right of first refusal as to such Unit in recordable form; however, issuance of such a release shall not be necessary to terminate this right of first refusal.

This right of first refusal shall automatically terminate as to all Units five (5) years from the date that this Declaration is recorded in the Public Records, or when, in its sole discretion, the Declarant so determines and declares in a recorded instrument.

15.12. Exhibits. Exhibits "A" and "B" attached to this Declaration are incorporated by this reference and amendment of such exhibits shall be governed by the provisions of this Declaration. Exhibit "C" is attached for informational purposes and may be amended as provided therein.

IN WITNESS WHEREOF, the undersigned Declarant has executed this Declaration this 9th day of July, 2004.

JORDAN LAKE PRESERVE CORPORATION,
a North Carolina corporation

By: [Signature] [SEAL]
Its: Vice President

STATE OF NORTH CAROLINA
COUNTY OF CHATHAM

I, Amy M. Meacham, a Notary Public of the County and State aforesaid, certify that J. David Edwards personally came before me this day and acknowledged that he/she is Vice President (title) of Jordan Lake Preserve Corporation, a corporation, and that he/she, as Vice President (title), being authorized to do so, executed the foregoing on behalf of the corporation.

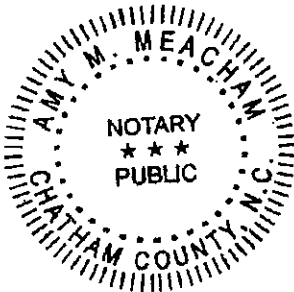
Witness my hand and official seal or stamp, this the 9th day of July, 2004.

My Commission

Expires: 3-3-2006

(SEAL)

Amy M. Meacham
Notary Public



STATE OF _____
COUNTY OF _____

Re: Deed Book _____

Page _____

MORTGAGEE CONSENT

Branch Banking & Trust Company, ("BB&T") beneficiary under a _____ dated _____, and recorded on _____ in the Public Records at _____ (as amended from time to time, the "Security Deed"), for itself and its successors and assigns, approves the foregoing Declaration of Covenants, Conditions, and Restrictions for Chapel Ridge (the "Declaration"), and BB&T agrees and acknowledges that, upon recordation of the Declaration, the restrictive covenants contained in the Declaration will run with the land which serves as security for the debt evidenced by the Security Deed and further agrees that any foreclosure or enforcement of any other remedy available to BB&T under the Security Deed will not render void or otherwise impair the validity of the Declaration.

Dated: _____, 200__.

BB&T: BRANCH BANKING & TRUST COMPANY

By: _____

Title: _____

(CORPORATE SEAL)
ATTEST: _____

Secretary

I, a Notary Public of the County and State aforesaid, certify that _____, personally came before me this day acknowledged that he/she is _____ Secretary of BRANCH BANKING & TRUST COMPANY, a _____ 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/her as its _____ Secretary.

Witness my hand and official stamp or seal, this _____ day of _____, 2000.

Notary Public

My commission expires: _____

U:\FILES\Development\1729BuckMountain\Covenants\DeclarationOfCovenants.doc

DELETED

EXHIBIT "A"

Land Initially Submitted

All that tract or parcel of land, together with the improvements and appurtenances belonging thereto, lying and being in Chatham County, North Carolina, as shown on a plat entitled "Plat and Subdivision "Chapel Ridge" – Phase One," dated July 7, 2004, prepared by Absolute Land Surveying and Mapping, P.C., a copy of which plat was recorded on July 9, 2004, in Plat Book 2004, Page(s) 221 - 225, Chatham County Registry, and to which plat reference is hereby made for a more particular description of said land.

BOOK 1116 PAGE 775

EXHIBIT "B"

Land Subject to Annexation

Any property located within a five (5) mile radius of the perimeter boundary of the land described on Exhibit A attached hereto.

BOOK 1116 PAGE 776

EXHIBIT "C"

[Attach By-Laws]

BY-LAWS

OF

CHAPEL RIDGE COMMUNITY ASSOCIATION, INC.

Article 1.

Name, Principal Office, and Definitions

1.1 Name. The name of the corporation is Chapel Ridge Community Association, Inc. (the "Association"), a North Carolina nonprofit corporation.

1.2 Principal Office. The principal office of the Association shall be located in Chatham County, North Carolina. The Association may have such other offices, either within or outside the State of North Carolina, as the Board of Directors may determine or as the affairs of the Association may require.

1.3 Definitions. The words used in these By-Laws shall be given their normal, commonly understood definitions. Capitalized terms shall have the same meaning as set forth in that certain Declaration of Covenants, Conditions, and Restrictions for Chapel Ridge filed in the Public Records, as it may be amended (the "Declaration"), unless the context indicates otherwise.

Article 2.

Association: Membership, Meetings, Quorum, Voting, Proxies

2.1. Membership. The Association shall have three classes of membership, Class "A", Class "B," and Class "C" as more fully set forth in the Declaration, the terms of which pertaining to membership are incorporated by this reference.

2.2. Place of Meetings. Meetings of the Association shall be held at the principal office of the Association or at such other suitable place convenient to the Members as the Board may designate, either within the Properties or as convenient as possible and practical. Meetings may be held by means of telephone conference, video conference or similar communications equipment, by means of which all persons participating in the meeting can converse with each other. Participation by one of these methods shall constitute presence in person at such meeting.

2.3. Annual Meetings. The first meeting of the Association, whether a regular or special meeting, shall be held within one year from the date of incorporation of the Association. Subsequent regular annual meetings shall be set by the Board on a date and at a time set by the Board.

2.4. Special Meetings. The president may call special meetings. In addition, it shall be the duty of the president to call a special meeting within thirty (30) Days if so directed by resolution of the Board or upon a petition signed by Members representing at least 10% of the

total Class "A" votes of the Association or upon written request of the Declarant.

2.5. Notice of Meetings. Written notice stating the place, day, and time of any meeting of the Members shall be delivered to each Member entitled to vote at such meeting, not less than 10 nor more than 60 Days before the date of such meeting, by or at the direction of the president or the secretary or the officers or persons calling the meeting.

In the case of a special meeting or when otherwise required by statute or these By-Laws, the purpose or purposes for which the meeting is called shall be stated in the notice. No business shall be transacted at a special meeting except as stated in the notice.

If mailed, the notice of a meeting shall be deemed to be delivered when deposited in the United States mail addressed to the Member at his or her address as it appears on the records of the Association, with postage prepaid.

2.6. Waiver of Notice. Waiver of notice of a meeting of the Association shall be deemed the equivalent of proper notice. Any Member may, in writing, waive notice of any meeting of the Association, either before or after such meeting. Attendance at a meeting by a Member shall be deemed a waiver by such Member of any objection as to notice of the time, date, and place thereof, unless such Member specifically objects to lack of proper notice at the time the meeting is called to order. Attendance at a special meeting also shall be deemed waiver of notice of all business transacted at such meeting unless an objection on the basis of lack of proper notice is raised before the business is put to a vote.

2.7. Adjournment of Meetings. If any meeting of the Association cannot be held because a quorum is not present, Members or their proxies holding a Majority of the votes represented at such meeting may adjourn the meeting to a time not less than five nor more than 30 Days from the time the original meeting was called. At the reconvened meeting, the quorum requirement shall be one-half of the quorum requirement applicable to the meeting adjourned for lack of a quorum. This provision shall continue to reduce the quorum by fifty percent (50%) from that required at the previous adjourned meeting, as previously reduced, until such time as a quorum is present and business can be conducted. At a reconvened meeting, once the appropriate quorum requirement has been established, any business may be transacted which might have been transacted at the meeting originally called. If a time and place for reconvening the meeting is not set by those in attendance at the original meeting or if for any reason a new date is set for reconvening the meeting after adjournment, notice of the time and place for reconvening the meeting shall be given to Members in the manner prescribed for regular meetings.

2.8. Voting. The voting rights of the Members shall be as set forth in the Declaration and in these By-Laws, and such voting rights provisions are specifically incorporated by this

reference. The Board may adopt policies and procedures regarding the methods of casting votes, such as written ballots, secret ballots or computer access.

2.9. List for Voting. After fixing a record date for notice of a meeting, the Board shall prepare an alphabetical list of the names of the Members entitled to notice of such meeting. The list shall show the address of the Member and the number of votes each is entitled to vote at the meeting. The list for voting shall be made available for inspection in accordance with North Carolina law.

2.10. Proxies. Any Member may cast his vote in person or by proxy subject to any specific provision to the contrary in the Declaration or these By-Laws. Votes cast by proxy are subject to the limitations of North Carolina law relating to use of general proxies. Every proxy shall be in writing specifying the Unit for which it is given, signed by the Member or his or her duly authorized attorney-in-fact, dated, and filed with the secretary of the Association prior to the meeting for which it is to be effective. Unless otherwise specifically provided in the proxy, a proxy shall be presumed to cover all votes which the Member giving such proxy is entitled to cast, and in the event of any conflict between two or more proxies purporting to cover the same voting rights, the later dated proxy shall prevail, or if dated as of the same date, both shall be deemed invalid. Every proxy shall be revocable and shall automatically cease upon conveyance of any Unit for which it was given, upon receipt by the secretary of written notice of revocation of the proxy or of the death or judicially declared incompetence of a Member who is a natural person, or 11 months from the date of the proxy, unless a shorter period is specified in the proxy.

2.11. Quorum. Except as otherwise provided in these By-Laws or in the Declaration, the presence in person or by proxy, of Members representing twenty percent (20%) of the total Class "A" votes in the Association shall constitute a quorum at all meetings of the Association.

The Members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum, provided that any action taken is approved by at least a Majority of the votes required to constitute a quorum.

2.12. Conduct of Meetings. The president shall preside over all meetings of the Association, and the secretary shall keep the minutes of the meetings and record in a minute book all resolutions adopted and all other transactions occurring at such meetings.

2.13. Action Without a Meeting. Any action required or permitted by law to be taken at a meeting of the Association may be taken without a meeting, without prior notice and without a vote if written consent specifically authorizing the proposed action is signed by all Members entitled to vote on such matter. Such consents shall be signed within 60 Days after receipt of the earliest dated consent, dated and delivered to the Association at its principal place of business in

the State of North Carolina. Such consents shall be filed with the minutes of the Association, and shall have the same force and effect as a vote of the Members at a meeting.

Article 3.

Board of Directors: Number, Powers, Meetings

A. Composition and Selection.

3.1. Governing Body; Composition. The affairs of the Association shall be governed by a Board of Directors, each of whom shall have one equal vote. Except with respect to directors appointed by the Class "B" Member or serving as a representative of the Declarant, the directors shall be eligible Class "A" Members or residents; provided, however, no Owner and resident representing the same Unit may serve on the Board at the same time. No Owner or resident shall be eligible to serve as a director if any assessment for such Owner's or resident's Unit is delinquent. A "resident" for purposes of these By-Laws shall mean any natural person 18 years of age or older whose principal residence is a Unit within the Properties. In the case of a Member which is not a natural person, any officer, director, partner, member, manager, employee or fiduciary of such Member shall be eligible to serve as a director unless otherwise specified by written notice to the Association signed by such Member, provided that no Member may have more than one such representative on the Board at a time, except in the case of directors appointed by or serving as representatives of the Class "B" Member or the Declarant.

3.2. Number of Directors. The Board shall consist of three to five directors, as provided in Sections 3.3 and 3.5 below. The initial Board shall consist of three directors and shall be appointed as provided in Section 3.3.

3.3. Directors During Class "B" Control Period. Subject to the provisions of Section 3.5, the directors shall be selected by the Class "B" Member acting in its sole discretion and shall serve at the pleasure of the Class "B" Member during the Class "B" Control Period. Directors appointed by the Class "B" Member shall not be subject to the qualifications for directors set forth in Section 3.1.

3.4. Nomination and Election Procedures.

(a) Nomination of Directors. Except with respect to directors selected by the Class "B" Member, nominations for election to the Board of Directors shall be made by a Nominating Committee. The Nominating Committee shall consist of a chairperson, who shall be a member of the Board of Directors, and three or more Members or representatives of Members. The Nominating Committee shall be appointed by the Board of Directors not less than 30 Days prior to each election to serve a term of one year or until their successors are appointed, and such appointment shall be announced at each such election. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but

in no event less than the number of positions to be filled as provided in Section 3.5 below. Nominations shall also be permitted from the floor. In making its nominations, the Nominating Committee shall use reasonable efforts to nominate candidates representing the diversity which exists within the pool of potential candidates. All candidates shall have a reasonable opportunity to communicate their qualifications to the Members and to solicit votes.

(b) Election Procedures. Each Owner may cast all votes assigned to such Owner's Unit for each position to be filled. There shall be no cumulative voting. That number of candidates equal to the number of positions to be filled receiving the greatest number of votes shall be elected. Directors may be elected to serve any number of consecutive terms. No Class "C" Member shall be entitled to vote on any election of directors.

3.5. Election and Term of Office. Notwithstanding any other provision of these By-Laws:

(a) Within 30 Days after the time that Class "A" Members other than Builders own 400 Units, or whenever the Class "B" Member earlier determines, the Association shall hold an election at which the Class "A" Members shall elect one of the three directors, who shall be an at-large director and shall serve a term of two years or until the occurrence of the event described in subsection (b), whichever is shorter. If such director's term expires prior to the occurrence of the event described in subsection (b), a successor shall be elected for a like term. The remaining two directors shall be appointees of the Class "B" Member.

(b) Not later than the first annual meeting occurring after the termination of the Class "B" Control Period, the Board shall be increased to five (5) directors and the Association shall hold an election at which the Class "A" Members shall be entitled to elect all five (5) directors, with the three (3) directors receiving the largest number of Class "A" votes being elected for a term of two (2) years and the remaining two (2) directors being elected for a term of one (1) year.

Upon the expiration of the term of office of each director elected by the Class "A" Members, a successor shall be elected to serve a term of two (2) years. The directors elected by the Class "A" Members shall hold office until their respective successors have been elected.

3.6. Removal of Directors and Vacancies. Any director elected by the Class "A" Members may be removed, with or without cause, by Members holding a Majority of the votes entitled to be cast for the election of such director, but shall not be subject to removal solely by the Class "B" Member. Any director whose removal is sought shall be given notice prior to any meeting called for that purpose. Upon removal of a director, a successor shall be elected by the Class "A" Members to fill the vacancy for the remainder of the term of such director.

Any director elected by the Class "A" Members who has three consecutive unexcused absences from Board meetings, or who is more than 30 Days delinquent (or is the resident of a Unit that is delinquent or is the representative of a Member who is delinquent) in the payment of

any assessment or other charge due the Association, may be removed by a Majority of the directors, and the Board may appoint a successor to fill the vacancy until the next annual meeting, at which time the Class "A" Members may elect a successor for the remainder of the term.

In the event of the death, disability, or resignation of a director, the Board may declare a vacancy and appoint a successor to fill the vacancy until the next annual meeting, at which time the Class "A" Members shall elect a successor for the remainder of the term.

This Section shall not apply to directors appointed by the Class "B" Member nor to any director serving as a representative of the Declarant. The Class "B" Member or the Declarant shall be entitled to appoint a successor to fill any vacancy on the Board resulting from the death, disability or resignation of a director appointed by or elected as a representative of the Class "B" Member or the Declarant.

