

NORTH CAROLINA BK 1196 331
JACKSON COUNTY

The foregoing certificate of Tasha Nyquist a Notary
Public is certified to be correct. This instrument was presented for registra-
tion and recorded in this office in Book 1196 at page _____

This 26th of August 03 11:29.8 a.m.
Register of Deeds Joe Hamilton

REGISTERED

03 AU 26 A 11:29.8

Joe Hamilton
REGISTER OF DEEDS
JACKSON CO. N.C.

Prepared by/Upon recording, please return to:
Legal Department
Centex Homes
385 Douglas Avenue, Suite 1000
Altamonte Spring, Florida 32714

DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS

FOR

BEAR LAKE RESERVE SM

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DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS
FOR
BEAR LAKE RESERVESM

THIS DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS is made this 25th day of August, 2003, by Centex Homes, a Nevada general partnership.

Article I Creation of the Community

1.1. Purpose and Intent.

Declarant (as defined in Article II), as the owner of the real property described in Exhibit "A" (or if not the owner, with the owner's consent), intends, by recording of this Declaration, to establish a general plan of development for Bear Lake ReserveSM, a planned community (the "Community"). This Declaration, together with the other Governing Documents described in Section 1.3, provides for the overall development, administration, maintenance, and preservation of Bear Lake Reserve, and provides a flexible and reasonable procedure for its future expansion. An integral part of the development plan is the creation of Bear Lake Reserve Owners Association, Inc. (the "Association") to own, operate, and/or maintain various common areas and community improvements and to administer and enforce this Declaration and the other Governing Documents (as defined in Article II).

This document does not and is not intended to create a condominium under North Carolina law.

1.2. Binding Effect.

This Declaration governs the property described in Exhibit "A," and any other property submitted to this Declaration in the future pursuant to Article IX. This Declaration shall run with the title to such property and shall bind everyone having any right, title, or interest in any portion of such property, their heirs, successors, successors-in-title, and assigns. Declarant, the Association, any Owner (as defined in Article II), and their respective legal representatives, heirs, successors, and assigns, may enforce this Declaration. Each Owner shall automatically be a Member (as defined in Article II) of the Association.

Unless otherwise provided by North Carolina law, in which case such law shall control, this Declaration may not be terminated within 20 years from the date it is recorded without the consent of all Owners; provided, however, that this Declaration is subject to the right of Declarant and/or the Members to amend it as provided in Article XXI. After the initial 20-year period, this Declaration shall automatically be extended for successive 10-year periods in perpetuity unless, within the 12-month period preceding any extension, an instrument signed by the then Owners of at least 80% of the Lots (as defined in Article II) agreeing to terminate this Declaration is recorded. This Section does not authorize termination of any easement created in this Declaration without the consent of the holder of such easement.

1.3. Governing Documents.

The following chart identifies the documents which govern the Community (as they may be amended from time to time, the "Governing Documents") and describes, in part, the purpose of each.

Every Owner and Occupant of a Lot (as such terms are defined in Article II) shall comply with the Governing Documents.

Declaration (Recorded)	→	creates obligations which are binding upon the Association and all present and future Owners and Occupants of, and others with any interest in, property in the Community
Supplemental Declaration (Recorded)	→	adds property to the Community and/or may impose additional obligations or restrictions on such property
By-Laws (Board adopts; initial By-Laws attached as Exhibit "F")	→	governs the Association's internal affairs, such as voting rights, elections, meetings, officers, etc.
Articles of Incorporation (filed with the Secretary of State; initial Articles attached as Exhibit "E")	→	establish the Association as a nonprofit corporation under North Carolina law
Architectural Guidelines (Declarant or Association may adopt)	→	establish architectural standards and guidelines for improvements and modifications to Lots, including structures, landscaping, and other items on Lots
Use Restrictions (initial set attached as Exhibit "C")	→	govern use of property and activities within the Community
Board Resolutions and Rules (Board may adopt)	→	establish rules, policies, and procedures for internal governance and Association activities; regulates operation and use of Common Area (as defined in Article II)
Lake Use Restrictions (Regulations imposed by Duke Power Company, including, but not limited to, Nantahala Area Shoreline Management Guidelines, together with any rules promulgated by the Board; provided, however, that the more restrictive shall control)	→	establish use restrictions, rules and procedures for use and enjoyment of the Lake (as defined in Article II) and the lakeshore

Additional covenants, conditions, and restrictions may be imposed on all or any portion of the Community, in which case the more restrictive provisions will be controlling. However, no Person (as defined in Article II) shall record any additional covenants, conditions, or restrictions affecting any portion of the Community without Declarant's written consent, during the Development and Sale Period (as defined in Article II), or without the Board's (as defined in Article II) written consent thereafter. Any instrument recorded without the necessary consent is void and of no force or effect.

If there are conflicts between North Carolina law, this Declaration (exclusive of the Use Restrictions), the Architectural Guidelines, the Use Restrictions, the Articles, and the By-Laws, North Carolina law, this Declaration (exclusive of the Use Restrictions), the Architectural Guidelines, the Use Restrictions, the Articles, and the By-Laws (in that order) shall prevail. If any court determines that any provision of the Governing Documents is invalid, or invalid as applied in a particular instance, such determination shall not affect the validity of other provisions or other applications of the provision.

Article II Concepts and Definitions

2.1. Defined Terms.

The terms used in the Governing Documents are given their natural, commonly accepted definitions unless otherwise specified. Capitalized terms are defined as follows:

“Act”: Chapter 47F of the North Carolina General Statutes which is also known as the North Carolina Planned Community Act, as the same may be amended and revised from time to time.

“Affiliate”: Any Person which (either directly or indirectly, through one or more intermediaries) controls, is in common control with, or is controlled by, another Person, and any Person that is a director, trustee, officer, employee, independent contractor, shareholder, agent, co-venturer, subsidiary, personal representative, or attorney of any of the foregoing. For the purposes of this definition, the term “control” means the direct or indirect power or authority to direct or cause the direction of an entity's management or policies, whether through the ownership of voting securities, by contract, or otherwise.

“Architectural Guidelines”: The architectural, design, and construction guidelines and review procedures adopted pursuant to Article IV, as they may be amended from time to time.

“Architectural Review Board” or **“ARB”**: The board established in accordance with Article IV to review plans and specifications for the construction or modification of improvements and to administer and enforce the architectural controls described in Article IV.

“Articles”: The Articles of Incorporation of Bear Lake Reserve Owners Association, Inc., filed with the Secretary of State for the State of North Carolina, as they may be amended and/or amended and restated from time to time. A copy of the initial Articles is attached to this Declaration as Exhibit “F” and its terms are incorporated herein by reference.

“Association”: Bear Lake Reserve Owners Association, Inc., a North Carolina nonprofit corporation, its successors or assigns.

“Benefited Assessment”: Assessments charged against a particular Lot or Lots for Association expenses as described in Section 8.4.

“Board of Directors” or **“Board”**: The body responsible for the general governance and administration of the Association, selected as provided in the By-Laws.

“By-Laws”: The By-Laws of Bear Lake Reserve Owners Association, Inc., as they may be amended and/or amended and restated from time to time. A copy of the initial By-Laws is attached to this Declaration as Exhibit “F” and its terms are incorporated herein by reference.

"Class "B" Control Period": The time period during which the Class "B" Member may appoint a majority of the Board members. The Class "B" Control Period shall end when any one of the following occurs:

- (a) when 90% of the Lots proposed under the Development Plan have been issued certificates of occupancy and have been deeded to Class "A" Members;
- (b) December 31, 2015; or
- (c) earlier, when, in its discretion, the Class "B" Member so determines.

"Common Area": All real and personal property, including easements, which the Association owns, holds, leases, or otherwise has a right to possess or use for the common use and enjoyment of the Owners. Common Area includes the Limited Common Area, as defined below.

"Common Expenses": The actual and estimated expenses which the Association incurs, or expects to incur, for the general benefit of all Owners, which may include a reserve for capital repairs and replacements and administrative charges, as may be authorized pursuant to this Declaration or in any Supplemental Declaration.

"Common Maintenance Areas": The Common Area, together with any other area for which the Association has or assumes maintenance or other responsibilities.

"Community" or "Bear Lake Reserve": The real property described in Exhibit "A," together with such additional property as is subjected to this Declaration in accordance with Article IX.