B. Meetings.

3.7. Organizational Meetings. Within thirty (30) Days after the election or appointment of new directors, the Board shall hold an organizational meeting at such time and place as the Board shall set.

3.8. Regular Meetings. Regular meetings of the Board may be held at such time and place as a Majority of the directors shall determine, but at least one such meeting shall be held during each quarter.

3.9. Special Meetings. Special meetings of the Board shall be held when called by written notice signed by the president or vice president or by any two directors.

3.10. Notice. Notice of a regular meeting shall be communicated to directors not less than four calendar Days prior to the meeting. Notice of the time and place of a special meeting shall be communicated to directors not less than 72 hours prior to the meeting. No notice need be given to any director who has signed a waiver of notice or a written consent to holding of the meeting. The notice shall specify the time and place of the meeting and, in the case of a special meeting, the nature of any special business to be considered. Notices shall be given to each director by: (a) personal delivery; (b) first class mail, postage prepaid; (c) telephone communication, either directly to the director or to a person at the director's office or home who would reasonably be expected to communicate such notice promptly to the director; (d) telecopier transmission to the director's home or office, with confirmation of receipt by the receiving telecopier; (e) telegram, charges prepaid; (f) overnight or same day delivery charges prepaid; or (g) electronic mail or e-mail using Internet accessible equipment and services if the director has consented in writing to such method of delivery and has provided the Board with an electronic mail or e-mail address. All such notices shall be given at the director's telephone or telecopier number or sent to the director's address as shown on the records of the Association. Notices sent

by first class mail shall be deemed communicated when deposited into a United States mailbox. Notices given by personal overnight or courier delivery, telephone, telecopier, telegraph, e-mail or overnight or courier service shall be deemed communicated when delivered, telephoned, telecopied, emailed or given to the telegraph company.

3.11. Waiver of Notice. The transactions of any meeting of the Board, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice if (a) a quorum is present, and (b) either before or after the meeting each of the directors not present signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. Notice of a meeting also shall be deemed given to any director who attends the meeting without protesting before or at its commencement about the lack of adequate notice.

3.12. Participation in Meetings. Members of the Board or any committee designated by the Board may participate in a meeting of the Board or committee by means of telephone conference, video conference or similar communications equipment, by means of which all persons participating in the meeting can converse with each other. Participation in a meeting pursuant to this Section shall constitute presence in person at such meeting.

3.13. Quorum of Board of Directors. At all meetings of the Board, a Majority of the directors shall constitute a quorum for the transaction of business, and the votes of a Majority of the directors present at a meeting at which a quorum is present shall constitute the decision of the Board, unless otherwise specifically provided in these By-Laws or the Declaration. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of directors, if any action taken is approved by at least a Majority of the required quorum for that meeting. If any meeting of the Board cannot be held because a quorum is not present, a Majority of the directors present at such meeting may adjourn the meeting to a time not less than five nor more than 30 Days from the date of the original meeting. At the reconvened meeting, if a quorum is present, any business which might have been transacted at the meeting originally called may be transacted without further notice.

3.14. Compensation. Directors shall not receive any compensation from the Association for acting as such unless approved by Members representing a Majority of the total Class "A" votes in the Association at a regular or special meeting of the Association. Any director may be reimbursed for expenses incurred on behalf of the Association upon approval of a Majority of the other directors. Nothing herein shall prohibit the Association from compensating a director, or any entity with which a director is affiliated, for services or supplies furnished to the Association in a capacity other than as a director pursuant to a contract or agreement with the Association, provided that such director's interest was made known to the Board prior to entering into such contract and such contract was approved by a Majority of the Board of Directors, excluding the interested director.

3.15. Conduct of Meetings. The president shall preside over all meetings of the Board, and the secretary shall keep a minute book of Board meetings, recording all Board resolutions and all transactions and proceedings occurring at such meetings. In the case of a tie vote on a motion or resolution before the Board, the motion or resolution is considered lost.

3.16. Open Meetings. Subject to the provisions of Sections 3.12 and 3.17, all meetings of the Board shall be open to all Members, but Members other than directors may not participate in any discussion or deliberation unless permission to speak is requested on a Member's behalf by a director. In such case, the president may limit the time any Member may speak. Notwithstanding the above, the president may adjourn any meeting of the Board, reconvene in executive session and exclude persons other than directors, to discuss matters of a sensitive nature, such as pending or threatened litigation, personnel matters, etc.

3.17. Action Without a Formal Meeting. Any action to be taken at a meeting of the directors or any action that may be taken at a meeting of the directors may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by all of the directors, and such consent shall have the same force and effect as a unanimous vote.

C. Powers and Duties.

3.18. Powers. The Board of Directors shall have all of the powers and duties necessary for the administration of the Association's affairs and for performing all responsibilities and exercising all rights of the Association as set forth in the Governing Documents, and as provided by law. The Board may do or cause to be done all acts and things which the Governing Documents, or North Carolina law do not direct to be done and exercised exclusively by the membership generally.

3.19. Duties. The duties of the Board shall include, without limitation:

- (a) preparing and adopting, in accordance with the Declaration, an annual budget establishing each Owner's share of the Common Expenses and any Neighborhood Expenses;
- (b) levying and collecting such assessments from the Owners;
- (c) providing for the operation, care, upkeep, and maintenance of the Area of Common Responsibility;
- (d) designating, hiring, and dismissing the personnel necessary to carry out the rights and responsibilities of the Association and where appropriate, providing for the compensation of such personnel and for the purchase of equipment, supplies, and materials to be used by such personnel in the performance of their duties;

(e) depositing all funds received on behalf of the Association in a bank depository which it shall approve, and using such funds to operate the Association, provided any reserve funds may be deposited, in the directors' best business judgment, in depositories other than banks;

(f) making and amending use restrictions and rules in accordance with the Declaration;

(g) opening of bank accounts on behalf of the Association and designating the signatories required;

(h) contracting for repairs, additions, and improvements to or alterations of the Common Area in accordance with the Governing Documents;

(i) enforcing by legal means the provisions of the Governing Documents and bringing any proceedings which may be instituted on behalf of or against the Owners concerning the Association;

(j) obtaining and carrying property and liability insurance and fidelity bonds, as provided in the Declaration, paying the cost thereof, and filing and adjusting claims, as appropriate;

(k) paying the costs of all services rendered to the Association;

(l) keeping books with detailed accounts of the receipts and expenditures of the Association;

(m) making available to any Owner, and the holders, insurers, and guarantors of any Mortgage on any Unit, current copies of the Declaration, the Articles of Incorporation, the By-Laws, rules and all other books, records, and financial statements of the Association as provided in Section 6.4;

(n) permitting utility suppliers to use portions of the Common Area reasonably necessary to the ongoing development or operation of the Properties;

(o) indemnifying a director, officer or committee member, or former director, officer or committee member of the Association to the extent such indemnity is required by North Carolina law, the Articles of Incorporation or the Declaration; and

(p) assisting in the resolution of disputes between owners and others without litigation, as set forth in the Declaration.

3.20. Right of Class "B" Member to Disapprove Actions. So long as the Class "B" membership exists, the Class "B" Member shall have a right to disapprove any action, policy or

program of the Association, the Board and any committee which, in the sole judgment of the Class "B" Member, would tend to impair rights of the Declarant or Builders under the Declaration or these By-Laws, or interfere with development or construction of any portion of the Properties, or diminish the level of services being provided by the Association.

(a) The Class "B" Member shall be given written notice of all meetings and proposed actions approved at meetings (or by written consent in lieu of a meeting) of the Association, the Board or any committee. Such notice shall be given by certified mail, return receipt requested, or by personal delivery at the address it has registered with the Secretary of the Association, which notice complies with Section 3.10 and which notice shall, except in the case of the regular meetings held pursuant to the By-Laws, set forth with reasonable particularity the agenda to be followed at such meeting. The Class "B" Member may waive its right to receive notice in the same manner as provided in Section 3.11; and

(b) The Class "B" Member shall be given the opportunity at any such meeting to join in or to have its representatives or agents join in discussion from the floor of any prospective action, policy, or program which would be subject to the right of disapproval set forth herein.

No action, policy or program subject to the right of disapproval set forth herein shall become effective or be implemented until and unless the requirements of subsections (a) and (b) above have been met.

The Class "B" Member, its representatives or agents may make its concerns, thoughts, and suggestions known to the Board and/or the members of the subject committee. The Class "B" Member, acting through any officer or director, agent or authorized representative, may exercise its right to disapprove at any time within 10 Days following the meeting at which such action was proposed or, in the case of any action taken by written consent in lieu of a meeting, at any time within 10 Days following receipt of written notice of the proposed action. This right to disapprove may be used to block proposed actions but shall not include a right to require any action or counteraction on behalf of any committee, or the Board or the Association. The Class "B" Member shall not use its right to disapprove to reduce the level of services which the Association is obligated to provide or to prevent capital repairs or any expenditure required to comply with applicable laws and regulations.

3.21. Management. The Board of Directors may employ for the Association a professional management agent or agents at such compensation as the Board may establish, to perform such duties and services as the Board shall authorize. The Board of Directors may delegate such powers as are necessary to perform the manager's assigned duties, but shall not delegate policymaking authority or those duties set forth in Sections 3.19(a), 3.19(b), 3.19(f), 3.19(g) and 3.19(i). The Declarant or an affiliate of the Declarant may be employed as managing agent or manager.

The Board of Directors may delegate to one of its members the authority to act on behalf of the Board on all matters relating to the duties of the managing agent or manager, if any, which might arise between meetings of the Board.

3.22. Accounts and Reports. The following management standards of performance shall be followed unless the Board by resolution specifically determines otherwise:

- (a) cash or accrual accounting, as defined by generally accepted accounting principles, shall be employed;
- (b) accounting and controls should conform to generally accepted accounting principles;
- (c) cash accounts of the Association shall not be commingled with any other accounts;
- (d) no remuneration shall be accepted by the managing agent from vendors, independent contractors, or others providing goods or services to the Association, whether in the form of commissions, finder's fees, service fees, prizes, gifts, or otherwise; any item of value received shall benefit the Association;
- (e) any financial or other interest which the managing agent may have in any firm providing goods or services to the Association shall be disclosed promptly to the Board of Directors;
- (f) commencing at the end of the quarter in which the first Unit is sold and closed, financial reports shall be prepared for the Association at least quarterly (such financial statements shall include an income statement reflecting all income and expense activity for the preceding period on an accrual basis and may include such other reports as deemed necessary by the Board); and
- (g) an annual financial report shall be made available to all Class "A" Members within 120 Days after the close of the fiscal year. Such annual report may be prepared on an audited, reviewed, or compiled basis, as the Board determines; provided however, upon written request of any holder, guarantor, or insurer of any first Mortgage on a Unit, the Association shall provide an audited financial statement.

3.23. Borrowing. The Association shall have the power to borrow money for any legal purpose; provided however, the Board shall obtain Member approval in the same manner provided in Section 8.6 of the Declaration for Special Assessments if the proposed borrowing is for the purpose of making discretionary capital improvements and the total amount of such borrowing, together with all other debt incurred within the previous 12-month period, exceeds or would exceed 10% of the budgeted gross expenses of the Association for that fiscal year.

3.24. Right to Contract. The Association shall have the right to contract with any Person for the performance of various duties and functions. This right shall include, without limitation, the right to enter into common management, operational, or other agreements with trusts, condominiums, cooperatives, or Neighborhood and other owners or residents associations, within and outside the Properties; provided, any common management agreement shall require the consent of a Majority of the total number of directors of the Association.

3.25. Enforcement.

(a) Notice. Prior to imposition of any sanction requiring compliance with these procedures as set forth in the Declaration, the Board or its delegate shall serve the alleged violator with written notice including (i) the nature of the alleged violation, (ii) the proposed sanction to be imposed, (iii) a statement that the alleged violator may present a written request for a hearing to the Board or the covenants committee, if one has been appointed pursuant to Article 5, within 15 Days of the notice; and (iv) a statement that the proposed sanction shall be imposed as contained in the notice unless a request for a hearing is received within 15 Days of the notice. If a timely request is not received, the sanction stated in the notice shall be imposed; provided however, the Board or covenants committee may, but shall not be obligated to, suspend any proposed sanction if the violation is cured within the 15-Day period. Such suspension shall not constitute a waiver of the right to sanction future violations of the same or other provisions and rules by any Person. In the event of a continuing violation, each day the violation continues beyond the 15-Day period constitutes a separate offense, and fines may be imposed on a per diem basis without further notice to the violator. In the event of a violation which recurs within one year from the date of any notice hereunder, the Board or covenants committee may impose a sanction without notice to the violator.

(b) Hearing. If a hearing is requested within the allotted 15-day period, the hearing shall be held before the covenants committee, or if none has been appointed, then before the Board in executive session. The alleged violator shall be afforded a reasonable opportunity to be heard. Prior to the effectiveness of any sanction hereunder, proof of proper notice shall be placed in the minutes of the meeting. Such proof shall be deemed adequate if a copy of the notice, together with a statement of the date and manner of delivery, is entered by the officer, director, or agent who delivered such notice. The notice requirement shall be deemed satisfied if the alleged violator or its representative appears at the meeting. The minutes of the meeting shall contain a written statement of the results of the hearing and the sanction, if any, imposed. The Board may adopt a schedule of sanctions for violations of the Governing Documents.

(c) Appeal. If a hearing is held before a covenants committee, the violator shall have the right to appeal the committee's decision to the Board of Directors. To exercise this right, a written notice of appeal must be received by the manager, president, or secretary of the Association within 15 Days after the hearing date.

Article 4.

Officers

4.1. Officers. The officers of the Association shall be a president, vice president, secretary, and treasurer. The president and secretary shall be elected from among the members of the Board; other officers may, but need not be members of the Board. The Board may appoint such other officers, including one or more assistant secretaries and one or more assistant treasurers, as it shall deem desirable, such officers to have such authority and perform such duties as the Board prescribes. Any two or more offices may be held by the same person, except the offices of president and secretary.

4.2. Election and Term of Office. The Board shall elect the officers of the Association at the first meeting of the Board following each election of new directors. Such officers shall serve until their successors are elected.

4.3. Removal and Vacancies. The Board may remove any officer whenever in its judgment the best interests of the Association will be served, and may fill any vacancy in any office arising because of death, resignation, removal, or otherwise, for the unexpired portion of the term.

4.4. Powers and Duties. The officers of the Association shall each have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as may specifically be conferred or imposed by the Board of Directors. The president shall be the chief executive officer of the Association. The treasurer shall have primary responsibility for the preparation of the budget as provided for in the Declaration and may delegate all or part of the preparation and notification duties to a finance committee, management agent, or both. The secretary shall be responsible for preparing minutes of meetings of the Members and the Board and for authenticating records of the Association.

4.5. Resignation. Any officer may resign at any time by giving written notice to the Board of Directors, the President, or the Secretary. Such resignation shall take effect on the date of the receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

4.6. Agreements, Contracts, Deeds, Leases, Checks, Etc. All agreements, contracts, deeds, leases, checks, and other instruments of the Association shall be executed by at least two officers or by such other person or persons as may be designated by Board resolution.