"Community Name": "Bear Lake Reserve" and/or such other name or names as Declarant shall designate for all or any portion of the Community.

"Community-Wide Standard": The standard of conduct, maintenance, or other activity generally prevailing from time to time throughout the Community, or the minimum standards established pursuant to the Architectural Guidelines, Use Restrictions, and/or Board resolutions, whichever establishes the highest standard. The Community-Wide Standard may contain objective elements and subjective elements.

"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 Community, including any Private Amenity, for the allocation of expenses that benefit both the Association (or its Members) and the owner or operator of such property.

"County": Jackson County, North Carolina.

"Declarant": Centex Homes, a Nevada general partnership, or any successor or assign as developer of all or any portion of the Community that is designated as Declarant in a recorded instrument which the immediately preceding Declarant executes. On all matters, Declarant may act through any of its Affiliates. Any Person who at any time holds the rights of Declarant hereunder and subsequently transfers or assigns the rights of Declarant to another Person shall be known as a "predecessor Declarant" and, unless otherwise agreed in writing, shall be entitled to the rights of a predecessor Declarant established in this Declaration. Whether or not specifically stated, a predecessor Declarant shall be afforded the same protection with respect to matters arising from actions taken during its tenure as Declarant as the predecessor Declarant would have if it were still Declarant.

“Development Plan”: The land use or site plan for the Community approved by Centex Homes, as it may be amended from time to time, which includes all of the property described in Exhibit “A” and all or a portion of the property described in Exhibit “B.” Declarant is not obligated to submit property shown on the Development Plan to this Declaration. In addition, Declarant may submit property to this Declaration that is not shown on the Development Plan. Reference should be made to Article X of this Declaration to the respective rights and obligations of Owners and Declarant with respect to the use and development of the Community.

“Development and Sale Period”: The period of time during which (a) Declarant and/or any Declarant Affiliate owns any of the property described in Exhibit “A” or “B” to this Declaration; (b) Declarant holds an unexpired right to unilaterally expand the Community pursuant to Section 9.1; or (c) Declarant and/or any Declarant Affiliate owns or controls any Private Amenity.

“Governmental Authority”: Any federal, state, county, municipal or other governmental or quasi-governmental department, entity, authority, agency or instrumentality having or asserting jurisdiction over the Community or a portion thereof.

“HUD”: U.S. Department of Housing and Urban Development.

“Lake”: That certain body of water located adjacent to the Properties and more commonly known as Bear Lake or Bear Creek Lake.

“Lake Use Restrictions”: Regulations imposed by Duke Power Company, including, but not limited to, Nantahala Area Shoreline Management Guidelines, together with any rules promulgated by the Board, for use and enjoyment of the Lake and the lakeshore; provided, however, that the more restrictive shall control.

“Legal Costs”: The costs which a Person entitled to reimbursement for “Legal Costs” under any provision of the Governing Documents incurs in pursuing legal action (regardless of whether suit is filed or whether arbitration or court action is taken) to enforce the Governing Documents, including, but not limited to, reasonable attorneys' and paralegals' fees, expert witness fees, and court costs, at all tribunal levels.

“Limited Common Area”: A portion of the Common Area primarily benefiting one or more, but less than all, Lots or Service Areas, as described in Article XIII.

“Limited Common Expenses”: The actual and estimated expenses which the Association incurs, or expects to incur, for the benefit of Owners of Lots benefiting from a Limited Common Area or within a particular Service Area, which may include a reserve for capital repairs and replacements and administrative charges, as may be authorized pursuant to this Declaration or in the Supplemental Declaration(s) applicable to such Service Area or Lots.

“Lot”: A portion of the Community, whether improved or unimproved, which may be independently owned and conveyed, and which is improved, or intended by Declarant to be improved, with a dwelling. The term shall refer to the land, if any, which is part of the Lot as well as any improvements on the Lot, including, by way of illustration and not limitation, cabins, cottages, and detached homes on separately platted lots. The boundaries of each Lot shall be shown on a Plat. In the case of a building containing multiple dwellings for independent sale (e.g., attached villa or townhouse units or condominium units), each dwelling that may be sold independently shall be a separate Lot.

A parcel of land shall be deemed to be a single Lot until such time as a Plat subdivides all or a portion of the parcel. Thereafter, the subdivided portion shall contain the number of Lots shown on the Plat. Any portion not subdivided shall continue to be a single Lot.

"Member": A Person subject to membership in the Association, as described in Section 6.2. There initially are three membership classes -- Class "A," Class "B," and Class "C."

"Mortgage": A mortgage, a deed of trust, a deed to secure debt, or any other form of security instrument affecting title to any Lot and held by an institutional lender. The term "Mortgagee" shall refer to a beneficiary or holder of a Mortgage. The term "Institutional Lender" shall include any bank, savings bank, mortgage company, life insurance company, federal or state savings and loan association, a credit union, real estate or realty investment trust, any agency of the Federal government, the Federal Investment Mortgage Association, the Federal Home Loan Mortgage Corporation, or similar governmental or quasi-governmental agencies.

"Occupant": Any tenant of a Lot and the Owner's and/or a tenant's household members, guests, invitees, agents, and contractors who lawfully or unlawfully occupy or enter a Lot. All actions or omissions of any Occupant shall be deemed the actions or omissions of the Owner of such Lot.

"Owner": The record title holder to any Lot, but excluding, in all cases, anyone holding an interest merely as security for the performance of an obligation (e.g., a Mortgagee). If a Lot is sold under a recorded contract of sale, and the contract specifically so provides, the purchaser (rather than the fee owner) will be considered the Owner.

"Person": An individual, a corporation, a partnership, a limited liability company, a trustee, or any other legal entity.

"Plat": Any recorded plat for all or any portion of the Community. With respect to any condominium within the Community, the term Plat shall be deemed to include any recorded plans of the condominium, including, but not limited to plans designating the individual condominium unit boundaries. As to a particular portion of the Community, the applicable Plat shall be deemed to be the Plat (and/or Plat amendment, revision or similar instrument, as applicable) to which such portion of the Community is subject or which otherwise affects such portion of the Community at the time this applicable determination is to be made.

"Private Amenity": Certain real property and any improvements and facilities thereon which are located adjacent to or in the vicinity of the Community and which are designated by Declarant as Private Amenities. Private Amenities may be owned and operated, in whole or in part, by Persons other than the Association for recreational, social or other purposes. Declarant hereby designates any property that is now or hereafter owned by The Club at Bear Lake Reserve (the "Club") as a Private Amenity and reserves the right to designate additional Private Amenities in its sole discretion. Private Amenities shall not be subject to this Declaration and shall not be Common Areas or Lots. 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 club membership, daily fee, use fee, public, or private basis or otherwise.

"Regular Assessment": Annual assessments levied to fund Common Expenses for the general benefit of all Lots, as determined in accordance with Section 8.1(a).

"Roadways": Those private streets and roadways located in the Community, including, but not limited to, any right-of-way within the Community as depicted on any Plat and owned by the Association as part of the Common Area, excluding however, any shared or private driveway.

"Service Area": A group of Lots designated as a separate Service Area pursuant to this Declaration or a Supplemental Declaration for purposes of sharing Limited Common Areas and/or receiving other benefits or services from the Association which are not provided to all Lots. A Service Area may be comprised of more than one housing type and may include noncontiguous parcels of property. A Lot may be assigned to more than one Service Area. Where the context permits or requires, the term "Service Area" shall also refer to a Service Area Committee established in accordance with the By-Laws to represent the interests of Owners of Lots within a Service Area ("Service Area Owners"). Service Area boundaries may be established and modified as provided in Section 7.11.

"Service Area Assessments": Assessments levied against the Lots in a particular Service Area to fund Limited Common Expenses, as described in Section 8.1(b).

"Service Area Association": A condominium association or other owners association having concurrent jurisdiction with the Association over any Service Area.

"Special Assessment": Assessments levied against Lots in accordance with Section 8.3 to cover unbudgeted expenses or expenses in excess of those budgeted.

"Supplemental Declaration": A recorded instrument which subjects additional property to this Declaration and/or imposes additional and/or modified restrictions and obligations on the land described in such instrument.

"Use Restrictions": The initial use restrictions, governing activities on the Lots and the Common Areas set forth in Exhibit "C," as they may be changed in accordance with Article III or Article XXI or otherwise, as amended from time to time.