4.7. Compensation. Compensation of officers shall be subject to the same limitations as compensation of directors under Section 3.14.

Article 5.
Committees

5.1. General. The Board may appoint such committees as it deems appropriate to perform such tasks and to serve for such periods as the Board may designate by resolution. Each committee shall operate in accordance with the terms of such resolution.

5.2. Covenants Committee. In addition to any other committees which the Board may establish pursuant to Section 5.1, the Board may appoint a covenants committee consisting of at least three and no more than seven members. Acting in accordance with the provisions of the Declaration, these By-Laws, and resolutions the Board may adopt, the covenants committee, if established, shall be the hearing tribunal of the Association and shall conduct all hearings held pursuant to Section 3.25 of these By-Laws.

5.3. Neighborhood Committees. In addition to any other committees appointed as provided above, each Neighborhood which has no formal organizational structure or association may elect a Neighborhood Committee to determine the nature and extent of services, if any, to be provided to the Neighborhood by the Association in addition to those provided to all Members of the Association in accordance with the Declaration. A Neighborhood Committee may advise the Board on any other issue, but shall not have the authority to bind the Board. Such Neighborhood Committees, if elected, shall consist of three to five Members, as determined by the vote of at least a Majority of the Owners of Units within the Neighborhood.

Neighborhood Committee members shall be elected for a term of one year or until their successors are elected. Any director elected to the Board of Directors from a Neighborhood shall be an ex officio member of the Neighborhood Committee. The Neighborhood Committee shall elect a chairperson who shall preside at its meetings and shall be responsible for transmitting any and all communications to the Board.

In the conduct of its duties and responsibilities, each Neighborhood Committee shall abide by the meeting, notice and quorum requirements applicable to the Board under Sections 3.8, 3.9, 3.10, and 3.11, and each Neighborhood Committee shall elect a chairperson from among its members who shall preside at its meetings. Meetings of a Neighborhood Committee shall be open to all Owners of Units in the Neighborhood and their representatives. Members of a Neighborhood Committee may act by unanimous written consent in lieu of a meeting.

Article 6.
Miscellaneous

6.1- Fiscal Year. The fiscal year of the Association shall be the calendar year unless the Board establishes a different fiscal year by resolution.

6.2. Parliamentary Rules. Except as may be modified by Board resolution, Robert's Rules of Order Newly Revised (current edition) shall govern the conduct of Association proceedings when not in conflict with North Carolina law, the Articles of Incorporation, the Declaration, or these By-Laws.

6.3. Conflicts. If there are conflicts between the provisions of North Carolina law, the Articles of Incorporation, the Declaration, and these By-Laws, the provisions of North Carolina law, the Declaration, the Articles of Incorporation, and the By-Laws (in that order) shall prevail.

6.4. Books and Records.

(a) Inspection by Members and Mortgagees. The Board shall make available for inspection and copying by any holder, insurer or guarantor of a first Mortgage on a Unit, any Class "A" Member, or the duly appointed representative of any of the foregoing at any reasonable time and for a purpose reasonably related to his or her interest in a Unit: the Declaration, By-Laws, and Articles of Incorporation, any amendments and supplements to the foregoing, the rules of the Association and the minutes of meetings of the Members, the Board, and committees. The Board shall provide for such inspection to take place at the office of the Association or at such other place within the Properties as the Board shall designate during normal business hours.

(b) Rules for Inspection. The Board shall establish rules with respect to:

- (i) notice to be given to the custodian of the records;
- (ii) hours and days of the week when such an inspection may be made; and
- (iii) payment of the cost of reproducing documents requested.

(c) Inspection by Directors. Every director shall have the absolute right at any reasonable time to inspect all books, records, and documents of the Association and the physical properties owned or controlled by the Association. The right of inspection by a director includes the right to make a copy of relevant documents at the expense of the Association.

6.5. Notices. Except as otherwise provided in the Declaration or these By-Laws, all notices, demands, bills, statements, and other communications under the Declaration or these By-Laws shall be in writing and shall be deemed to have been duly given if delivered personally or if sent by United States mail, first class postage prepaid:

- (a) if to a Member, at the address which the Member has designated in writing and filed with the secretary or, if no such address has been designated, at the address of the Unit of such Member; or

(b) if to the Association, the Board, or the managing agent, at the principal office of the Association or the managing agent or at such other address as shall be designated by notice in writing to the Members pursuant to this Section.

6.6. Amendment.

(a) By Declarant. Until termination of the Class "B" membership. Declarant may unilaterally amend these By-Laws for any purpose. Thereafter, the Declarant may unilaterally amend these By-Laws at any time and from time to time if such amendment is necessary (i) to bring any provision into compliance with any applicable governmental statute, rule, regulation, or judicial determination; (ii) to enable any reputable title insurance company to issue title insurance coverage on the Units; (iii) to enable any institutional or governmental lender, purchaser, insurer or guarantor of Mortgage loans, including, for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to make, purchase, insure or guarantee Mortgage loans on the Units; or (iv) to satisfy the requirements of any local, state, or federal governmental agency. However, any such amendment shall not adversely affect the title to any Unit unless the Owner shall consent thereto in writing. In addition, during the Development Period, the Declarant may unilaterally amend these By-Laws for any other purpose, provided the amendment has no material adverse effect upon any right of any Member.

(b) By Members. Except as provided above, these By-Laws may be amended only by the affirmative vote or written consent, or any combination thereof, of Members holding 67% of the total Class "A" votes in the Association, and during the Development Period, the written consent of the Declarant. Except as may be otherwise provided in these By-Laws, no Class "C" Member shall be entitled to vote on any amendment to the By-Laws.

Notwithstanding the above, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

(c) Validity and Effective Date. Any amendment to these By-Laws shall become effective upon recordation in the Public Records, unless a later effective date is specified in the amendment. Any procedural challenge to an amendment must be made within one year of its recordation or such amendment shall be presumed to have been validly adopted. In no event shall a change of conditions or circumstances operate to amend any provisions of these By-Laws. Any amendment to the Declaration or these By-Laws duly adopted by the Members shall be prepared, executed, certified and recorded in the Public Records by any two officers of the Association.

No amendment may remove, revoke, or modify any right or privilege of the Declarant or the Class "B" Member without the written consent of the Declarant, the Class "B" Member, or the assignee of such right or privilege.

FILED
CHATHAM COUNTY
REBA G. THOMAS
REGISTER OF DEEDS

FILED Apr 14, 2005
AT 12:40:38 pm
BOOK 01172
START PAGE 0153
END PAGE 0156
INSTRUMENT # 04773

BOOK 1172 PAGE 153

Prepared by and return to: Bradshaw & Robinson, LLP, P. O. Box 607, Pittsboro, NC 27312

SUPPLEMENTAL DECLARATION OF COVENANTS, CONDITIONS
AND RESTRICTIONS FOR CHAPEL RIDGE

THIS SUPPLEMENTAL DECLARATION is made this 14th day of April, 2005, by Jordan Lake Preserve Corporation, a North Carolina corporation (hereinafter referred to as "Declarant").

WITNESSETH:

WHEREAS, Declarant prepared and filed of record that certain Declaration of Covenants, Conditions and Restrictions for Chapel Ridge in Deed Book 1116, Page 715, et seq., in the North Carolina Registry (herein referred to as the "Declaration"); and

WHEREAS, pursuant to the terms of Section 7.1 of the Declaration, the Declarant may submit certain additional property described on Exhibit "B" of the Declaration to the terms of the Declaration; and

WHEREAS, Declarant is the owner of the real property described on Exhibit "A" attached hereto ("Additional Property"); and

WHEREAS, the Additional Property is a portion of that property described on Exhibit "B" to the Declaration; and

WHEREAS, the Declarant desires to submit the Additional Property to the terms of the Declaration;

NOW, THEREFORE, pursuant to the powers retained by Declarant under the Declaration, Declarant hereby subjects the real property described on Exhibit "A" hereof to the provisions of the Declaration and this Supplemental Declaration, which shall apply to such property in addition to the

SUPPLEMENTAL DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS FOR CHAPEL RIDGE

Page 1

BOOK 1172 PAGE 154

provisions of the Declaration. Such property shall be sold, transferred, used, conveyed, occupied, and mortgaged or otherwise encumbered pursuant to the provisions of this Supplemental Declaration and the Declaration, both of which shall run with the title to such property and shall be binding upon all persons having any right, title, or any interest in such property, their respective heirs, legal representatives, successors, successors-in-title and assigns. The provisions of this Supplemental Declaration shall be binding upon in accordance with the terms of the Declaration.

ARTICLE 1

Definitions

The definitions set forth in Article 1 of the Declaration are incorporated herein by reference.

ARTICLE 2

Amendment to Supplemental Declaration

2.1 By Declarant. This Supplemental Declaration may be unilaterally amended by the Declarant in accordance with Section 15.2(a) of Declaration.

2.2 By Members. In addition to the requirements of Section 15.2(b) of the Declaration with respect to amendment by Members, any amendment to this Supplemental Declaration shall also require the written consent or affirmative vote, or any combination thereof, of Members holding at least sixty-seven percent (67%) of the total Class "A" votes allocated to the Units subject to this Supplemental Declaration, and the written consent of Declarant, so long as the Declarant owns any property which is subject to this Declaration or which may be unilaterally subjected to this Declaration by the Declarant.

ARTICLE 3

Declaration

Except as specifically amended hereby, the Declaration and all terms thereof shall remain in full force and effect.

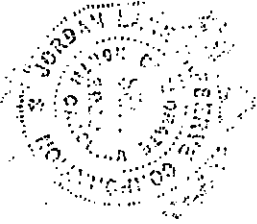
IN WITNESS WHEREOF, the undersigned Declarant has executed this Supplemental Declaration the day and year first above written.

DECLARANT:

Jordan Lake Preserve Corporation,
A North Carolina corporation

By:


Name: T. David Edwards
Title: Vice President



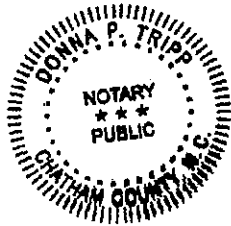
BOOK 1172 PAGE 155

Attest: Patrice E. Peronto
Name: Patrice E. Peronto
Title: Asst. Secretary

(Corporate Seal)
STATE OF NORTH CAROLINA
COUNTY OF CHATHAM

I, a Notary Public of Chatham County and State aforesaid, certify that
Patrice E. Peronto personally came before me this day and acknowledged that she is the
Asst. Secretary of Jordan Lake Preserve Corporation, 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 it Vice President, sealed with its corporate seal and attested by her as its Asst. Secretary.

Witness my hand and official stamp or seal, this 14TH day of April, 2005.



Donna P. Tripp
Notary Public

My Commission Expires: 7-27-2008

BOOK 1172 PAGE 156

EXHIBIT "A"

Additional Property

The following sections and lots are more particularly described on those certain Plats of Subdivision titled, "Chapel Ridge - Phase One, Final Subdivision Plat Prepared for Jordan Lake Preserve Corporation, Section 'F', Lots 162 - 200," prepared by Absolute Land Surveying and Mapping, P.C., Charles O. Eliason, North Carolina P.L.S. No. 3599, dated July 15, 2004, filed on September 22, 2004, in Plat Slide 2004 - 326, of the Chatham County Registry; "Chapel Ridge - Phase One, Final Subdivision Plat Prepared for Jordan Lake Preserve Corporation, Section 'G', Lots 201 - 257," prepared by Absolute Land Surveying and Mapping, P.C., Charles O. Eliason, North Carolina P.L.S. No. 3599, dated July 15, 2004, filed on September 22, 2004, in Plat Slide 2004 - 327; "Chapel Ridge - Phase One, Final Subdivision Plat Prepared for Jordan Lake Preserve Corporation, Section 'H', Lots 258 - 282," prepared by Absolute Land Surveying and Mapping, P.C., Charles O. Eliason, North Carolina P.L.S. No. 3599, dated July 30, 2004, filed on September 22, 2004, in Plat Slide 2004 - 328; and "Chapel Ridge - Phase One, Final Subdivision Plat Prepared for Jordan Lake Preserve Corporation, Section 'I', Lots 283 - 302," prepared by Absolute Land Surveying and Mapping, P.C., Charles O. Eliason, North Carolina P.L.S. No. 3599, dated July 15, 2004, filed on December 14, 2004, in Plat Slide 2004 - 412, of the Chatham County Registry.

Section F, Lots 162 - 200

Section G, Lots 201 - 257

Section H, Lots 258 - 282

Section I, Lots 283 - 302

All as may be revised from time to time.

Chatham County, North Carolina
REBA G. THOMAS Register of Deeds
The foregoing certificate(s) of
DONNA P TRIPP

notary/notaries public
is/are certified to be correct.


Assistant - Register of Deeds

FILED
CHATHAM COUNTY
REBA G. THOMAS
REGISTER OF DEEDS

FILED Jul 22, 2005
AT 04:38:21 pm
BOOK 01194
START PAGE 0583
END PAGE 0586
INSTRUMENT # 09746

BOOK 1194 PAGE 583

Prepared by and return to: Bradshaw & Robinson, LLP, P. O. Box 607, Pittsboro, NC 27312

SECOND SUPPLEMENTAL DECLARATION OF COVENANTS, CONDITIONS
AND RESTRICTIONS FOR CHAPEL RIDGE

THIS SUPPLEMENTAL DECLARATION is made this 8th day of July, 2005, by Jordan Lake Preserve Corporation, a North Carolina corporation (hereinafter referred to as "Declarant").

WITNESSETH:

WHEREAS, Declarant prepared and filed of record that certain Declaration of Covenants, Conditions and Restrictions for Chapel Ridge in Deed Book 1116, Page 715, et seq., in the Chatham County Registry (herein referred to as the "Declaration"); and

WHEREAS, pursuant to the terms of Section 7.1 of the Declaration, the Declarant may submit certain additional property described on Exhibit "B" of the Declaration to the terms of the Declaration; and

WHEREAS, Declarant is the owner of the real property described on Exhibit "A" attached hereto ("Additional Property"); and

WHEREAS, the Additional Property is a portion of that property described on Exhibit "B" to the Declaration; and

WHEREAS, the Declarant desires to submit the Additional Property to the terms of the Declaration;

NOW, THEREFORE, pursuant to the powers retained by Declarant under the Declaration, Declarant hereby subjects the real property described on Exhibit "A" hereof to the provisions of

SUPPLEMENTAL DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS FOR CHAPEL RIDGE

Page 1

the Declaration and this Supplemental Declaration, which shall apply to such property in addition to the provisions of the Declaration. Such property shall be sold, transferred, used, conveyed, occupied, and mortgaged or otherwise encumbered pursuant to the provisions of this Supplemental Declaration and the Declaration, both of which shall run with the title to such property and shall be binding upon all persons having any right, title, or any interest in such property, their respective heirs, legal representatives, successors, successors-in-title and assigns. The provisions of this Supplemental Declaration shall be binding upon in accordance with the terms of the Declaration.

ARTICLE 1

Definitions

The definitions set forth in Article 1 of the Declaration are incorporated herein by reference.

ARTICLE 2

Amendment to Supplemental Declaration

2.1 By Declarant. This Supplemental Declaration may be unilaterally amended by the Declarant in accordance with Section 15.2(a) of Declaration.

2.2 By Members. In addition to the requirements of Section 15.2(b) of the Declaration with respect to amendment by Members, any amendment to this Supplemental Declaration shall also require the written consent or affirmative vote, or any combination thereof, of Members holding at least sixty-seven percent (67%) of the total Class "A" votes allocated to the Units subject to this Supplemental Declaration, and the written consent of Declarant, so long as the Declarant owns any property which is subject to this Declaration or which may be unilaterally subjected to this Declaration by the Declarant.

ARTICLE 3

Declaration

Except as specifically amended hereby, the Declaration and all terms thereof shall remain in full force and effect.

IN WITNESS WHEREOF, the undersigned Declarant has executed this Supplemental Declaration the day and year first above written.

BOOK 1194 PAGE 585

DECLARANT:

JORDAN LAKE PRESERVE CORPORATION,
A North Carolina corporation

By: [Signature]

Name: J. David Edwards
Title: Vice President

STATE OF NORTH CAROLINA
COUNTY OF CHATHAM

I, Amy M. Meacham, a Notary Public of the County and State aforesaid, certify that J. David Edwards personally came before me this day and acknowledged that he is Vice President of Jordan Lake Preserve Corporation, a corporation, and that he, as Vice President, being authorized to do so, executed the foregoing on behalf of the corporation.

Witness my hand and official stamp or seal, this 8th day of July, 2005.



Amy M. Meacham
Notary Public

My Commission Expires: 3-3-2006

EXHIBIT "A"

Additional Property

The following sections and lots are more particularly described on those certain Plats of Subdivision entitled, "CHAPEL RIDGE" - PHASE TWO 'A', including a Project Sheet and Sheets One through Six, dated April 4, 2005, by Absolute Land Surveying and Mapping, P.C., recorded at Plat Slides 2005-193 through 2005-199, Chatham County Registry.

Section J, Lots 303 - 373

Section K, Lots 374 - 406

Section L, Lots 407 - 435

Section N, Lots 461, 462, 471 - 498

Section P, Lots 559 - 605

All as have been or may be revised from time to time.

Chatham County, North Carolina
REBA G. THOMAS Register of Deeds
The foregoing certificate(s) of
AMY M MEACHAM

notary/notaries public
is/are certified to be correct.


Assistant - Register of Deeds

SUPPLEMENTAL DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS FOR CHAPEL RIDGE

1247
0484

FILED
CHATHAM COUNTY
REBA G. THOMAS
REGISTER OF DEEDS

FILED Mar 28, 2006
AT 03:55:52 pm
BOOK 01247
START PAGE 0484
END PAGE 0487
INSTRUMENT # 03998

BOOK 1247 PAGE 484

Prepared by and return to: Bradshaw & Robinson, LLP, P. O. Box 607, Pittsboro, NC 27312

THIRD SUPPLEMENTAL DECLARATION OF COVENANTS, CONDITIONS
AND RESTRICTIONS FOR CHAPEL RIDGE

THIS SUPPLEMENTAL DECLARATION is made this 28th day of March, 2006, by Jordan Lake Preserve Corporation, a North Carolina corporation (hereinafter referred to as "Declarant").

WITNESSETH:

WHEREAS, Declarant prepared and filed of record that certain Declaration of Covenants, Conditions and Restrictions for Chapel Ridge in Deed Book 1116, Page 715, et seq., in the Chatham County Registry (herein referred to as the "Declaration"); and

WHEREAS, pursuant to the terms of Section 7.1 of the Declaration, the Declarant may submit certain additional property described on Exhibit "B" of the Declaration to the terms of the Declaration; and

WHEREAS, Declarant is the owner of the real property described on Exhibit "A" attached hereto ("Additional Property"); and

WHEREAS, the Additional Property is a portion of that property described on Exhibit "B" to the Declaration; and

WHEREAS, the Declarant desires to submit the Additional Property to the terms of the Declaration;

NOW, THEREFORE, pursuant to the powers retained by Declarant under the Declaration, Declarant hereby subjects the real property described on Exhibit "A" hereof to the provisions of the Declaration and this Supplemental Declaration, which shall apply to such property in addition to the provisions of the Declaration. Such property shall be sold, transferred, used, conveyed, occupied, and mortgaged or otherwise

SUPPLEMENTAL DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS FOR CHAPEL RIDGE

Page 1

encumbered pursuant to the provisions of this Supplemental Declaration and the Declaration, both of which shall run with the title to such property and shall be binding upon all persons having any right, title, or any interest in such property, their respective heirs, legal representatives, successors, successors-in-title and assigns. The provisions of this Supplemental Declaration shall be binding upon in accordance with the terms of the Declaration.

ARTICLE 1

Definitions

The definitions set forth in Article 1 of the Declaration are incorporated herein by reference.

ARTICLE 2

Amendment to Supplemental Declaration

2.1 By Declarant. This Supplemental Declaration may be unilaterally amended by the Declarant in accordance with Section 15.2(a) of Declaration.

2.2 By Members. In addition to the requirements of Section 15.2(b) of the Declaration with respect to amendment by Members, any amendment to this Supplemental Declaration shall also require the written consent or affirmative vote, or any combination thereof, of Members holding at least sixty-seven percent (67%) of the total Class "A" votes allocated to the Units subject to this Supplemental Declaration, and the written consent of Declarant, so long as the Declarant owns any property which is subject to this Declaration or which may be unilaterally subjected to this Declaration by the Declarant.

ARTICLE 3

Declaration

Except as specifically amended hereby, the Declaration and all terms thereof shall remain in full force and effect.

IN WITNESS WHEREOF, the undersigned Declarant has executed this Supplemental Declaration the day and year first above written.

DECLARANT:

JORDAN LAKE PRESERVE CORPORATION,
A North Carolina corporation

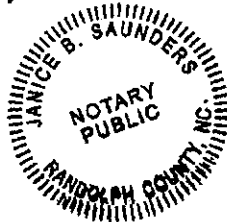
By: _____

Name: J. David Edwards
Title: Vice President

STATE OF NORTH CAROLINA
COUNTY OF CHATHAM

I, Janice B. Saunders, a Notary Public of ^{Randolph} the County and State
aforesaid, certify that J. David Edwards personally came before me this day and acknowledged that he is
Vice President of Jordan Lake Preserve Corporation, a corporation, and that he, as Vice President, being
authorized to do so, executed the foregoing on behalf of the corporation.

Witness my hand and official stamp or seal, this 28th day of March, 2006.



Janice B. Saunders
Notary Public

My Commission Expires: 11-1-07

EXHIBIT "A"
Additional Property

The following sections and lots are more particularly described on those certain Plats of Subdivision entitled, "CHAPEL RIDGE" -- PHASE TWO 'B' including a Project Sheet and Sheets One through Four, dated March 16, 2006, by Absolute Land Surveying and Mapping, P.C., recorded at Plat Slides 2006-90 through 2006-94, Chatham County Registry.

Section M, Lots 436 -- 454 and 457 -- 460

Section N, Lots 463 -- 470

Section O, Lots 499 -- 513 and 516 -- 558

Section Q, Lots 606 -- 620, Lots 628 -- 642 and Lots 621 -- 627

Section R, Lots 643 -- 677, 455, 456, 514, 515 and 222

All as have been or may be revised from time to time.

FILED
CHATHAM COUNTY
REBA G. THOMAS
REGISTER OF DEEDS

FILED Dec 20, 2006
AT 10:39:02 am
BOOK 01304
START PAGE 1190
END PAGE 1193
INSTRUMENT # 16852

BOOK 1304 PAGE 1190

Prepared by and return to: Bradshaw & Robinson, LLP, P. O. Box 607, Pittsboro, NC 27312

FOURTH SUPPLEMENTAL DECLARATION OF COVENANTS, CONDITIONS
AND RESTRICTIONS FOR CHAPEL RIDGE

THIS SUPPLEMENTAL DECLARATION is made this 18th day of December, 2006, by
Jordan Lake Preserve Corporation, a North Carolina corporation (hereinafter referred to as "Declarant").

WITNESSETH:

WHEREAS, Declarant prepared and filed of record that certain Declaration of Covenants, Conditions and Restrictions for Chapel Ridge in Deed Book 1116, Page 715, et seq., in the Chatham County Registry (herein referred to as the "Declaration"); and

WHEREAS, pursuant to the terms of Section 7.1 of the Declaration, the Declarant may submit certain additional property described on Exhibit "B" of the Declaration to the terms of the Declaration; and

WHEREAS, Declarant is the owner of the real property described on Exhibit "A" attached hereto ("Additional Property"); and

WHEREAS, the Additional Property is a portion of that property described on Exhibit "B" to the Declaration; and

WHEREAS, the Declarant desires to submit the Additional Property to the terms of the Declaration;

NOW, THEREFORE, pursuant to the powers retained by Declarant under the Declaration, Declarant hereby subjects the real property described on Exhibit "A" hereof to the provisions of the Declaration and this Supplemental Declaration, which shall apply to such property in addition to the provisions of the Declaration. Such property shall be sold, transferred, used, conveyed, occupied, and mortgaged or otherwise

encumbered pursuant to the provisions of this Supplemental Declaration and the Declaration, both of which shall run with the title to such property and shall be binding upon all persons having any right, title, or any interest in such property, their respective heirs, legal representatives, successors, successors-in-title and assigns. The provisions of this Supplemental Declaration shall be binding upon in accordance with the terms of the Declaration.

ARTICLE 1

Definitions

The definitions set forth in Article 1 of the Declaration are incorporated herein by reference.

ARTICLE 2

Amendment to Supplemental Declaration

2.1 By Declarant. This Supplemental Declaration may be unilaterally amended by the Declarant in accordance with Section 15.2(a) of Declaration.

2.2 By Members. In addition to the requirements of Section 15.2(b) of the Declaration with respect to amendment by Members, any amendment to this Supplemental Declaration shall also require the written consent or affirmative vote, or any combination thereof, of Members holding at least sixty-seven percent (67%) of the total Class "A" votes allocated to the Units subject to this Supplemental Declaration, and the written consent of Declarant, so long as the Declarant owns any property which is subject to this Declaration or which may be unilaterally subjected to this Declaration by the Declarant.

ARTICLE 3

Declaration

Except as specifically amended hereby, the Declaration and all terms thereof shall remain in full force and effect.

IN WITNESS WHEREOF, the undersigned Declarant has executed this Supplemental Declaration the day and year first above written.

DECLARANT:

JORDAN LAKE PRESERVE CORPORATION,
A North Carolina corporation

By:

R. Thomas Powers

Name: R. Thomas Powers

Title: Vice President

Georgia
STATE OF ~~NORTH CAROLINA~~
COUNTY OF ~~CHATHAM~~ Douglas

I, Patta Burns, a Notary Public of the County and State
aforesaid, certify that R. Thomas Powers personally came before me this day and acknowledged that he is
Vice President of Jordan Lake Preserve Corporation, a corporation, and that he, as Vice President, being
authorized to do so, executed the foregoing on behalf of the corporation.

Witness my hand and official stamp or seal, this 18th day of December, 2006.

Patta Burns
Notary Public

My Commission Expires: 6/7/09

NOTARY PUBLIC, DOUGLAS COUNTY, GA
MY COMMISSION EXPIRES JUNE 7, 2009

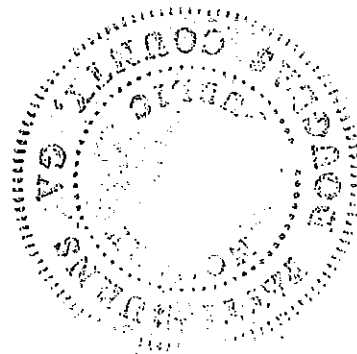


EXHIBIT "A"
Additional Property

BOOK 1304 PAGE 1193

The following sections and lots are more particularly described on those certain Plats entitled, "PLAT OF SUBDIVISION FOR CHAPEL RIDGE -- PHASE THREE" including a Project Sheet and Sheets One through Six, dated August 14, 2006, prepared by Absolute Land Surveying and Mapping, P.C., recorded at Plat Slides 2006-438 through 2006-444, Chatham County Registry, revised September 20, 2006 and recorded at Plat Slides 2006-445 through 2006-451, Chatham County Registry.

Lots 678-850

All as have been or may be revised from time to time.

FILED
CHATHAM COUNTY NC
LUNDAY A. RIGGSBEE
REGISTER OF DEEDS

FILED	Dec 30, 2015
AT	10:50:14 am
BOOK	01835
START PAGE	0291
END PAGE	0305
INSTRUMENT #	12679
EXCISE TAX	(None)

AMENDMENT TO DECLARATION OF COVENANTS, CONDITIONS, AND
RESTRICTIONS FOR CHAPEL RIDGE

STATE OF NORTH CAROLINA
COUNTY OF CHATHAM

THIS AMENDMENT TO DECLARATION OF COVENANTS, CONDITIONS,
AND RESTRICTIONS FOR CHAPEL RIDGE (“Amendment”) is made this 28 day of
December, 2015, by SouthStar at Chapel Ridge, LLC, a North Carolina limited liability company
(the "Declarant").

RECITALS:

A. Jordan Lake Preserve Corporation, a North Carolina corporation, caused
to be recorded the Declaration of Covenants, Conditions, and Restrictions for Chapel Ridge in
Book 1116, at Page 715 in the office of the Register of Deeds of Chatham County, North
Carolina (said document as amended and supplemented is referred to herein as the
"Declaration").

B. Jordan Lake Preserve Corporation assigned all of its rights under the
Declaration to SouthStar at Chapel Ride, LLC by that certain Assignment of Declarant Rights
recorded in Book 1619, at Page 189 in the office of the Register of Deeds of Chatham County,
North Carolina.

Prepared by **WARD AND SMITH, P.A.**, University Corporate Center, 127 Racine Drive, Post Office
Box 7068, Wilmington, NC 28406-7068

Please return to **WARD AND SMITH, P.A.**, University Corporate Center, 127 Racine Drive, Post
Office Box 7068, Wilmington, NC 28406-7068
Attention: Adam M. Beaudoin

C. The By-Laws of Chapel Ridge Community Association, Inc. were recorded as Exhibit "C" to the Declaration.

D. Pursuant to Section 6.6(a) of the By-Laws, the By-Laws may be amended unilaterally by the Declarant until the termination of the Class "B" membership

E. Pursuant to Section 15.2 (a) of the Declaration, the Declaration may be amended unilaterally by the Declarant until the termination of the Class "B" membership.