"VA": U.S. Department of Veterans Affairs.

"Voting Delegate": Any representative selected by the Class "A" Members within each Service Area to be responsible for casting all Class "A" votes attributable to Lots in the Service Area on matters requiring a vote of the membership. The term "Voting Delegate" shall also refer to any alternate Voting Delegate acting in the absence of a Voting Delegate.

"Voting Group": One or more Members who vote on a common slate for election of directors to the Board of Directors of the Association, as more particularly described in Section 6.6 of this Declaration.

"Wetland": Any area within the Community identified or designated as habitat for wetland species of plants and/or animals by the County or by the United States Army Corps of Engineers, or by any other agency of the State of North Carolina or the United States government.

2.2. Interpretation of Certain References.

(a) **Recording.** All references in the Governing Documents to a "recorded" legal instrument, or to recordation or the recording of a legal instrument, shall refer to an instrument filed, or the filing of a legal instrument, in the public records of the County, or such other place designated as the official location for filing documents affecting title to real estate in the County in order to make them a matter of public record.

(b) **Consent or Approval.** All references in the Governing Documents to "consent" or "approval" shall refer to permission or approval which, unless otherwise expressly qualified in the

specific provision, may be granted or withheld in the discretion of the Person whose consent or approval is required.

(c) Discretion and Determinations. All references in the Governing Documents to "discretion" or to the right to "determine" any matter shall refer to the sole and absolute power, right and/or discretion to decide or act and, unless otherwise expressly limited in the Governing Documents, a Person entitled to exercise its discretion or make a determination may do so without regard to the reasonableness of, and without the necessity of justifying, the decision, determination, action or inaction.

Article III Occupancy of Lots

3.1. General.

In addition to the initial Use Restrictions set forth in Exhibit "C" which may be modified as provided herein, the Lots shall be subject to the following. The restrictions set forth in this Section may be amended only in accordance with Article XXI and other applicable provisions of this Declaration.

(a) Residential and Related Uses. Lots shall be used primarily for residential and related purposes (including, without limitation, use as a home office). No business shall be conducted in, on, or from any Lot, except that an Owner or Occupant using the dwelling on a Lot primarily for residential purposes may also conduct business activities on such Lot, if the business activity, as determined in the Board's discretion:

- (i) is not apparent or detectable by sight, sound or smell from outside the Lot;
- (ii) complies with applicable zoning and other legal requirements and other requirements of this Declaration;
- (iii) does not involve regular visitation of the Lot by clients, customers, suppliers, or other business invitees; and
- (iv) is consistent with the residential character of the Community and does not constitute a nuisance, or a hazardous or offensive use, or threaten the use and enjoyment of other Lots by the Owner thereof or the security or safety of others within the Community.

"Business" shall have its ordinary, generally accepted meaning and shall include, without limitation, any occupation, work, or activity undertaken on an ongoing basis which involves providing goods or services to Persons other than the family of the producer and for which the producer 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.

No Lot shall be rezoned to any classification allowing commercial, institutional, or other non-residential use without the express written consent of the Association and Declarant. Notwithstanding anything in this Article to the contrary, Declarant or the Association may enforce this covenant by obtaining an injunction against any unapproved rezoning at the expense of the party pursuing the unapproved rezoning, in addition to and not in limitation of Declarant's or the Association's other rights and remedies.

This Section shall not apply to restrict the activities of Declarant, any Declarant Affiliate or the owner or operator of any Private Amenity nor shall it restrict the activities of Persons Declarant approves with respect to the development, construction, and sale of property in the Community. This Section shall

not apply to Association activities related to the provision of services or to operating and maintaining the Community, including, without limitation, the Community's recreational and other amenities.

Leasing of a Lot by the Owner thereof for residential occupancy shall not be considered a "business" within the meaning of this subsection.

(b) Leasing. For purposes of this Declaration, "leasing" is the regular, exclusive occupancy of a dwelling by any Person other than the Owner, for which the Owner receives any consideration or benefit, including, without limitation, a fee, service, or gratuity. The improvements on the Lot may be leased only in their entirety (e.g., separate rooms within the same dwelling may not be separately leased); provided, however, that a detached "in-law suite" or "guest house," (or a "lock out" unit or other portion of a residential dwelling designed for separate occupancy) the construction of which was approved pursuant to Article IV, may be independently leased. The Architectural Guidelines may prohibit, or limit the number of, in-law suites, guest houses, and/or lock out units that may be constructed on a Lot.

All leases shall be in writing and shall include an acknowledgment by the tenant that the tenant and all Occupants of the leased Lot are bound by and obligated to comply with the Governing Documents. The Owner or the Owner's designee shall be responsible for making a copy of the Governing Documents available to the tenant prior to execution of the lease and shall monitor enforcement and compliance with the Governing Documents by the tenant and all Occupants of the leased Lot.

Prior to the commencement of the lease term, the Owner or the Owner's designee shall notify the Board or the Association's managing agent of the lease and provide such information as the Board and/or the Association's managing agent may reasonably require, which may include, but shall not be limited to, the name, address, and telephone number of the Lot's Owner and of the tenant; the date the tenant's occupancy commences and ends; and a description of each motor vehicle to be operated by the Occupants of the leased Lot within the Community during the lease term. Declarant may, from time to time during the Development and Sale Period, adopt and modify reasonable rules regulating leasing and subleasing consistent with this subsection (b). Such rules shall be distributed to all Owners prior to the date that they are to become effective and shall thereafter be binding upon all Owners and Occupants. The provisions of this subsection (b) and any rules adopted as aforesaid may be overruled, canceled, or modified by the Members only at a regular or special Association meeting by Members holding 67% of the total Class "A" votes in the Association and the Declarant, during the Development and Sale Period. Unless adopted by Declarant pursuant to the foregoing, leases shall not be subject to any minimum lease terms.

No Owner may assign or otherwise transfer the Owner's obligations under this Declaration to any tenant or other Occupant. The Association shall have the right to enforce the covenants, conditions, and restrictions set forth in this Declaration against the Owner, the tenant, or any Occupant of the Lot, individually or collectively. The Association shall not be bound by any provision in the lease or other agreement between Owner and such Owner's tenant, including, without limitation, those requiring prior notice or imposing other conditions on the rights of the Association.

The Association shall be deemed a third party beneficiary of all leases of Lots, and shall have the right, but not the obligation, to enforce the terms and conditions of such leases against the tenant or the Owner. Notwithstanding the foregoing, the Association's failure to object to any term or condition of a lease or occupancy arrangement shall not be deemed to be consent or approval of any term or condition of the lease, nor shall the Association have any obligation whatsoever for the performance of any obligation of Owner or tenant contained in the lease or otherwise.

Notwithstanding any condition of any lease to the contrary, each Owner, by acceptance of the deed to a Lot, hereby covenants and agrees with the Association and all other Owners of Lots in the Community, including, but not limited to, Declarant, that the Owner shall be responsible for any violation of the Governing Documents resulting from the acts or omissions of the Occupants of the leased Lot to the same extent that Owner would be liable for such violation if it had resulted from the acts or omissions of the Owner. The Owner's obligations hereunder shall be deemed a guaranty of performance by such Owner's tenant and the Occupants of the leased Lot, and the Association shall have the right to take any action or seek any remedy for a tenant's or an Occupant's failure or refusal to comply with the Governing Documents directly from or against the Owner without first taking such action or obtaining such remedy from or against the tenant or Occupant.

The Association is prohibited from operating a rental program. Therefore, no expense associated with any rental program shall be a Common Expense of the Association. Declarant makes no representations as to whether any legal requirements apply to the renting of a Lot. Owners should perform their own investigations in such regard.

(c) **Signs.** No sign of any kind shall be erected by or on behalf of an Owner or Occupant without the prior written consent of the ARB, except: (1) signs required to comply with or obtain the benefit of applicable laws (e.g., beware of dog signs); and (2) not more than one sign indicating that the Lot is receiving security services. All approved or permitted signs shall be professionally prepared, shall be the kinds normally displayed in residential neighborhoods with homes of comparable type, quality, and price range to those in the Community and shall be of a 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 Community, including the Common Area, any Lot, or any structure or dwelling located on the Common Area or any Lot (if such sign would be visible from the exterior of such structure or dwelling as determined in the ARB's sole discretion). In addition, no signs shall be posted or erected by any Owner or Occupant within any Private Amenity, within the Lake or within the area between the waterfront boundary of a Lot and the waterline of the Lake.