F. The Declarant desires to amend the Declaration and the By-Laws as set forth below.

NOW, THEREFORE, pursuant to the authority above identified and recited, the Declarant hereby amends the Declaration as follows:

1. Section 1.18 is deleted in its entirety.
2. The last sentence of Section 1.33 is deleted in its entirety and restated as follows: "The Chapel Ridge Club is hereby designated as a Private Amenity."
3. Section 1.34 is deleted in its entirety.
4. Section 1.37 is deleted in its entirety.
5. Section 2.1(g) is deleted in its entirety and restated as follows:
 - (g) The right of the Board to permit use of any facilities situated on the Common Area by persons other than Owners, their families, lessees and guests upon payment of reasonable use fees, if any, established by the Board;
6. Section 2.1(j) is deleted in its entirety.
7. The second paragraph of Section 2.2 is deleted in its entirety and restated as follows:

Initially, any Exclusive Common Area shall be designated as such, and the exclusive use thereof shall be assigned, in the deed by which the Common Area is conveyed to the Association or in this Declaration or any Supplemental Declaration and/or on the subdivision plat relating to such Common Area. Thereafter, a portion of the Common Area may be assigned as Exclusive Common Area of particular Units or a particular Neighborhood or Neighborhoods and Exclusive Common Area may be reassigned upon approval of the Board and the vote of a Majority of the total Class "A" votes in the Association, including, if applicable, a Majority of the Class "A" votes within the Neighborhood(s) to which the Exclusive Common Area is assigned, if previously assigned, and within the Neighborhood(s) to which the Exclusive Common Area is to be assigned or reassigned.

8. The first and second paragraphs of Section 2.4 are deleted in their entirety and restated as follows:

2.4. Condemnation. If any part of the Common Area shall be taken (or conveyed in lieu of and under threat of condemnation by the Board acting on the written direction of at least 67 % of the total Class "A" votes in the Association by any authority having the power of condemnation or eminent domain, each Owner shall be entitled to written notice of such taking or conveyance prior to disbursement of any condemnation award or proceeds from such conveyance.

If the taking or conveyance involves a portion of the Common Area on which improvements have been constructed, the Association shall restore or replace such improvements on the remaining land included in the Common Area to the extent available unless at least 67 % of the total Class "A" vote of the Association shall otherwise agree not to rebuild. Any such construction shall be in accordance with plans approved by the Board and the ARB. The provisions of Section 6.1(c) regarding funds for the repair of damage or destruction shall apply.

9. The following paragraph of Section 3.2(b) is deleted:

After termination of the Class "B" Control Period, the Class "B" Member shall have a right to disapprove actions of the Board and committees as provided in the By-Laws. The Class "B" membership shall terminate upon the earlier of:

- (i) two years after expiration of the Class "B" Control Period; or
- (ii) when, in its discretion, the Declarant so determines and declares in a written instrument executed by Declarant and recorded in the Public Records.

10. Section 3.2(d) is deleted in its entirety.

11. The last two (2) sentences of Section 3.3 are deleted in their entirety.

12. The second sentence of Section 4.2 is deleted and restated as follows:

The Declarant and its designees, with the Association's prior written consent, may convey to the Association improved or unimproved real estate, or interests in real estate, located within the property described in Exhibits "A" or "B," personal property and leasehold and other property interests.

13. The last sentence in Section 4.2 is deleted in its entirety.

14. Section 4.3 is amended by replacing "Section 3.25 of the By-Laws" with "Section 3.24 of the By-Laws"

15. Section 4.3(a) is deleted in its entirety and restated as follows:

- (a) imposing monetary fines which shall constitute a lien upon the Unit of the violator (In the event that any occupant, guest or invitee of a Unit violates the Governing Documents and a fine is imposed, the fine shall be assessed against the Owner);

16. The following is added to the end of Section 4.3(d): " provided, however, pursuant to section 3.2(e), suspension of voting rights is automatic when the Owner is more than thirty (30) days delinquent in the payment of assessments or other charges owed to the Association;"

17. The last paragraph of 4.3 is deleted in its entirety.

18. Section 4.5 is deleted in its entirety.

19. The first sentence of Section 4.9 is deleted in its entirety.

20. Section 5.1(a)(ii) is deleted in its entirety.

21. Section 5.1(a)(vii) is deleted in its entirety.

22. The last paragraph of Section 5.1(a) is deleted in its entirety.

23. The last sentence of Section 5.1(b) is deleted in its entirety.

24. The second paragraph of Section 5.1(c) is deleted in its entirety.

25. Section 7.1 is deleted in its entirety.

26. Section 7.2 is deleted by deleting the following language from the last sentence of the first paragraph: "and the written consent of the Declarant during the Development Period."

27. Section 7.3 is deleted in its entirety.

28. Section 7.4 is deleted in its entirety.

29. Section 7.5 is deleted in its entirety.

30. The first two (2) sentences of the fourth paragraph of Section 8.3 are deleted in their entirety and restated as follows:

Within thirty (30) days after the adoption of any proposed budget for the Association, the Board shall provide to all Owners a summary of the budget and notice of the meeting to consider ratification of the budget, including a statement that the budget may be ratified without a quorum. The budget is ratified unless at that meeting sixty-seven percent (67%) of all the Owners in the Association rejects the budget.

31. Section 8.4 is amended by deleting the following from the end of the third sentence of the second paragraph: "and by the Declarant, during the Development Period."

32. Section 8.6 is amended by deleting the following from the end of the third sentence: "and by the Declarant during the Development Period."

33. Section 9.1 is amended by deleting "the activities of the Declarant, nor to" from the fourth paragraph.

34. Section 9.1 is further amended by deleting the fifth paragraph in its entirety.

35. Section 9.3(a) is amended by deleting the first sentence of the second paragraph and restating it as follows: "The ARB shall adopt the Design Guidelines prior to closing on the first Unit and thereafter shall have the authority to amend them subject to prior written approval from the Board of Directors."

36. Section 9.5(b)(i) is deleted in its entirety and restated as follows:

(i) Signs. No "for sale" or "for rent" signs are permitted on the Properties. No other sign of any kind shall be erected by an Owner or occupant without the prior written consent of the ARB, as applicable, except (1) such signs as may be required by legal proceedings; and (2) not more than one (1) professional security sign of such size deemed reasonable by the Board in its sole discretion. Unless in compliance with this Section, no signs shall be posted or erected by any Owner or occupant within any portion of the Properties, including the Common Area, any Unit, any structure or dwelling located on the Common Area or any Unit (if such sign would be visible from the exterior of such structure or dwelling as determined in the reviewing body's sole discretion) or from any Private Amenity.

The Board reserves the right to prohibit signs and to restrict the size, content, color, lettering, design and placement of any approved signs. All authorized signs must be professionally prepared.

37. Section 9.5(b)(iv) is amended by deleting the following from the first sentence: "the Declarant during initial construction or"

38. Section 9.5(b)(v) is amended by deleting the following "and lines installed by or at the request of the Declarant."

39. Section 9.10 is amended by deleting the first sentence and replacing it with the following: "Any member of the ARB, or the Board, or the representatives of each shall have the right, during reasonable hours and after reasonable notice, to enter upon any Unit to inspect for the purpose of ascertaining whether any structure or improvement is in violation of this Article."

40. Section 10.2 is amended by deleting the following from the last sentence: "and during the Development Period the written consent of the Declarant."

41. Section 10.3 is amended by replacing the word "Declarant" with the word "Association" in the first sentence and deleting the second sentence of the second paragraph in its entirety.

42. Section 10.9 is amended by deleting the following "except that the Declarant shall have such rights as provided in Article 11"

43. Section 10.10 is amended by deleting the third sentence of paragraph 2 and restating it as follows: "The Association hereby reserves for itself a perpetual easement across the Properties for the purpose of altering drainage and water flow."

44. Section 10.13 is deleted in its entirety and restated as follows:

10.13. Subdivision of Unit. No Unit shall be subdivided or its boundary lines changed after a subdivision plat including such Unit has been approved and filed in the Public Records without the Association's written consent. Any such division, boundary line change, or replatting shall not be in violation of the applicable subdivision and zoning regulations, if any.

45. Section 10.16 is amended by adding the following to the end of the last sentence: "unless granted an extension by the ARB under Section 9.6 herein."

46. Section 10.18 is deleted in its entirety and restated as follows:

10.18. Irrigation Systems and Wells. Sprinkler or irrigation systems shall be installed only in accordance with the Design Guidelines. The owner of any golf course shall have the right to draw water from such sources within the Properties.

47. Section 10.20 is amended by deleting the last sentence in its entirety.

48. The first paragraph of Article 11 is amended by deleting "the Declarant"

49. Section 11.2(a) is amended by deleting "the Declarant during the Development Period" from the first sentence.

50. Section 11.2(b) is deleted in its entirety.

51. Section 11.3 is amended by deleting the first sentence in its entirety and restating it as follows:

The Association, and its representatives, successors and assigns, contractors and agents, hereby establishes and reserves a permanent and perpetual non-exclusive easement appurtenant over, across, under, through and upon each Unit for the purposes of:

52. Section 11.4 is deleted in its entirety.

53. Section 11.5(b) is amended by deleting "reserves for itself and" from the first sentence.

54. Section 11.7 is deleted in its entirety.

55. Section 11.9(d) is amended by deleting the first sentence in its entirety and restating it as follows: "Declarant hereby reserves for the Owner(s) of any Private Amenities a twenty (20) foot easement over, across and upon each and every Unit, as measured from the boundary line of the Unit that separates such Unit from any golf course to a line running parallel thereto being located twenty (20) feet into the interior of such Unit."

56. Section 11.9(g) is deleted in its entirety.

57. Section 11.9(h) is amended by deleting "Declarant" and replacing it with "Association."

58. Section 11.10 is deleted in its entirety.

59. Section 13.2 is deleted in its entirety.

- 60. Section 13.3 is deleted in its entirety.
- 61. Section 13.4 is deleted in its entirety.
- 62. Section 13.5 is deleted in its entirety.
- 63. Section 13.6 is deleted in its entirety.
- 64. The last sentence of Section 14.7 is deleted in its entirety.
- 65. Section 15.2(a) is deleted in its entirety.
- 66. The last sentence of Section 15.2(c) is deleted in its entirety.
- 67. Section 15.11 is deleted in its entirety.

By-Law Amendments

1. Section 2.4 of the By-Laws is deleted in its entirety and restated as follows:

2.4. Special Meetings. . Special meetings of the members may be called at any time by (a) the President, (b) the Board of Directors of the Association, or (c) the holders of at least ten percent (10%) of all the votes entitled to be cast on any issue proposed in such request to be considered at the meeting, and in which case shall be noticed by the Secretary of the Association and the meeting shall be held within thirty (30) days of receipt of a written request signed, dated, and received by the Secretary. The signatures on a petition requesting a special meeting shall be valid for a period of ninety (90) days after the date of the first signature. The member written request for a special meeting shall: (1) specify the purposes for which the meeting is to be held; (2) the purposes listed must be items upon which the members have the right to vote; and (3) be delivered to the Secretary in writing.

2. Section 2.5 of the By-Laws is deleted in its entirety and restated as follows:

2.5 Notice of Meetings. Notice of meetings of Members shall be given by the President, Secretary, or other person calling the meeting by any means that is fair and reasonable, and for this purpose, written or printed notice stating the time, place, and date of the meeting shall be delivered by hand-delivery, electronic mail, or by United States mail (postage prepaid) not less than ten (10) nor more than sixty (60) days before the date thereof, to each Member of record entitled to vote at such meeting, unless the North Carolina Nonprofit Corporation Act or the Association's Articles of Incorporation require that such notice be given to all Members with respect to such meeting. If mailed, such notice shall be deemed to be effective when deposited in the United States mail, correctly addressed to the Member at the Member's address as it appears on the current record of Members of the Association, with postage thereon prepaid. For this purpose, a Member's address shall be the mailing address of each Lot or to any other mailing address designated in writing by the Owner to the Secretary of the

Association. If sent electronically, such notice shall be deemed effective when sent to the recipient, correctly addressed to the Member at the Member's email address as it appears on the current record of the Members of the Association, without the sender receiving a failed email delivery return notice.

Notwithstanding the foregoing, if the notice provided for the above clearly would not be fair and reasonable under the circumstances then existing, then notice appropriate for the circumstances shall be given; PROVIDED, HOWEVER, THAT notice of a meeting where any of the following matters are to be voted on in all events shall be given as provided in the first paragraph of this Section: (i) director conflict of interest or indemnification, (ii) amendment to the Association's Articles of Incorporation, Bylaws, or Declaration, PROVIDED, HOWEVER, THAT the Declaration shall only be amended pursuant to the Declaration, (iii) plan of merger or dissolution, or (iv) a sale of assets other than in the regular course of the Association's activities; and PROVIDED, FURTHER, HOWEVER, THAT any special notice procedure set forth in the Declaration for any of the foregoing or any other matter shall be followed in addition to the notice provisions set forth herein.

The notice of any meeting shall state the items on the agenda, including a summary or copy of any proposed amendment to the Declaration, the Bylaws, or Articles of Incorporation; any budget changes, and any proposal to remove a director or officer, and shall include any other matters and a copy or summary of any proposed action that expressly is required by the provisions of the North Carolina Nonprofit Corporation Act or the North Carolina Planned Community Act. Only those matters which are stated in the notice may be acted upon at a meeting of Members.

Also, notice of an annual, regular, or special meeting of Members shall give notice of any matter a Member intends to raise at the meeting if the Association receives a written request of any matter the Members intend to raise by Members entitled to call a special meeting pursuant to Section 2.4 ("Special Meetings") of this Article, and such written request is received by the Secretary or President of the Association at least ten (10) days before the Association gives notice of such meeting.

3. Section 2.7 of the By-Laws is deleted in its entirety and restated as follows:

2.7. Adjournment of Meetings. In the event business cannot be conducted at any meeting of Members because a quorum is not present, that meeting may be adjourned to a later date by the affirmative vote of a majority of those present in person or by proxy. If any meeting of Members is adjourned by the vote of a majority of votes cast on the motion to adjourn to a different date, time, or place, notice need not be given of the new date, time, or place if the new date, time, or place is announced at the meeting before adjournment and if a new record date is not fixed for the adjourned meeting. If a new record date for the

adjourned meeting is or must be fixed pursuant to North Carolina law, notice of the adjourned meeting must be given as provided in this Section to the Members of record entitled to vote at the meeting as of the new record date. As is provided in the North Carolina Planned Community Act, the quorum requirement at the next meeting of Members, in the event of an adjournment because a quorum is not present, shall be one-half of the quorum requirement applicable to the meeting adjourned for lack of a quorum. This provision will continue to reduce the quorum by fifty percent (50%) from that required at the previous meeting, until such time as a quorum is present and business can be conducted.

4. Section 2.11 is amended by changing "twenty percent (20%)" to "ten percent (10%)."

5. A new Section 2.14 is added to the By-Laws as follows:

2.14 Action by Written Ballot. Any action that may be taken at any annual, regular, or special meeting of Members may be taken without a meeting if the Association delivers a written ballot to every Member entitled to vote on the matter. A written ballot shall: (a) set forth each proposed action, (b) provide an opportunity to vote for or against each proposed action, and (c) indicate the time by which a ballot shall be received by the Association in order to be counted. Approval by written ballot pursuant to this section shall be valid only when the number of votes cast by ballot equals or exceeds the quorum required to be present at a meeting authorizing the action, and the number of approvals equals or exceeds the number of votes that would be required to approve the matter at a meeting at which the same total number of votes were cast. A written ballot may not be revoked.

6. The third sentence of Section 3.1 is deleted in its entirety and restated as follows: "No Owner or resident shall be eligible to serve as a director if any assessment for such Owner's or resident's Unit or other charge owed to the Association is more than thirty (30) days delinquent."

7. Section 3.20 of the By-Laws is deleted in its entirety.

8. Section 3.24 of the By-Laws is deleted in its entirety and restated as follows:

3.24. Enforcement. Except as may be otherwise specifically authorized by the Association Documents, and permitted by the Association Documents, the Board shall not (i) impose a fine or penalty, or (ii) undertake permitted remedial action for violations of the Association Documents, or for assessments or other amounts due and owing to the Association remaining unpaid for a period of thirty (30) days, or longer, unless and until the following procedure is completed:

Written demand to cease and desist from an alleged violation shall be served upon the Responsible Person specifying (i) the alleged violation; (ii) the action required to abate the violation; and (iii) a time period, not less than five (5) days, during which the violation may be abated without further sanction, if such

violation is a continuing one, or a statement that any further violation may result in the imposition of a sanction after notice and hearing if the violation is not continuing.

(a) Notice. At any time within twelve (12) months following receipt of notice of the alleged violation, the Board, or Covenants Committee appointed by the Board, shall serve the Responsible Person (for purposes of this Section 3.24, the "Responsible Person" shall be any Member, Owner, or occupant of a Lot or Dwelling Unit) with a written notice of a hearing to be held by the Board of the Association in closed session or the Covenants Committee appointed by the Board; provided, however, the Covenants Committee appointed by the Board shall be composed of members of the Association who are not officers of the Association or members of the Board. The notice shall contain: (i) the nature of the alleged violation; (ii) the time and place of the hearing, which shall not be less than ten (10) days from the giving of the notice; (iii) an invitation to attend the meeting and produce any statement, evidence and witness on his or her behalf; and (iv) the possible sanction to be imposed. The notice prescribed herein may be served by mailing a copy of said notice to the alleged violator by placing said notice in the United States mail, postage prepaid, by any method as permitted for the service of summons as set forth in Rule 4 of the North Carolina Rules of Civil Procedure or by the delivery of said notice by an officer, director or agent of the Association to the Responsible Person or to any person who may be served on the Responsible Person's behalf as provided in said Rule 4.

(b) Hearing. The hearing shall be held in closed session of the Board or the Covenants Committee appointed by the Board pursuant to the notice affording the member a reasonable opportunity to be heard. Prior to the effectiveness of any sanction hereunder, proof of notice and the invitation to be heard shall be placed in the minutes of the meeting. Such proof shall be deemed adequate if a copy of the notice, together with a statement of the date and manner of delivery, is entered by the officer, director, or agent who delivered such notice. The notice requirement shall be deemed satisfied if the Responsible Person appears at the meeting. The minutes of the meeting shall contain a written statement of the results of the hearing and the sanction, if any, imposed. In addition, a written statement of the results of the hearing and the sanction, if any, imposed shall be mailed by the United States mail, postage prepaid, by the Association to the violator.

(c) Appeal. If the hearing is held before the Covenants Committee, following such hearing and notice of a decision adverse to the violator, the Responsible Person shall have the right to appeal the decision to the Board. To perfect this right, a written notice of appeal must be received by the managing agent of the Association, President or Secretary of the Association within fifteen (15) days after the date of the decision, said written notice to contain information by which the Board may notify the Responsible Person of the

date of the appeal hearing. If no adjudicatory panel is appointed by the Board, no right of appeal shall exist.

(d) Sanction as Assessment. Pursuant to the provisions of this Section, a fine may be imposed by the Association is an amount not exceeding One Hundred and No/100 Dollars (\$100.00) (or any greater amount as may be provided otherwise by law or the Act) per violation of the Association Documents and without further hearing, for each day after five (5) days after the decision to impose such fine that the violation occurs. Any such fine shall be an assessment as set forth in this Declaration and the Act. If it is decided pursuant to the provisions of this Section that a suspension of privileges or services should be imposed, the suspension may be continued without further hearing until the violation or delinquency is cured.

9. Article 5 of the By-Laws is deleted in its entirety and restated as follows:

Article 5.

Committees

5.1 Nominations Committee. The Board of Directors may establish a Nominations Committee as set forth in Section 3.4(a) of these Bylaws.

5.2. Architectural Review Board. The Declaration sets forth the appointment and the members of the Architectural Review Board of the Association ("ARB"). The ARB shall have the powers as set forth in the Declaration.

5.3. Committees of the Board of Directors. The Board of Directors, by resolution of a majority of the number of directors in office, may designate two or more directors to constitute an Executive Committee and such other committees as the Board of Directors shall deem advisable, each of which, to the extent authorized by the North Carolina Nonprofit Corporation Act and provided in such resolution, shall have and may exercise all of the authority of the Board of Directors in the management of the Association. Each committee member serves at the pleasure of the Board of Directors. The provisions of these Bylaws governing meetings, action without meeting, notice and waiver of notice, and quorum and voting requirements of the Board of Directors apply to any committees of the Board of Directors established pursuant to this Section. The designation of any committee of the Board of Directors and the delegation thereto of the Board of Directors' authority shall not operate to relieve the Board of Directors, or any member thereof, of any responsibility imposed upon him or her by law.

5.4. Other Committees. Other committees not having and exercising the authority of the Board of Directors in the management of the Association may be designated by resolution adopted by a majority of the directors present at a meeting at which a quorum is present. Such committee shall have such duties and responsibilities as may be set forth in the resolution designating the committee.

For committees set up under this Section 5.4 to which decision making authority is delegated by the Board of Directors or in any Association Documents, the provisions of these Bylaws governing meetings, action without meeting, notice and waiver of notice, quorum and voting requirements of the Board of Directors shall apply to any such committees. Further, such committees shall keep a written record of actions taken by such committees. It is provided, however, that the authority of any such committees shall not exceed the power granted to the Association in the Declaration.

5.5 Covenants Committee. In addition to any other committees which the Board may establish pursuant to Section 5.1, the Board may appoint a covenants committee consisting of at least three and no more than seven members. Acting in accordance with the provisions of the Declaration, these By-Laws, and resolutions the Board may adopt, the covenants committee, if established, shall be the hearing tribunal of the Association and shall conduct all hearings held pursuant to Section 3.25 of these By-Laws.

5.6. Neighborhood Committees. In addition to any other committees appointed as provided above, each Neighborhood which has no formal organizational structure or association may elect a Neighborhood Committee to determine the nature and extent of services, if any, to be provided to the Neighborhood by the Association in addition to those provided to all Members of the Association in accordance with the Declaration. A Neighborhood Committee may advise the Board on any other issue, but shall not have the authority to bind the Board. Such Neighborhood Committees, if elected, shall consist of three to five Members, as determined by the vote of at least a Majority of the Owners of Units within the Neighborhood.

Neighborhood Committee members shall be elected for a term of one year or until their successors are elected. Any director elected to the Board of Directors from a Neighborhood shall be an ex officio member of the Neighborhood Committee. The Neighborhood Committee shall elect a chairperson who shall preside at its meetings and shall be responsible for transmitting any and all communications to the Board.

In the conduct of its duties and responsibilities, each Neighborhood Committee shall abide by the meeting, notice and quorum requirements applicable to the Board under Sections 3.8, 3.9, 3.10, and 3.11, and each Neighborhood Committee shall elect a chairperson from among its members who shall preside at its meetings. Meetings of a Neighborhood Committee shall be open to all Owners of Units in the Neighborhood and their representatives. Members of a Neighborhood Committee may act by unanimous written consent in lieu of a meeting.

10. A new Section 6.7 is added to the By-Laws as follows:

6.7 Indemnification. The Association shall indemnify, to the fullest extent permitted by law and this Article, any person who is or was a party or is

threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding (and any appeal therein), whether civil, criminal, administrative, arbitrative, or investigative and whether or not brought by or on behalf of the Association, by reason of the fact that such person is or was a director, officer, or committee member of the Association, or is or was serving at the request of the Association as a director, officer, partner, trustee, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise or as a trustee or administrator under an employee benefit plan, or arising out of such party's activities in any of the foregoing capacities, against all liability and litigation expense, including reasonable attorney fees; PROVIDED, HOWEVER, THAT the Association shall not indemnify any such person against liability or expense incurred on account of such person's activities which were at the time taken known or believed by such person to be clearly in conflict with the best interests of the Association or if such person received an improper personal benefit from such activities. The Association likewise shall indemnify any such person for all reasonable costs and expenses (including attorney fees) incurred by such person in connection with the enforcement of such person's right to indemnification granted herein.

The Association may pay all expenses incurred by any claimant hereunder in defending a civil or criminal action, suit, or proceeding as set forth above in advance of the final disposition of such action, suit, or proceeding upon receipt of an undertaking by or on behalf of such claimant to repay such amount unless it shall be ultimately determined that such claimant is entitled to be indemnified by the Association against such expenses.

The Board of Directors of the Association shall take all such action as may be necessary and appropriate to authorize the Association to pay the indemnification required by this Bylaw, including without limitation, (a) a determination by a majority vote of disinterested directors (i) that the activities giving rise to the liability or expense for which indemnification is requested were not, at the time taken, known or believed by the person requesting indemnification to be clearly in conflict with the best interests of the Association and (ii) that the person requesting indemnification did not receive an improper personal benefit from the activities giving rise to the liability or expense for which indemnification is requested, and (b) to the extent needed, giving notice to the members of the Association.

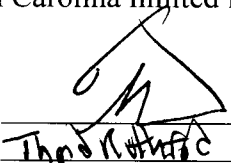
Any person who at any time after the adoption of this Bylaw serves or has served in any of the aforesaid capacities for or on behalf of the Association shall be deemed to be doing or to have done so in reliance upon, and as consideration for, the right of indemnification provided herein. Such right shall inure to the benefit of the legal representatives of any such person and shall not be exclusive of any other rights to which such person may be entitled apart from the provision of this Bylaw.

11. Except as expressly provided in the paragraph above, the terms and provisions of the aforesaid Declaration and By-Laws shall continue in full force and effect according to the terms of the same as modified hereby.

IN TESTIMONY WHEREOF, the Association, acting pursuant to the authority above recited, has caused this Amendment to be executed under seal and in such form as to be legally binding, effective the day and year upon recording this Amendment in the office of the Register of Deeds of Chatham County, North Carolina.

[The rest of this page intentionally is left blank. A signature page follows.]

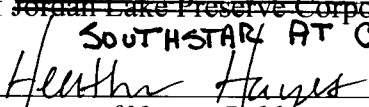
SOUTHSTAR AT CHAPEL RIDGE, LLC
a North Carolina limited liability company

By: , President

FLAHS
STATE OF ~~NORTH CAROLINA~~
COUNTY OF Travis

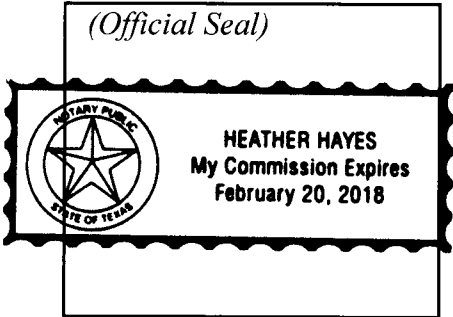
I certify that the following person personally appeared before me this day, acknowledging to me that he signed the foregoing document for the purpose(s) stated therein, in the capacity indicated therein: Thad Rutherford, President of ~~Jordan Lake Preserve Corporation~~ SOUTHSTAR AT CHAPEL RIDGE, LLC

Date: 12-28-15


Signature of Notary Public

Heather Hayes
Notary's printed or typed name

My commission expires: 2-20-2018



Notary seal or stamp must appear within this box.

FILED
 CHATHAM COUNTY NC
 LUNDAY A. RIGGSBEE
 REGISTER OF DEEDS
 FILED Dec 30, 2015
 AT 10:50:14 am
 BOOK 01835
 START PAGE 0306
 END PAGE 0309
 INSTRUMENT # 12680
 EXCISE TAX (None)

ASSIGNMENT OF DECLARANT RIGHTS

STATE OF NORTH CAROLINA

COUNTY OF CHATHAM

THIS ASSIGNMENT OF DECLARANT RIGHTS ("Assignment") is made effective this the 28 day of December, 2015, by SOUTHSTAR AT CHAPEL RIDGE, LLC, a North Carolina limited liability company ("Assignor") and CHAPEL RIDGE COMMUNITY ASSOCIATION, INC., a North Carolina nonprofit corporation (the "Association").

WITNESSETH:

WHEREAS, Jordan Lake Preserve Corporation was the Declarant under that certain Declaration of Covenants, Conditions and Restrictions for Chapel Ridge recorded in Book 1116, at Page 715 in the office of the Register of Deeds of Chatham County, North Carolina (as amended and supplemented, the "Declaration") (the capitalized terms in this Assignment shall have the same meanings as such capitalized terms in the Declaration unless otherwise stated herein); and

WHEREAS, Jordan Lake Preserve Corporation reserved certain rights as the Declarant in the Declaration (the "Declarant Rights");

WHEREAS, Jordan Lake Preserve Corporation assigned all of its Declarant Rights under the Declaration to Assignor by that certain Assignment of Declarant Rights recorded in Book 1619, at Page 189 in the off of the Register of Deeds of Chatham County, North Carolina; and

WHEREAS, Association has requested that Assignor assign certain Declarant Rights, and Assignor has agreed to do so, as more particularly set forth in this Assignment.

Please Return to: Ward and Smith, P.A. University Corporate Center, 127 Racine Drive, Post
 Office Box 7068, Wilmington, NC 28406
 Attn: Adam Beaudin

NOW THEREFORE, in consideration of the foregoing and other good and valuable consideration to each party paid by the other, the receipt and sufficiency of which hereby are acknowledged, Assignor and Association hereby agree as follows:

A. Declarant Rights Assigned to the Association


1. Assignor does hereby assign the following Declarant Rights to the Association (the "Assigned Declarant Rights"):
 - a. Right to engage in wildlife and fishery management plans and practices on the Properties as more fully described in Section 4.11 of the Declaration.
 - b. Right to appoint all members of the Architectural Review Board as more fully described in Section 9.2 of the Declaration.
 - c. Right to release all of any portion of the Properties from the burden, effect, and encumbrance of any of the easements granted under Section 11.2, or to define the limits of any such easements as more fully described in Section 11.2(d) of the Declaration.
 - d. Rights to groundwater, surface water, storm water runoff, and effluent located or produced within the Properties as more fully described in Section 11.11 of the Declaration.
 - e. Right to give consent for any person to use the words "Chapel Ridge" or any logo of Chapel Ridge or any derivative in any printed or promotional material as more fully described in Section 15.9 of the Declaration.
2. Assignor hereby agrees to indemnify and hold harmless and defend Association from any and all liabilities, claims, causes of action, and expense (including reasonable attorney's fees) arising with respect to the exercise of the Assigned Declarant Rights and any and all actions taken as Declarant under the terms of the Declaration, arising prior to the date that this fully executed Assignment is recorded in the office of the Register of Deeds of Chatham County.
3. The Association hereby agrees to indemnify and hold harmless and defend Assignor from any and all liabilities, claims, causes of action, and expenses (including reasonable attorney's fees) arising with respect to the exercise of the Assigned Rights and any

and all actions taken as Declarant under the terms of the Declaration, arising after the date that this fully executed Assignment is recorded in the office of the Register of Deeds of Chatham County.