Declarant and the ARB reserve the right to prohibit all other signs and to restrict the size, content, color, lettering, design and placement of any approved or permitted signs. In addition, the Architectural Guidelines may implement a standard sign program, which may vary according to, among other factors, location within the Community, product type or intended use. This provision shall not apply to entry, directional, or any other signs installed by Declarant, any Declarant Affiliate or the owner or operator of any Private Amenity.

(d) **Occupants Bound.** Every Owner shall cause the Occupants of his or her Lot to comply with the Governing Documents and shall be responsible for all violations of the Governing Documents and any damage they cause to the Common Maintenance Areas, notwithstanding the fact that such Persons also are personally responsible for complying and may be sanctioned for any violation.

(e) **Subdivision and Replatting of a Lot.** Lots may not be subdivided or their boundary lines changed except with Declarant's or the Board's prior written approval. Declarant may subdivide, change the boundary lines of, and replat any Lot it owns without Board approval. In addition, during the Development and Sale Period, Declarant or any Declarant Affiliate may convert Lots it owns into Common Area.

Any Owner owning two adjoining Lots may, with the prior written approval of Declarant during the Development and Sale Period, and the Association thereafter, combine such Lots into a single building site for the purpose of constructing one dwelling and such other improvements as are approved hereunder; provided, however, that each of the Lots so combined shall continue to be treated as a separate

Lot for purposes of voting and assessment. Approval by the Association or Declarant shall not be deemed to constitute, or to waive the necessity for, compliance with any County or other applicable requirements for such combination.

(f) Lodging; Timeshares. No Lot may be used as a rooming house, hostel, hotel or for timesharing, except as may be established by Declarant. The term "timesharing" shall be deemed to include, but shall not be limited to, any agreement, plan, program, or arrangement under which the right to use, occupy, or possess all or any portion of a Lot rotates among various Persons on a periodically recurring basis for value exchanged, whether monetary or like kind use privileges, according to a fixed or floating interval or period of time of 30 consecutive calendar days or less.

3.2. Rules and Regulations. In addition to the Use Restrictions set forth in Exhibit "C", the Board may, from time to time, without consent of the Members, promulgate, modify, or delete rules and regulations applicable to the Community regarding the use of Common Areas. Such rules shall be distributed to all Owners 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 Members holding a majority of the total Class "A" votes in the Association. Any adoption, modification, addition, deletion, or cancellation of rules shall be subject to Declarant's prior written approval during the Development and Sale Period.

3.3. Adjacent Properties. In order to preserve and enhance the aesthetics and environment within the master planned community known as Bear Lake Reserve and the collective interests and quality of life of Owners, each Owner, by acceptance of a deed to a Lot, agrees to refrain from taking any action or maintaining any condition that would constitute a violation of the Governing Documents within or upon any property located adjacent to or in the vicinity of the Properties (the "adjacent properties"). For purposes of this Section, the adjacent properties shall mean and include: (a) all public rights-of-way abutting the Properties; and (b) that lakeshore property adjoining or otherwise located adjacent to the Community that is between the waterfront boundary of Lots as shown on Plats and the waterline of the Lake and owned by Duke Power Company.

3.4. Owners' Acknowledgment and Notice to Purchasers.

Each Owner, by accepting a deed, acknowledges and agrees that the use, enjoyment, and marketability of such Owner's Lot is limited and affected by the terms of the Governing Documents, including Use Restrictions and Board rules, which may change from time to time. Copies of the current Use Restrictions and Board rules may be obtained from the Association as provided in the By-Laws.

Article IV Architecture and Landscaping

4.1. General.

Except for work done by or on behalf of Declarant or any Declarant Affiliate, no structure or thing shall be placed, erected, or installed upon any Lot, and no improvements of any kind or other work (including, without limitation, staking, clearing, excavation, grading and other site work, exterior alterations or additions, or planting or removal of landscaping) shall take place within the Community, except in compliance with this Article and the Architectural Guidelines.

Any Owner may remodel, paint, or redecorate the interior of any structure on such Owner's Lot without approval hereunder. However, modifications to the interior of screened porches, patios, and any other portions of a Lot or structure visible from outside a structure are subject to approval under this Article.

Improvements shall be constructed only by qualified Persons acceptable to the ARB as set forth in Section 4.3(d). Owners shall be responsible for obtaining all permits and approvals from the County and other governmental agencies. Except as may be set forth in a purchase and sales agreement executed by Declarant or its Affiliate, neither Declarant nor any Declarant Affiliate have made any representations ensuring or guaranteeing the availability of such permits or approvals, including but not limited to permits for docks.

This Article does not apply to the Association's activities during the Class "B" Control Period, nor to Declarant's, or its Affiliates', activities during the Development and Sale Period, nor to improvements made by the owner or operator of any Private Amenity.

4.2. Architectural Review.

(a) Architectural Review Board. The ARB shall consist of one or more persons and shall have exclusive authority to administer and enforce architectural controls and to review and act upon all applications for architectural and other improvements within the Community. Members of the ARB need not be Members of the Association or representatives of Members, and may, but need not, include architects, landscape architects, engineers, or similar professionals, who may be compensated in such manner and amount, if any, as the ARB may establish.

Until five years after termination of the Development and Sale Period, unless Declarant earlier terminates its rights in a recorded instrument, Declarant retains the right to appoint all members of the ARB who shall serve at Declarant's discretion. In reviewing and acting upon any request for approval, ARB members appointed by Declarant act solely in Declarant's interest and owe no duty to any other Person. There shall be no surrender of this right prior to the specified time except in a written instrument in recordable form executed by Declarant. Upon the expiration, termination, 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.

Declarant or the ARB may, from time to time, delegate or assign all or any portion of its rights under this Article to any other Person or committee. Any such delegation shall be in writing, shall specify the delegated responsibilities, and shall be subject to (i) the right to revoke such delegation at any time and reassume its prior jurisdiction, and (ii) the right to veto any decision which the delegator determines, in the delegator's discretion, to be inappropriate or inadvisable for any reason. The jurisdiction of any other entities shall be limited to such matters as may be specifically delegated.

Unless and until such time as Declarant or the ARB delegates any of its reserved rights to the Association or Declarant's rights under this Article terminate, the Association shall have no power over matters governed by this Article IV.

(b) Fees; Assistance. The ARB may establish and charge reasonable fees for its review of applications and may require that such fees be paid in advance. Such fees may include, without limitation, the reasonable costs incurred in having any application reviewed by architects, landscape architects, engineers, or other professionals the ARB employs or with whom it contracts. The Board may include the compensation of such Persons in the Association's annual operating budget.

4.3. Guidelines and Procedures.

(a) Architectural Guidelines. Declarant may prepare and make available the initial Architectural Guidelines, which may contain general provisions applicable to all of the Community as well as specific provisions that may vary according to, among other factors, location within the

Community or proximity to the Lake or a Private Amenity, product type or intended use. The Architectural Guidelines are intended to provide guidance to Owners regarding matters of particular concern to the ARB. The Architectural Guidelines are not the exclusive basis for the ARB's decisions, and compliance with the Architectural Guidelines does not guarantee an application's approval.

If the same exist, Declarant shall have sole and absolute and full authority to amend the Architectural Guidelines, from time to time, during the Development and Sale Period. Declarant's right to amend shall continue even if its reviewing authority is delegated to the ARB, unless Declarant also delegates the power to amend to the ARB. Upon termination or delegation to the ARB of Declarant's right to amend, the Board may amend the Architectural Guidelines, subject to Declarant's veto right under Section 4.2(a) (if still applicable).

If the same exist, amendments to the Architectural Guidelines shall be prospective only. They shall not require modifications to or removal of structures, improvements, and other things previously approved once the approved construction or modification has begun. However, any new work or improvements must comply with the Architectural Guidelines as amended.

(b) Procedures. Unless the Architectural Guidelines provide otherwise, no construction activities or other activities described in Section 4.1 may begin until a request is submitted to and approved in writing by the ARB. The request must be in writing and be accompanied by plans and specifications and other information the ARB and/or the Architectural Guidelines require. Plans and specifications shall show, as applicable, site layout, structural design, exterior elevations, exterior materials and colors, landscaping, drainage, exterior lighting, irrigation, and other features of proposed construction or other activity as the ARB deems relevant.

In reviewing each submission, the ARB may consider any factors it deems relevant, including, without limitation, harmony of the proposed design with surrounding structures and environment. Decisions may be based on purely aesthetic considerations. Each Owner acknowledges that aesthetic determinations are purely subjective and that opinions may vary as to the desirability and/or attractiveness of particular improvements. The ARB shall have the discretion to make final, conclusive, and binding determinations on matters of aesthetic judgment and such determinations are not subject to review so long as they are made in good faith and in accordance with the required procedures.

The ARB shall make a determination on each application within 45 days after receipt of a completed application and all other information the ARB requires. The ARB may: permit or require that an application be submitted or considered in stages, in which case, a final decision shall not be required until 45 days after the final, required submission stage. The ARB may: (i) approve the application, with or without conditions; (ii) approve a portion of the application, with or without conditions, and disapprove other portions; or (iii) disapprove the application. The ARB shall notify the applicant in writing of a final determination on any application. In the case of disapproval, the ARB may, but shall not be obligated to, specify the reasons for any objections and/or offer suggestions for curing any objections.

After the initial 45-day period has elapsed, if the Owner has not received notice of the ARB's determination, the Owner may make a second written request for approval of the plans previously submitted which shall be marked "Second Request." If the ARB fails to respond within seven business days from receipt of the Second Request, approval shall be deemed given. However, no approval (or improvement governed by such approval), whether expressly granted or deemed granted, shall be inconsistent with the Architectural Guidelines or other Governing Documents unless a written variance has been granted pursuant to Section 4.5.

Notwithstanding anything to the contrary in this Declaration or the By-Laws, Owners shall send any such "Second Request" via the U. S. Postal Service, certified mail, return receipt requested, or by

commercial overnight carrier that obtains a signed receipt upon delivery. A Second Request shall be deemed made, and the 7 business day time period shall commence running, on the date of the ARB's actual receipt of the Second Request, as evidenced by its signature on the return receipt provided by the U. S. Postal Service or in the records of the overnight carrier, as applicable.

As part of any approval, the ARB may require that construction, landscaping, and other approved activities in accordance with approved plans commence and be completed within a specified time period. If such actions do not commence within the required period, the approval shall expire and the Owner must reapply for approval before commencing any activities within the scope of this Article. Once commenced, such activities must be diligently pursued to completion. All elements of the approved activities and/or plans shall be completed within two years of commencement unless a shorter or longer period is otherwise specified in the notice of approval or the Architectural Guidelines, or unless the ARB, in its discretion, grants an extension in writing. If approved work is not completed within the required time, it shall be in violation of this Article and shall be subject to enforcement action by the Association or Declarant.

Any approvals granted under this Article are conditioned upon completion of all elements of the approved work, unless written approval to modify any application has been obtained.

Declarant or 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.

(c) Delinquent Assessments and Other Charges. Notwithstanding the provisions of subsection (b) above, any application for the approval of plans and specifications as set forth in this Article shall be deemed to be disapproved unless and until any and all delinquent assessments and other charges permitted by this Declaration have been paid current by the Owner submitting such plans and specifications for approval.

Subsequent to the approval of plans and specifications pursuant to this Article, if the Owner shall become delinquent in the payment of assessments or other charges permitted by this Declaration at any time during the prosecution of the approved work, the Owner shall be deemed to be in violation of such approval and shall be subject to any means of enforcement set forth in the Governing Documents.

(d) Architect, Builder and General Contractor Approval. In order to ensure that appropriate standards of construction are maintained throughout the Community, all architects, builders and general contractors must be approved by the ARB prior to engaging in any construction activities within the Community. The ARB may implement an approval process utilizing established criteria and requiring the submission of a written application for approval. Approval of any plans may be withheld until such time as the Owner's architect, builder or contractor has been approved by the ARB. Approval of an architect, builder or general contractor may be conditioned upon an agreement with the ARB to maintain certain insurance coverages required by the ARB, pay construction deposits to ensure completion of a project without damage to the Community, and pay fees determined by the ARB, from time to time. Both the criteria and the application form are subject to change in the sole discretion of the ARB. Approval of architects, builders and contractors may not be construed as a recommendation of a specific architect, builder or contractor by the ARB or Declarant or any Declarant Affiliate, nor a guarantee or endorsement of the work of such architect, builder or contractor. The criteria and requirements established by the ARB for approval of architects, builders and contractors are solely for Declarant's and Declarant's Affiliates' protection and benefit and are not intended to provide the Owner with any form of guarantee with respect to any approved architect, builder, or contractor. Owner's selection of an architect, builder, or contractor shall be conclusive evidence that the Owner is independently satisfied with any and all concerns Owner

may have about the qualifications of such architect, builder or contractor. Furthermore, Owner waives any and all claims and rights that Owner has or may have now or in the future, against the ARB, Declarant, any Declarant Affiliate, and/or any predecessor Declarant.

4.4. No Waiver of Future Approvals.

Each Owner acknowledges that the people reviewing applications under this Article will change from time to time and that opinions on aesthetic matters, as well as interpretation and application of the Architectural Guidelines, may vary accordingly. In addition, each Owner acknowledges that it may not always be feasible to identify objectionable features until work is completed, at which time, it may or may not be unreasonable to require that such objectionable features be changed. However, the ARB may refuse to approve similar proposals in the future. Approval of applications or plans shall not constitute a waiver of the ARB's right to withhold approval of similar applications, plans, or other matters subsequently or additionally submitted for approval.

4.5. Variances.

The ARB may authorize variances from compliance with the Architectural Guidelines and any procedures when circumstances such as topography, natural obstructions, hardship, or aesthetic or environmental considerations require or permit. No variance shall: (a) be effective unless in writing; (b) be contrary to this Declaration; or (c) prevent the ARB from denying a variance in other circumstances. A variance requires Declarant's written consent during the Development and Sale Period.

4.6. Release of Liability.

This Article establishes standards and procedures as a mechanism for maintaining and enhancing the overall aesthetics of the Community. Review and approval of any application pursuant to this Article may be based on purely aesthetic considerations. The ARB is not responsible for the structural integrity or soundness of approved construction or modifications, for compliance with building codes and other governmental requirements, or for ensuring that every dwelling is of comparable quality, value, or size, of similar design, or aesthetically pleasing or otherwise acceptable to other Owners. Areas within the Community include various conditions that may affect construction, including, but not limited to, steep mountain slopes, rock outcroppings, and unstable or expansive soil conditions. These conditions may necessitate the use of special construction techniques to build on or use Lots. Owners are encouraged to seek professional advice and assistance prior to the commencement of construction on any Lot.

Each Owner releases Declarant, Declarant's Affiliates, any predecessor Declarant, the Association, its officers, the Board, the ARB, the Association's managing agent, any committee, or any member of any of the foregoing for the approval of, disapproval of, or failure to approve or disapprove any plans; soil conditions, drainage, or other general site work related to approved work; any defects in plans revised or approved hereunder; any loss or damage arising out of the action, inaction, integrity, financial condition, or quality of work of any owner or their contractor or their subcontractors, employees, or agents; or any injury, damages, or loss arising out of the manner or quality or other circumstances of approved construction or activities on or modifications to any Lot. In all such matters or claims related therefrom, the Association shall defend, indemnify and hold harmless Declarant, Declarant's Affiliates, any predecessor Declarant, the Board, the ARB, the members of each, and the Association officers as provided in the Articles.

Each application to the ARB shall be deemed to contain a representation and warranty by the Owner that use of the plans submitted does not violate any copyright associated with the plans. Neither the submission of the plans to the ARB, nor the distribution and review of the plans by the ARB, shall be

construed as publication in violation of the designer's copyright, if any. Each Owner submitting plans to the ARB, shall hold the ARB, Declarant, Declarant's Affiliates, any predecessor Declarant, the Association, its officers, the Board and the ARB, harmless and shall indemnify said parties against any and all damages, liabilities, and expenses incurred in connection with the review process of this Declaration.

4.7. Enforcement.

Any construction, alteration, improvement, or other work done in violation of this Article or the Architectural Guidelines is subject to enforcement action pursuant to Section 7.5, which actions may be taken by the Association, Declarant, or the ARB. Any act of any contractor, subcontractor, agent, employee, or invitee of an Owner shall be deemed to be an act done by or on behalf of such Owner.