IN WITNESS WHEREOF, Assignor and the Association have caused this Assignment to be executed in such form as to be binding, effective the day and year first above written.

ASSIGNOR:

SOUTHSTAR AT CHAPEL RIDGE, LLC

By: , President

Texas
STATE OF ~~NORTH CAROLINA~~
COUNTY OF Travis

I certify that the following person personally appeared before me this day, acknowledging to me that he/she signed the foregoing document for the purpose(s) stated therein, in the capacity indicated therein: Thad Rutherford.

Date: 12-28-15


Signature of Notary Public

Heather Hayes
Notary's printed or typed name


My commission expires: 2-20-2018



Notary seal or stamp must appear within this box.

ASSOCIATION:

CHAPEL RIDGE COMMUNITY ASSOCIATION,
INC.

By: , President

Texas
STATE OF ~~NORTH CAROLINA~~
COUNTY OF Travis

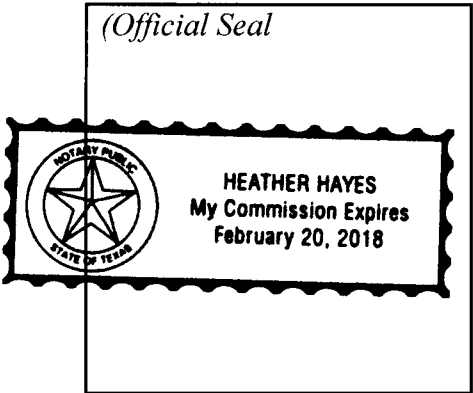
I certify that the following person personally appeared before me this day, acknowledging to me that he signed the foregoing document for the purpose(s) stated therein, in the capacity indicated therein: Thad Rutherford.

Date: 12-28-15


Signature of Notary Public

Heather Hayes
Notary's printed or typed name

My commission expires: 2-20-2018



Notary seal or stamp must appear within this box.

FILED
CHATHAM COUNTY NC
LUNDAY A. RIGGSBEE
REGISTER OF DEEDS
FILED Jan 13, 2016
AT 02:49:31 pm
BOOK 01837
START PAGE 0270
END PAGE 0284
INSTRUMENT # 00303
EXCISE TAX (None)

CORRECTIVE AMENDMENT TO DECLARATION OF COVENANTS, CONDITIONS,
AND RESTRICTIONS FOR CHAPEL RIDGE

STATE OF NORTH CAROLINA
COUNTY OF CHATHAM

THIS CORRECTIVE AMENDMENT TO DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS FOR CHAPEL RIDGE ("Corrective Amendment") is made this 12th day of January, 2016, by SouthStar at Chapel Ridge, LLC, a North Carolina limited liability company (the "Declarant").

RECITALS:

Prepared by **WARD AND SMITH, P.A.**, University Corporate Center, 127 Racine Drive, Post Office Box 7068, Wilmington, NC 28406-7068

Please return to **WARD AND SMITH, P.A.**, University Corporate Center, 127 Racine Drive, Post Office Box 7068, Wilmington, NC 28406-7068

Attention: Adam M. Beaudoin

A. Declarant caused to be recorded the Amendment to Declaration of Covenants, Conditions, and Restrictions for Chapel Ridge in Book 1835, at Page 291 in the office of the Register of Deeds of Chatham County, North Carolina on December 30, 2015 (the "Amendment").

B. The Amendment contained three (3) clerical errors and the Declarant wishes to correct such errors.

C. The Amendment is hereby restated in its entirety as set forth below.

NOW, THEREFORE, pursuant to the authority above identified and recited, the Declarant hereby amends the Declaration as follows:

1. Section 1.18 is deleted in its entirety.
2. The last sentence of Section 1.33 is deleted in its entirety and restated as follows: "The Chapel Ridge Club is hereby designated as a Private Amenity."

3. Section 1.34 is deleted in its entirety.

4. Section 1.37 is deleted in its entirety.

5. Section 2.1(g) is deleted in its entirety and restated as follows:

(g) The right of the Board to permit use of any facilities situated on the Common Area by persons other than Owners, their families, lessees and guests upon payment of reasonable use fees, if any, established by the Board;

6. Section 2.1(j) is deleted in its entirety.

7. The second paragraph of Section 2.2 is deleted in its entirety and restated as follows:

Initially, any Exclusive Common Area shall be designated as such, and the exclusive use thereof shall be assigned, in the deed by which the Common Area is conveyed to the Association or in this Declaration or any Supplemental Declaration and/or on the subdivision plat relating to such Common Area. Thereafter, a portion of the Common Area may be assigned as Exclusive Common Area of particular Units or a particular Neighborhood or Neighborhoods and Exclusive Common Area may be reassigned upon approval of the Board and the vote of a Majority of the total Class "A" votes in the Association, including, if applicable, a Majority of the Class "A" votes within the Neighborhood(s) to which the Exclusive Common Area is assigned, if previously assigned, and within the Neighborhood(s) to which the Exclusive Common Area is to be assigned or reassigned.

8. The first and second paragraphs of Section 2.4 are deleted in their entirety and restated as follows:

2.4. Condemnation. If any part of the Common Area shall be taken (or conveyed in lieu of and under threat of condemnation by the Board acting on the written direction of at least 67 % of the total Class "A" votes in the Association by any authority having the power of condemnation or eminent domain, each Owner shall be entitled to written notice of such taking or conveyance prior to disbursement of any condemnation award or proceeds from such conveyance.

If the taking or conveyance involves a portion of the Common Area on which improvements have been constructed, the Association shall restore or replace such improvements on the remaining land included in the Common Area to the extent available unless at least 67 % of the total Class "A" vote of the Association shall otherwise agree not to rebuild. Any such construction shall be in accordance with plans approved by the Board and the ARB. The provisions of Section 6.1(c) regarding funds for the repair of damage or destruction shall apply.

9. The following paragraph of Section 3.2(b) is deleted:

After termination of the Class "B" Control Period, the Class "B" Member shall have a right to disapprove actions of the Board and committees as provided in the By-Laws. The Class "B" membership shall terminate upon the earlier of:

- (i) two years after expiration of the Class "B" Control Period; or
- (ii) when, in its discretion, the Declarant so determines and declares in a written instrument executed by Declarant and recorded in the Public Records.

10. Section 3.2(d) is deleted in its entirety.

11. The last two (2) sentences of Section 3.3 are deleted in their entirety.

12. The second sentence of Section 4.2 is deleted and restated as follows:

The Declarant and its designees, with the Association's prior written consent, may convey to the Association improved or unimproved real estate, or interests in real estate, located within the property described in Exhibits "A" or "B," personal property and leasehold and other property interests.

13. The last sentence in Section 4.2 is deleted in its entirety.

14. Section 4.3 is amended by replacing "Section 3.25 of the By-Laws" with "Section 3.24 of the By-Laws"

15. Section 4.3(a) is deleted in its entirety and restated as follows:

(a) imposing monetary fines which shall constitute a lien upon the Unit of the violator (In the event that any occupant, guest or invitee of a Unit violates the Governing Documents and a fine is imposed, the fine shall be assessed against the Owner);

16. The following is added to the end of Section 4.3(d): " provided, however, pursuant to section 3.2(e), suspension of voting rights is automatic when the Owner is

more than thirty (30) days delinquent in the payment of assessments or other charges owed to the Association;"

17. The last paragraph of 4.3 is deleted in its entirety.
18. Section 4.5 is deleted in its entirety.
19. The first sentence of Section 4.9 is deleted in its entirety.
20. Section 5.1(a)(ii) is deleted in its entirety.
21. Section 5.1(a)(vi) is deleted in its entirety.
22. Section 5.1(a)(ix) is deleted in its entirety.
23. The last paragraph of Section 5.1(a) is deleted in its entirety.
24. The last sentence of Section 5.1(b) is deleted in its entirety.
25. The second paragraph of Section 5.1(c) is deleted in its entirety.
26. Section 7.1 is deleted in its entirety.
27. Section 7.2 is deleted by deleting the following language from the last sentence of the first paragraph: "and the written consent of the Declarant during the Development Period."
28. Section 7.3 is deleted in its entirety.
29. Section 7.4 is deleted in its entirety.
30. Section 7.5 is deleted in its entirety.
31. The first two (2) sentences of the fourth paragraph of Section 8.3 are deleted in their entirety and restated as follows:

Within thirty (30) days after the adoption of any proposed budget for the Association, the Board shall provide to all Owners a summary of the budget and notice of the meeting to consider ratification of the budget, including a statement that the budget may be ratified without a quorum. The budget is ratified unless at that meeting sixty-seven percent (67%) of all the Owners in the Association rejects the budget.
32. Section 8.4 is amended by deleting the following from the end of the third sentence of the second paragraph: "and by the Declarant, during the Development Period."
33. Section 8.6 is amended by deleting the following from the end of the third sentence: "and by the Declarant during the Development Period."
34. Section 9.1 is amended by deleting "the activities of the Declarant, nor to" from the fourth paragraph.
35. Section 9.1 is further amended by deleting the fifth paragraph in its entirety.

36. Section 9.3(a) is amended by deleting the first sentence of the second paragraph and restating it as follows: "The ARB shall adopt the Design Guidelines prior to closing on the first Unit and thereafter shall have the authority to amend them subject to prior written approval from the Board of Directors."

37. Section 9.5(b)(i) is deleted in its entirety and restated as follows:

(i) Signs. No "for sale" or "for rent" signs are permitted on the Properties. No other sign of any kind shall be erected by an Owner or occupant without the prior written consent of the ARB, as applicable, except (1) such signs as may be required by legal proceedings; and (2) not more than one (1) professional security sign of such size deemed reasonable by the Board in its sole discretion. Unless in compliance with this Section, no signs shall be posted or erected by any Owner or occupant within any portion of the Properties, including the Common Area, any Unit, any structure or dwelling located on the Common Area or any Unit (if such sign would be visible from the exterior of such structure or dwelling as determined in the reviewing body's sole discretion) or from any Private Amenity.

The Board reserves the right to prohibit signs and to restrict the size, content, color, lettering, design and placement of any approved signs. All authorized signs must be professionally prepared.

38. Section 9.5(b)(iv) is amended by deleting the following from the first sentence: "the Declarant during initial construction or"

39. Section 9.5(b)(v) is amended by deleting the following "and lines installed by or at the request of the Declarant."

40. Section 9.10 is amended by deleting the first sentence and replacing it with the following: "Any member of the ARB, or the Board, or the representatives of each shall have the right, during reasonable hours and after reasonable notice, to enter upon any Unit to inspect for the purpose of ascertaining whether any structure or improvement is in violation of this Article."

41. Section 10.2 is amended by deleting the following from the last sentence: "and during the Development Period the written consent of the Declarant."

42. Section 10.3 is amended by replacing the word "Declarant" with the word "Association" in the first sentence and deleting the second sentence of the second paragraph in its entirety.

43. Section 10.9 is amended by deleting the following "except that the Declarant shall have such rights as provided in Article 11"

44. Section 10.10 is amended by deleting the third sentence of paragraph 2 and restating it as follows: "The Association hereby reserves for itself a perpetual easement across the Properties for the purpose of altering drainage and water flow."

45. Section 10.13 is deleted in its entirety and restated as follows:

10.13. Subdivision of Unit. No Unit shall be subdivided or its boundary lines changed after a subdivision plat including such Unit has been approved and filed in the Public Records without the Association's written consent. Any such division, boundary line change, or replatting shall not be in violation of the applicable subdivision and zoning regulations, if any.

46. Section 10.16 is amended by adding the following to the end of the last sentence: "unless granted an extension by the ARB under Section 9.6 herein."

47. Section 10.18 is deleted in its entirety and restated as follows:

10.18. Irrigation Systems and Wells. Sprinkler or irrigation systems shall be installed only in accordance with the Design Guidelines. The owner of any golf course shall have the right to draw water from such sources within the Properties.

48. Section 10.20 is amended by deleting the last sentence in its entirety.

49. The first paragraph of Article 11 is amended by deleting "the Declarant"

50. Section 11.2(a) is amended by deleting "the Declarant during the Development Period" from the first sentence.

51. Section 11.2(b) is deleted in its entirety.

52. Section 11.3 is amended by deleting the first sentence in its entirety and restating it as follows:

The Association, and its representatives, successors and assigns, contractors and agents, hereby establishes and reserves a permanent and perpetual non-exclusive easement appurtenant over, across, under, through and upon each Unit for the purposes of:

53. Section 11.4 is deleted in its entirety.

54. Section 11.5(b) is amended by deleting "reserves for itself and" from the first sentence.

55. Section 11.7 is deleted in its entirety.

56. Section 11.9(d) is amended by deleting the first sentence in its entirety and restating it as follows: "Declarant hereby reserves for the Owner(s) of any Private Amenities a twenty (20) foot easement over, across and upon each and every Unit, as measured from the boundary line of the Unit that separates such Unit from any golf course to a line running parallel thereto being located twenty (20) feet into the interior of such Unit."

57. Section 11.9(g) is deleted in its entirety.

58. Section 11.9(h) is amended by deleting "Declarant" and replacing it with "Association."

59. Section 11.10 is deleted in its entirety.

60. Section 13.2 is deleted in its entirety.
61. Section 13.3 is deleted in its entirety.
62. Section 13.4 is deleted in its entirety.
63. Section 13.5 is deleted in its entirety.
64. Section 13.6 is deleted in its entirety.
65. The last sentence of Section 14.7 is deleted in its entirety.
66. Section 15.2(a) is deleted in its entirety.
67. The last sentence of Section 15.2(c) is deleted in its entirety.
68. Section 15.11 is deleted in its entirety.

By-Law Amendments

1. Section 2.4 of the By-Laws is deleted in its entirety and restated as follows:

2.4. Special Meetings. . Special meetings of the members may be called at any time by (a) the President, (b) the Board of Directors of the Association, or (c) the holders of at least ten percent (10%) of all the votes entitled to be cast on any issue proposed in such request to be considered at the meeting, and in which case shall be noticed by the Secretary of the Association and the meeting shall be held within thirty (30) days of receipt of a written request signed, dated, and received by the Secretary. The signatures on a petition requesting a special meeting shall be valid for a period of ninety (90) days after the date of the first signature. The member written request for a special meeting shall: (1) specify the purposes for which the meeting is to be held; (2) the purposes listed must be items upon which the members have the right to vote; and (3) be delivered to the Secretary in writing.

2. Section 2.5 of the By-Laws is deleted in its entirety and restated as follows:

2.5 Notice of Meetings. Notice of meetings of Members shall be given by the President, Secretary, or other person calling the meeting by any means that is fair and reasonable, and for this purpose, written or printed notice stating the time, place, and date of the meeting shall be delivered by hand-delivery, electronic mail, or by United States mail (postage prepaid) not less than ten (10) nor more than sixty (60) days before the date thereof, to each Member of record entitled to vote at such meeting, unless the North Carolina Nonprofit Corporation Act or the Association's Articles of Incorporation require that such notice be given to all Members with respect to such meeting. If mailed, such notice shall be deemed to be effective when deposited in the United States mail, correctly addressed to the Member at the Member's address as it appears on the current record of Members of the Association, with postage thereon prepaid. For this purpose, a Member's address shall be the mailing address of each Lot or to any

other mailing address designated in writing by the Owner to the Secretary of the Association. If sent electronically, such notice shall be deemed effective when sent to the recipient, correctly addressed to the Member at the Member's email address as it appears on the current record of the Members of the Association, without the sender receiving a failed email delivery return notice.