Article V Maintenance and Repair

5.1. Maintenance of Lots.

(a) Each Owner must maintain such Owner's Lot, including, without limitation, all structures, landscaping, and other improvements comprising the Lot, in a manner consistent with the Governing Documents, the Community-Wide Standard, and any other applicable covenants, except to the extent that such maintenance responsibility is assumed by the Association under this Declaration or any Supplemental Declaration or additional covenants applicable to such Lot. In addition, each Owner shall maintain the driveway, trash container and mailbox serving exclusively such Owner's Lot and any landscaping installed by such Owner (such installation being subject to approval as required under Article IV) that is located between the boundary of such Owner's Lot and the shoulder of any Roadway lying adjacent to the boundary of such Owner's Lot, unless the Association assumes all or part of such maintenance responsibility, and then to the extent not assumed by the Association.

(b) Declarant or a builder may have constructed or installed drainage swales, drainage lines, and/or other equipment on a Lot for the purpose of managing and/or containing the flow of surface water, if any, found upon such Lot or draining from adjacent property, from time to time. Except to the extent that such responsibility is assigned to or assumed by the Association pursuant to this Declaration or any Supplemental Declaration, each Owner shall be responsible for the maintenance, operation, and repair of such drainage swales, drainage lines, catch basins, and other equipment on such Owner's Lot. Maintenance, operation, and repair shall mean and include, without limitation, the exercise of practices, such as mowing, removal of debris and erosion repair, which allow the drainage swales, drainage lines, catch basins, and other equipment to provide drainage, water storage, conveyance, or other storm water management capabilities. Filling, excavation, construction of fences, or otherwise obstructing the surface water flow in or into the drainage swales, drainage lines, catch basins, and other equipment is prohibited. No alteration of a drainage swale, drainage line, catch basin, and other equipment shall be authorized and any damage to any drainage swale, drainage line, catch basin, and other equipment, whether caused by natural or human-induced phenomena, shall be repaired and the drainage swale, drainage line, catch basin, and other equipment returned to its former condition as soon as possible by the Owner(s) of the Lot upon which the drainage swale, drainage line, catch basin, and other equipment is located. No Owner may interfere with the water flow from or to adjacent property through streams, drainage swales, drainage lines, catch basins, and other equipment located on a Lot.

(c) Unless otherwise specifically provided in the Governing Documents or in other instruments creating and assigning maintenance responsibility, responsibility for maintenance includes responsibility for repair and replacement. The maintenance, repair, replacement, and other obligations of the Association and Owner specified in this Declaration shall be performed as and when the Board determines it necessary to maintain the property to a level consistent with the Community-Wide Standard.

5.2. Insurance on Lots; Casualty Losses.

Each Owner shall maintain property insurance providing fire and extended coverage at full replacement cost, less a reasonable deductible, on all insurable improvements located on such Owner's Lot, to the extent such responsibility is not assigned to or assumed by the Association or a Service Area Association pursuant to this Declaration or any applicable Supplemental Declaration. In addition, every Owner shall be obligated to obtain and maintain at all times insurance covering consequential damages to any other Lot or the Common Area due to occurrences originating within the Owner's Lot caused by the negligence of the Owner, the failure of the Owner to maintain the Lot, and any other casualty within the Lot which causes damage to the Lots or the Common Area, to the extent such coverage is not provided by policies maintained by the Association or to the extent insurable losses may result in the Owner's liability for payment of deductibles under the Association's policies. Such insurance policy or policies shall name the Association as an additional insured.

Each Owner shall provide a certificate evidencing such insurance to the Association within 10 days of any written request from the Board of Directors. In addition, if the Board so requests, each Owner shall file with the Association a copy of the individual policy or policies covering such Owner's Lot. Each Owner shall promptly notify the Board in writing in the event such policy on such Owner's Lot is canceled. In the event that an Owner fails to obtain any insurance which the Owner is required to obtain hereunder, or permits such insurance to lapse, the Association may, but shall not be obligated to, obtain such insurance on behalf of the Owner and assess the costs thereof to the Owner and the Owner's Lot as a Benefited Assessment.

Upon Board resolution and at least 60 days' prior written notice to each Owner of an affected Lot, the Association may elect, but shall have no obligation, to obtain a blanket insurance policy providing property insurance for all structures on all Lots within the Community, or on all Lots within any Service Area. Inclusion in the budget provided to the Owner shall be adequate notice. In such event, the Owners shall be relieved of their insurance responsibility only to the extent such responsibility is assumed by the Association. The costs of such insurance shall be a Common Expense, if provided on all Lots, or a Service Area Expense, if provided to less than all Lots. Any such policy obtained by the Association may exclude fixtures, finishes, contents, and improvements to the interior of the structures on the Lot and any exterior improvements made by an Owner or Occupant of the Lot. Following such an assumption of insurance responsibility, the Association may, at any time, upon not less than 30 days' written notice to each Owner, discontinue such blanket insurance coverage and in such event each Owner shall immediately obtain in such Owner's own name and at such Owner's own expense the insurance coverage for such Owner's Lot and structures thereon.

Regardless of whether the insurance required hereunder is obtained by the Association or the Owners, in the event of a casualty loss, the Association shall be entitled to file a claim against such insurance for the cost of any repair or reconstruction to the Lot and improvements thereon which is the Association's responsibility, and the Owner shall pay the amount of any deductible and shall be responsible for any deficiency in the insurance proceeds. The Association shall be entitled to adjust with the insurance provider the amount of any proceeds payable to the Association and the Owner thereunder, based upon the amount necessary to enable the Owner and the Association each to repair and replace those portions of the Lot and improvements thereon which are their respective responsibilities.

If the Owner is required to obtain insurance hereunder and such insurance is insufficient, the Association shall be relieved of any obligation to maintain, repair, and replace damaged or destroyed portions of the Owner's Lot, to the extent of such insufficiency. Alternatively, the Association may perform required repairs, whether the responsibility of the Association or the Owner, and assess all costs to the Owner and the Owner's Lot as a Benefited Assessment pursuant to Section 8.4.

In the event of damage to or destruction of a structure on a Lot, the Owner shall promptly repair or reconstruct the structure in a manner consistent with the original construction or other plans and specifications approved in accordance with Article IV, except that if the Association or a Service Area Association has assumed responsibility for insurance coverage hereunder, the Association or Service Area Association, as applicable, shall, subject to the limitations above, be responsible for repair or reconstruction of those portions of the structure on the Lot for which such association has expressly, in writing, assumed insurance responsibility. Alternatively, and with the approval of the ARB in accordance with Article IV, the Owner shall clear the Lot of all debris and ruins and maintain the Lot in a neat, attractive landscaped condition consistent with the Community-Wide standard.

Article VI The Association and its Members

6.1. Function of Association.

The Association is the entity responsible for management, maintenance, operation, and control of the Common Maintenance Areas. The Association also has primary responsibility for administering and enforcing the Governing Documents. The Association shall perform its functions in accordance with the Governing Documents and applicable law. The Board shall be responsible for management of the Association and may contract with a property manager for such purposes. The Board is appointed or elected as provided in the By-Laws. Membership in the Association is appurtenant to and may not be severed from the Lot. The rights and obligations of a Member may not be assigned or delegated except as provided in this Declaration, the Articles of Incorporation, or By-Laws of the Association, and shall automatically pass to the successor-in-interest of any Owner upon conveyance of such Owner's interest in the Lot.

6.2. Membership.

The Association initially shall have three classes of membership, Class "A," Class "B," and Class "C." Class "A" Members are all Owners except the Class "B" Member. The sole Class "B" Member shall be Declarant. The Class "B" membership shall terminate simultaneously with the termination of the Class "B" Control Period. The Class "C" Members shall be those owners or operators of Private Amenities, including, but not limited to the Club, that have entered into an agreement with the Association for the Association to provide water and/or other utilities and services to the Private Amenities.

There shall be only one Class "A" membership per Lot. If a Lot is owned by more than one Person, each co-Owner shares the privileges of the membership, subject to reasonable Board regulation and the voting restrictions described in Section 6.3(a) and in the By-Laws. Co-Owners are jointly and severally obligated to perform the responsibilities of an Owner. The membership rights of an Owner that is not an individual (e.g., a corporation) may be exercised by any officer, director, partner, or trustee, or by an individual the Owner designates from time to time in a written instrument provided to the Association's Secretary.

Declarant may, by Supplemental Declaration, create additional classes of membership for the owners of Lots within any additional property made subject to this Declaration pursuant to Article IX, 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.

6.3. Voting.

(a) Class "A". Class "A" Members have one equal vote for each Lot they own, except that there is only one vote per Lot. No vote shall be exercised for any property which is exempt from assessment under Section 8.8.

In any situation where there is more than one Owner of a Lot, the vote for such Lot 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 Lot's vote shall be suspended if more than one Person seeks to exercise it.

If Voting Delegates have been elected pursuant to Section 6.5, the vote for each Lot owned by a Class "A" Member shall be exercised by the Voting Delegate representing the Service Area of which the Lot is a part.

(b) Class "B". The Class "B" Member shall not have any specific number of votes, but may appoint the Board members during the Class "B" Control Period, as specified in the By-Laws, and may exercise the additional rights specified throughout the Governing Documents. Upon termination of the Class "B" membership, Declarant shall be a Class "A" Member entitled to one Class "A" vote for each Lot it owns.

(c) Class "C". Each Class "C" Member shall be entitled to cast the number of votes as set forth in such Member's agreement with the Association; 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.

6.4. Service Areas.

Pursuant to Section 47F-3-110(e) of the Act, Service Area Owners may be permitted to vote on specific issues provided that the issue being voted on is of special interest solely to such Service Area Owners and all except a de minimis cost that will be incurred based upon the vote taken will be assessed solely against the Service Area Owners. Notwithstanding the foregoing, an issue to be voted upon only by Owners of Lots within a Service Area shall not be a special interest solely to such Service Area Owners if the issue being voted on substantially affects the overall appearance of the Community or substantially affects living conditions of Lot Owners not included within the subset of Service Area Owners.

6.5. Voting Delegates.

Class "A" Members within each Service Area shall, if determined by the Board, elect a Voting Delegate to be responsible for casting all Class "A" votes attributable to Lots in the Service Area. The Board in its sole discretion shall determine whether Voting Delegates shall be elected for each Service Area; provided, however, that all Service Areas that are of similar sizes or that are similarly situated shall be treated the same. Until such time as the Board first calls for election of a Voting Delegate for any Service Area, the Service Area Owners shall be entitled personally to cast the votes attributable to their respective Lots on any issue requiring a vote under this Declaration, the By-Laws or the Articles.

If the Board determines that Voting Delegates shall be elected, the elections and Voting Delegates shall be subject to the following procedures unless the Governing Documents for such Service Area provide for stricter requirements:

- (a) The Board shall send notice of the election of a Voting Delegate to all Service Area Owners; provided, however, that the first election of a Voting Delegate for any Service Area shall not be held until at least 50% of the Lots planned for such Service Area have been conveyed to Persons other than Declarant. After the initial election of a Voting Delegate for a Service Area, subsequent elections shall take place on an annual basis.
- (b) Elections may take place by written ballot cast by mail or at a meeting of the Class "A" Members within each Service Area, as the Board determines; provided, however, upon written petition signed by Class "A" Members holding at least 30% of the votes attributable to Lots within any Service Area, the election for such Service Area shall be held at a meeting.
- (c) The presence, in person or by proxy, of Class "A" Members representing at least 10% of the total Class "A" votes attributable to Lots in the Service Area (but in no event less than the Owners of three Lots) shall constitute a quorum at any Service Area meeting. Each Class "A" Member who owns a Lot within the Service Area shall be entitled to cast one equal vote per Lot owned.
- (d) At each election, the Service Area Owners shall elect a Voting Delegate who shall be responsible for casting all votes attributable to Lots owned by Class "A" Members in the Service Area on all Association matters requiring a membership vote. In addition, each Service Area shall elect an alternate Voting Delegate who shall be responsible for casting such votes in the absence of the Voting Delegate. The candidate who receives the greatest number of votes shall be elected as Voting Delegate and the candidate receiving the next greatest number of votes shall be elected as the alternate Voting Delegate. The Voting Delegate and the alternate Voting Delegate shall serve a term of one year and until their successors are elected. No Person shall be eligible to serve as a Voting Delegate or an alternate Voting Delegate if any assessment for such Person's Lot is delinquent. The Voting Delegate and the alternate Voting Delegate may not be Owners, Occupants or representatives of the same Lot.
- (e) Any Voting Delegate or alternate Voting Delegate may be removed, with or without cause, upon the vote or written petition of Owners holding at least a Majority of the total Class "A" votes attributable to Lots in the Service Area which the Voting Delegate or alternate Voting Delegate represents. Any Voting Delegate or alternate Voting Delegate shall be automatically removed and ineligible to cast the votes attributable to Lots in such Voting Delegate's Service Area if any assessment for such Voting Delegate's Lot is delinquent. Upon removal of a Voting Delegate or an alternate, a successor shall be elected by the Service Area Owners to fill the vacancy for the remainder of such delegate's term.
- (f) Prior to taking a vote on any issue requiring membership approval, the Association shall distribute proxies to all Members represented by Voting Delegates allowing each Member to direct in writing how such Member's vote is to be cast with respect to such issue by the Voting Delegate who represents such Member. The Voting Delegates shall be required to cast all votes for which specific proxies are returned in the manner directed in such proxies. All other votes may be cast as the Voting Delegate deems appropriate in its sole discretion. The Board may adopt resolutions establishing additional procedures for polling Members.

Notwithstanding anything to the contrary above, with respect to any portion of the Community that is subject to the jurisdiction of a Service Area Association, the Voting Delegate and alternate Voting Delegate for such Service Area shall be the president and secretary of the Service Area Association, respectively.

6.6. Voting Groups.

Declarant may designate Voting Groups consisting of one or more Service Areas for the purpose of electing directors to the Board. The designation of Voting Groups, if any, shall be to promote representation on the Board of Directors for various groups having dissimilar interests and to avoid a situation in which the Members from similar Service Areas are able, due to the number of Lots in such Service Areas, to elect the entire Board of Directors, excluding representation of others. Following termination of the Class "B" Control Period, the number of Voting Groups within the Community shall not exceed the total number of directors to be elected by the Class "A" Members pursuant to the By-Laws. The Members within each Voting Group shall be entitled to elect directors from a separate slate of candidates as set forth in the By-Laws.

Declarant shall establish Voting Groups, if at all, not later than the date of termination of the Class "B" Control Period by filing with the Association, and in the Public Records, a Supplemental Declaration identifying each Voting Group by legal description or other means such that the Lots within each Voting Group can easily be determined. Such designation may be unilaterally amended from time to time by Declarant during the Development and Sale Period.

After termination of the Development and Sale Period, the Board shall have the right to file or amend any Supplemental Declaration for the purpose of designating Voting Groups. Neither recordation nor amendment of such Supplemental Declaration shall constitute an amendment to this Declaration, and no consent or approval of any Person shall be required except as stated in this Section. Until such time as Voting Groups are established, all of the Community shall constitute a single Voting Group. After a Supplemental Declaration establishing Voting Groups has been filed, any and all portions of the Community which are not assigned to a specific Voting Group shall constitute a single Voting Group.

Article VII Association Powers and Responsibilities

7.1. Acceptance and Control of Common Areas.

(a) The Association may acquire, hold, mortgage or otherwise encumber, lease (as landlord or tenant), operate, and dispose of tangible and intangible personal property and real property, subject to the provisions of subsection (b) below. The Association may enter into leases, licenses, or operating agreements, for payment or no payment, as the Board deems appropriate, permitting use of portions of the Common Area by others.

(b) Pursuant to Section 47F-3-112(a) of the Act and notwithstanding anything to the contrary contained herein, the Association may convey or encumber by security interest all or any portion of the Common Area if Members representing at least 80% of the Class "A" votes in the Association and Declarant, during the Development and Sale Period, agree in writing to such action. In addition, Limited Common Area may be conveyed or encumbered with the written consent of Members representing 100% of the Class "A" votes allocated to the Lots to which such Limited Common Area is assigned and Declarant, during the Development and Sale Period. Proceeds of the sale or financing of either Common Area or Limited Common Area shall be disbursed to the Association.