Notwithstanding the foregoing, if the notice provided for the above clearly would not be fair and reasonable under the circumstances then existing, then notice appropriate for the circumstances shall be given; PROVIDED, HOWEVER, THAT notice of a meeting where any of the following matters are to be voted on in all events shall be given as provided in the first paragraph of this Section: (i) director conflict of interest or indemnification, (ii) amendment to the Association's Articles of Incorporation, Bylaws, or Declaration, PROVIDED, HOWEVER, THAT the Declaration shall only be amended pursuant to the Declaration, (iii) plan of merger or dissolution, or (iv) a sale of assets other than in the regular course of the Association's activities; and PROVIDED, FURTHER, HOWEVER, THAT any special notice procedure set forth in the Declaration for any of the foregoing or any other matter shall be followed in addition to the notice provisions set forth herein.

The notice of any meeting shall state the items on the agenda, including a summary or copy of any proposed amendment to the Declaration, the Bylaws, or Articles of Incorporation; any budget changes, and any proposal to remove a director or officer, and shall include any other matters and a copy or summary of any proposed action that expressly is required by the provisions of the North Carolina Nonprofit Corporation Act or the North Carolina Planned Community Act. Only those matters which are stated in the notice may be acted upon at a meeting of Members.

Also, notice of an annual, regular, or special meeting of Members shall give notice of any matter a Member intends to raise at the meeting if the Association receives a written request of any matter the Members intend to raise by Members entitled to call a special meeting pursuant to Section 2.4 ("Special Meetings") of this Article, and such written request is received by the Secretary or President of the Association at least ten (10) days before the Association gives notice of such meeting.

3. Section 2.7 of the By-Laws is deleted in its entirety and restated as follows:

2.7. Adjournment of Meetings. In the event business cannot be conducted at any meeting of Members because a quorum is not present, that meeting may be adjourned to a later date by the affirmative vote of a majority of those present in person or by proxy. If any meeting of Members is adjourned by the vote of a majority of votes cast on the motion to adjourn to a different date, time, or place, notice need not be given of the new date, time, or place if the new date, time, or place is announced at the meeting before adjournment and if a new

record date is not fixed for the adjourned meeting. If a new record date for the adjourned meeting is or must be fixed pursuant to North Carolina law, notice of the adjourned meeting must be given as provided in this Section to the Members of record entitled to vote at the meeting as of the new record date. As is provided in the North Carolina Planned Community Act, the quorum requirement at the next meeting of Members, in the event of an adjournment because a quorum is not present, shall be one-half of the quorum requirement applicable to the meeting adjourned for lack of a quorum. This provision will continue to reduce the quorum by fifty percent (50%) from that required at the previous meeting, until such time as a quorum is present and business can be conducted.

4. Section 2.11 is amended by changing "twenty percent (20%)" to "ten percent (10%)."

5. A new Section 2.14 is added to the By-Laws as follows:

2.14 Action by Written Ballot. Any action that may be taken at any annual, regular, or special meeting of Members may be taken without a meeting if the Association delivers a written ballot to every Member entitled to vote on the matter. A written ballot shall: (a) set forth each proposed action, (b) provide an opportunity to vote for or against each proposed action, and (c) indicate the time by which a ballot shall be received by the Association in order to be counted. Approval by written ballot pursuant to this section shall be valid only when the number of votes cast by ballot equals or exceeds the quorum required to be present at a meeting authorizing the action, and the number of approvals equals or exceeds the number of votes that would be required to approve the matter at a meeting at which the same total number of votes were cast. A written ballot may not be revoked.

6. The third sentence of Section 3.1 is deleted in its entirety and restated as follows: "No Owner or resident shall be eligible to serve as a director if any assessment for such Owner's or resident's Unit or other charge owed to the Association is more than thirty (30) days delinquent."

7. Section 3.20 of the By-Laws is deleted in its entirety.

8. Section 3.25 of the By-Laws is deleted in its entirety and restated as follows:

3.25. Enforcement. Except as may be otherwise specifically authorized by the Association Documents, and permitted by the Association Documents, the Board shall not (i) impose a fine or penalty, or (ii) undertake permitted remedial action for violations of the Association Documents, or for assessments or other amounts due and owing to the Association remaining unpaid for a period of thirty (30) days, or longer, unless and until the following procedure is completed:

Written demand to cease and desist from an alleged violation shall be served upon the Responsible Person specifying (i) the alleged violation; (ii) the action required to abate the violation; and (iii) a time period, not less than five (5)

days, during which the violation may be abated without further sanction, if such violation is a continuing one, or a statement that any further violation may result in the imposition of a sanction after notice and hearing if the violation is not continuing.

(a) Notice. At any time within twelve (12) months following receipt of notice of the alleged violation, the Board, or Covenants Committee appointed by the Board, shall serve the Responsible Person (for purposes of this Section 3.24, the "Responsible Person" shall be any Member, Owner, or occupant of a Lot or Dwelling Unit) with a written notice of a hearing to be held by the Board of the Association in closed session or the Covenants Committee appointed by the Board; provided, however, the Covenants Committee appointed by the Board shall be composed of members of the Association who are not officers of the Association or members of the Board. The notice shall contain: (i) the nature of the alleged violation; (ii) the time and place of the hearing, which shall not be less than ten (10) days from the giving of the notice; (iii) an invitation to attend the meeting and produce any statement, evidence and witness on his or her behalf; and (iv) the possible sanction to be imposed. The notice prescribed herein may be served by mailing a copy of said notice to the alleged violator by placing said notice in the United States mail, postage prepaid, by any method as permitted for the service of summons as set forth in Rule 4 of the North Carolina Rules of Civil Procedure or by the delivery of said notice by an officer, director or agent of the Association to the Responsible Person or to any person who may be served on the Responsible Person's behalf as provided in said Rule 4.

(b) Hearing. The hearing shall be held in closed session of the Board or the Covenants Committee appointed by the Board pursuant to the notice affording the member a reasonable opportunity to be heard. Prior to the effectiveness of any sanction hereunder, proof of notice and the invitation to be heard shall be placed in the minutes of the meeting. Such proof shall be deemed adequate if a copy of the notice, together with a statement of the date and manner of delivery, is entered by the officer, director, or agent who delivered such notice. The notice requirement shall be deemed satisfied if the Responsible Person appears at the meeting. The minutes of the meeting shall contain a written statement of the results of the hearing and the sanction, if any, imposed. In addition, a written statement of the results of the hearing and the sanction, if any, imposed shall be mailed by the United States mail, postage prepaid, by the Association to the violator.

(c) Appeal. If the hearing is held before the Covenants Committee, following such hearing and notice of a decision adverse to the violator, the Responsible Person shall have the right to appeal the decision to the Board. To perfect this right, a written notice of appeal must be received by the managing agent of the Association, President or Secretary of the Association within fifteen (15) days after the date of the decision, said written notice to contain information by which the Board may notify the Responsible Person of the

date of the appeal hearing. If no adjudicatory panel is appointed by the Board, no right of appeal shall exist.

(d) Sanction as Assessment. Pursuant to the provisions of this Section, a fine may be imposed by the Association is an amount not exceeding One Hundred and No/100 Dollars (\$100.00) (or any greater amount as may be provided otherwise by law or the Act) per violation of the Association Documents and without further hearing, for each day after five (5) days after the decision to impose such fine that the violation occurs. Any such fine shall be an assessment as set forth in this Declaration and the Act. If it is decided pursuant to the provisions of this Section that a suspension of privileges or services should be imposed, the suspension may be continued without further hearing until the violation or delinquency is cured.

9. Article 5 of the By-Laws is deleted in its entirety and restated as follows:

Article 5.

Committees

5.1 Nominations Committee. The Board of Directors may establish a Nominations Committee as set forth in Section 3.4(a) of these Bylaws.

5.2. Architectural Review Board. The Declaration sets forth the appointment and the members of the Architectural Review Board of the Association ("ARB"). The ARB shall have the powers as set forth in the Declaration.

5.3. Committees of the Board of Directors. The Board of Directors, by resolution of a majority of the number of directors in office, may designate two or more directors to constitute an Executive Committee and such other committees as the Board of Directors shall deem advisable, each of which, to the extent authorized by the North Carolina Nonprofit Corporation Act and provided in such resolution, shall have and may exercise all of the authority of the Board of Directors in the management of the Association. Each committee member serves at the pleasure of the Board of Directors. The provisions of these Bylaws governing meetings, action without meeting, notice and waiver of notice, and quorum and voting requirements of the Board of Directors apply to any committees of the Board of Directors established pursuant to this Section. The designation of any committee of the Board of Directors and the delegation thereto of the Board of Directors' authority shall not operate to relieve the Board of Directors, or any member thereof, of any responsibility imposed upon him or her by law.

5.4. Other Committees. Other committees not having and exercising the authority of the Board of Directors in the management of the Association may

be designated by resolution adopted by a majority of the directors present at a meeting at which a quorum is present. Such committee shall have such duties and responsibilities as may be set forth in the resolution designating the committee. For committees set up under this Section 5.4 to which decision making authority is delegated by the Board of Directors or in any Association Documents, the provisions of these Bylaws governing meetings, action without meeting, notice and waiver of notice, quorum and voting requirements of the Board of Directors shall apply to any such committees. Further, such committees shall keep a written record of actions taken by such committees. It is provided, however, that the authority of any such committees shall not exceed the power granted to the Association in the Declaration.

5.5 Covenants Committee. In addition to any other committees which the Board may establish pursuant to Section 5.1, the Board may appoint a covenants committee consisting of at least three and no more than seven members. Acting in accordance with the provisions of the Declaration, these By-Laws, and resolutions the Board may adopt, the covenants committee, if established, shall be the hearing tribunal of the Association and shall conduct all hearings held pursuant to Section 3.25 of these By-Laws.

5.6. Neighborhood Committees. In addition to any other committees appointed as provided above, each Neighborhood which has no formal organizational structure or association may elect a Neighborhood Committee to determine the nature and extent of services, if any, to be provided to the Neighborhood by the Association in addition to those provided to all Members of the Association in accordance with the Declaration. A Neighborhood Committee may advise the Board on any other issue, but shall not have the authority to bind the Board. Such Neighborhood Committees, if elected, shall consist of three to five Members, as determined by the vote of at least a Majority of the Owners of Units within the Neighborhood.

Neighborhood Committee members shall be elected for a term of one year or until their successors are elected. Any director elected to the Board of Directors from a Neighborhood shall be an ex officio member of the Neighborhood Committee. The Neighborhood Committee shall elect a chairperson who shall preside at its meetings and shall be responsible for transmitting any and all communications to the Board.

In the conduct of its duties and responsibilities, each Neighborhood Committee shall abide by the meeting, notice and quorum requirements applicable to the Board under Sections 3.8, 3.9, 3.10, and 3.11, and each Neighborhood Committee shall elect a chairperson from among its members who shall preside at its meetings. Meetings of a Neighborhood Committee shall be open to all Owners of Units in the Neighborhood and their representatives. Members of a Neighborhood Committee may act by unanimous written consent in lieu of a meeting.

10. A new Section 6.7 is added to the By-Laws as follows:

6.7 Indemnification. The Association shall indemnify, to the fullest extent permitted by law and this Article, any person who is or was a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding (and any appeal therein), whether civil, criminal, administrative, arbitrative, or investigative and whether or not brought by or on behalf of the Association, by reason of the fact that such person is or was a director, officer, or committee member of the Association, or is or was serving at the request of the Association as a director, officer, partner, trustee, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise or as a trustee or administrator under an employee benefit plan, or arising out of such party's activities in any of the foregoing capacities, against all liability and litigation expense, including reasonable attorney fees; PROVIDED, HOWEVER, THAT the Association shall not indemnify any such person against liability or expense incurred on account of such person's activities which were at the time taken known or believed by such person to be clearly in conflict with the best interests of the Association or if such person received an improper personal benefit from such activities. The Association likewise shall indemnify any such person for all reasonable costs and expenses (including attorney fees) incurred by such person in connection with the enforcement of such person's right to indemnification granted herein.

The Association may pay all expenses incurred by any claimant hereunder in defending a civil or criminal action, suit, or proceeding as set forth above in advance of the final disposition of such action, suit, or proceeding upon receipt of an undertaking by or on behalf of such claimant to repay such amount unless it shall be ultimately determined that such claimant is entitled to be indemnified by the Association against such expenses.

The Board of Directors of the Association shall take all such action as may be necessary and appropriate to authorize the Association to pay the indemnification required by this Bylaw, including without limitation, (a) a determination by a majority vote of disinterested directors (i) that the activities giving rise to the liability or expense for which indemnification is requested were not, at the time taken, known or believed by the person requesting indemnification to be clearly in conflict with the best interests of the Association and (ii) that the person requesting indemnification did not receive an improper personal benefit from the activities giving rise to the liability or expense for which indemnification is requested, and (b) to the extent needed, giving notice to the members of the Association.

Any person who at any time after the adoption of this Bylaw serves or has served in any of the aforesaid capacities for or on behalf of the Association shall be deemed to be doing or to have done so in reliance upon, and as consideration for, the right of indemnification provided herein. Such right shall inure to the benefit of the legal representatives of any such person and shall not be exclusive

of any other rights to which such person may be entitled apart from the provision of this Bylaw.

11. Except as expressly provided in the paragraph above, the terms and provisions of the aforesaid Declaration and By-Laws shall continue in full force and effect according to the terms of the same as modified hereby.

IN TESTIMONY WHEREOF, the Declarant, acting pursuant to the authority above recited, has caused this Corrective Amendment to be executed under seal and in such form as to be legally binding, effective the day and year upon recording this Corrective Amendment in the office of the Register of Deeds of Chatham County, North Carolina.

[The rest of this page intentionally is left blank. A signature page follows.]

SOUTHSTAR AT CHAPEL RIDGE, LLC
a North Carolina limited liability company

By: _____

Thad Rutherford, President

STATE OF Texas
COUNTY OF Travis

I certify that the following person personally appeared before me this day, acknowledging to me that he signed the foregoing document for the purpose(s) stated therein, in the capacity indicated therein: Thad Rutherford, President of SouthStar at Chapel Ridge, LLC.

Date: _____

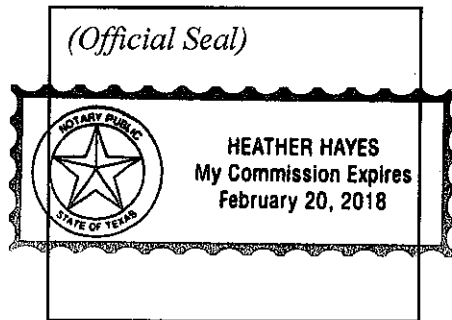
1/12/16

Heather Hayes
Signature of Notary Public

Heather Hayes
Notary's printed or typed name

My commission expires: _____

2/20/18



Notary seal or stamp must appear within this box.

ND: 4839-7579-9852, v. 1

ND: 4839-7579-9852, v. 1