Pursuant to Section 47F-3-112(b) of the Act, the Association, on behalf of the Owners, may contract to convey the Common Area or the Limited Common Area or to subject the same to a security interest, but the contract shall not be enforceable against the Association until approved pursuant to Section 47F-3-112(a) of the Act. Once such approval is obtained, the Association shall have all powers necessary and appropriate to effect the conveyance or encumbrance, free and clear of any interest of any Lot Owner or the Association in or to the Common Area or Limited Common Area conveyed or

encumbered, including the power to execute deeds or other instruments. Any purported conveyance, encumbrance, or other voluntary transfer of Common Area or Limited Common Area, unless made pursuant to this subsection and the Act shall be void. No conveyance or encumbrance of Common Area or Limited Common Area may deprive any Lot of its rights to access and support.

(c) Declarant or its designees may, from time to time, transfer to the Association, and the Association shall accept, personal property and/or fee title or other property interests in any real property (and any improvements which may be located thereon) included within the property described in Exhibit "A" or "B." Upon Declarant's request, the Association shall transfer back to Declarant or its designees, without any payment by Declarant or such designee, any real property which has not been improved by a structure intended for residential occupancy, whether or not such property has been improved by landscaping, decorative walls, signs, irrigation, utilities, or other improvements, if originally conveyed to the Association for no or nominal payment.

(d) The Association is responsible for management, operation, and control of the Common Area, subject to any covenants, easements, or restrictions set forth in the deed or other instrument transferring the property to the Association. The Association may enter into a property management agreement with any Person, including Declarant or any Declarant Affiliate.

(e) Declarant may elect to construct or install certain improvements or facilities upon portions of the Common Area, but is not obligated to do so and may elect to leave portions of the Common Area in their natural unimproved state. Declarant shall not be required to dredge or remove silt from any waterway that may be conveyed to the Association. Declarant shall have the absolute right and power to determine what improvements or facilities, if any, will be located on the Common Area during the Development and Sale Period.

(f) Declarant hereby reserves the right, at all times after conveyance of the Common Area to the Association, to enter the Common Area, without prior notice, and to inspect the condition thereof and the improvements and facilities thereon, if any. If Declarant determines, in its sole judgment, that the Association has failed to maintain any portion of the Common Area in a manner consistent with the Community-Wide Standard, it may so notify the Association, in writing, and the Association shall promptly perform the required maintenance or repairs. Failure of the Association to maintain the Common Area in a manner consistent with the Community-Wide Standard shall relieve Declarant and any predecessor Declarant of any liability to the Association or to any Member for any condition of the Common Area. Declarant shall have the right to make a record of its inspections by any means available, including, but not limited to, photographing and/or videotaping the Common Area, and shall have the right to perform tests or examinations to determine the condition of the Common Area. Notwithstanding the foregoing, Declarant shall have no obligation to perform inspections of the Common Area owned by the Association, and the Association shall not be relieved of its obligation to maintain the Common Area because of the election of Declarant or any predecessor Declarant to inspect or not to inspect or report to the Association the condition of the Common Area.

7.2. Maintenance of Common Maintenance Areas.

The Association shall maintain the Common Maintenance Areas in accordance with the Community-Wide Standard. The Common Maintenance Areas shall include, but are not limited to (a) the Common Area, including landscaping, lighting, structures, hiking trails and bridges, signage, any outdoor pavilion or facilities, any entry feature or greeter's cottage, any Roadways, any shared driveways and other improvements located on the Common Area; (b) landscaping within public rights-of-way within or abutting the Community, if not the obligation of owners; (c) the community well and water storage and distribution system including any water line(s) extended from the well(s) to the boundary of a Lot; (d) such portions of Lots as are specifically identified as the Association's responsibility under any

Supplemental Declaration; (e) such portions of any additional property as may be dictated by Declarant, this Declaration, any Supplemental Declaration, any Plat, or any contract, covenant, or agreement for maintenance entered into by, or for the benefit of, the Association; and (f) all ponds, ditches, culverts, and/or Wetlands located within the Community that serve as part of the surface water and storm water management system, other than those portions located on a Lot and to be maintained by the Owner of such Lot in accordance with Section 5.1 including, without limitation, associated improvements and equipment, but not including any such areas, improvements, or equipment maintained by the County or any other governmental or quasi-governmental body.

The Association shall provide snow removal on the Roadways and any shared driveways so as to provide, in a reasonable manner, year-round access within the Community to Lots and to any Private Amenity. In addition, snow removal may also be provided to certain Lots or Service Areas pursuant to Sections 7.7 and 7.11.

The Association may maintain other property that it does not own, including, without limitation, property dedicated to the public and property located outside the perimeter boundaries of the Community, if the Board determines that such maintenance is necessary or desirable to maintain the Community-Wide Standard and the owner of such other property consents. The Association shall not be liable for any damage or injury occurring on or arising out of the condition of property which it does not own, except to the extent that it has been grossly negligent in performing its maintenance responsibilities.

The Association shall maintain the facilities and equipment within the Common Maintenance Areas in continuous operation, except for any periods necessary, as the Board may determine in its discretion, to perform required maintenance, repairs, or replacement, unless Members representing at least 75% of the Class "A" votes agree in writing to discontinue such operation (which may include closing and/or demolishing such facilities or equipment). Notwithstanding the above, the Common Maintenance Areas may not be reduced, nor shall operation of its facilities and equipment be discontinued, without Declarant's prior written approval during the Development and Sale Period. If the Association fails to properly perform its maintenance responsibilities hereunder and/or to comply with the Community-Wide Standard, Declarant may, following 10 days' notice, cause such maintenance to be performed and in such event, shall be entitled to reimbursement from the Association for all costs incurred.

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 Service Area Association, or the owner or operator of a Private Amenity; or (b) such property is dedicated to any Governmental Authority; provided however, that in connection with such assumption, assignment or dedication, the Association may reserve 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.

Unless otherwise provided in this Declaration or any applicable Supplemental Declaration, the costs associated with maintenance, repair, and replacement of the Common Maintenance Areas shall be a Common Expense, except that such costs associated with Limited Common Areas shall be a Limited Common Expense. However, the Association may seek reimbursement from the owner(s) of, or other Persons responsible for, certain portions of the Common Maintenance Areas pursuant to this Declaration, a Supplemental Declaration, or other recorded covenants or agreements.

Unless Declarant expressly agrees in writing with the Association to pay the costs of maintaining any portion of the Common Maintenance Areas, Declarant shall have no such obligation, regardless of any inferences which may be drawn from promotional or other materials.

7.3. Insurance.

The Association shall keep all improvements, facilities, and fixtures located within the Common Areas insured against loss or damage by fire or other casualty for the full insurable replacement value thereof (with reasonable deductibles and normal exclusions for land, foundations, excavation costs and similar matters) and may obtain insurance against such other hazards and casualties as the Association may deem desirable.

(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 Act, which shall include provisions required by Section 47F-3-113(c) of the Act, including the following types of insurance, as deemed necessary or advisable in the Board's business judgment and as may be reasonably available: (i) blanket property insurance covering all insurable improvements within the Common Areas to the extent that the Association has responsibility for repair or reconstruction in the event of a casualty, or assumes such responsibility pursuant to Section 5.2, regardless of ownership, with full replacement value coverage; (ii) commercial general liability insurance on the Common Maintenance Areas insuring against liability for bodily injury, death, and property damage arising from the activities of the Association or with regards to Common Maintenance Areas, including, without limitation, if obtainable, a cross liability endorsement insuring each Member and Declarant against liability to each other Member and the Association and vice versa; (iii) directors and officers liability coverage; (iv) commercial crime insurance, including fidelity insurance, covering all Persons responsible for handling Association funds in an amount at least equal to three months of Regular Assessments, plus all reserve funds; (v) to the extent any insurable improvements to Common Maintenance Areas are within an "A" flood zone, flood insurance in an amount equal to the lesser of 100% of the replacement costs of all insurable improvements (if any) within the Common Maintenance Areas or the maximum amount of coverage available under the National Flood Insurance Program; and (vi) such additional insurance as the Board, in its business judgment, determines advisable. All such policies shall list Declarant as an additional insured during the Development and Sale Period. Notwithstanding the foregoing, Declarant may obtain insurance for multiple communities which it is developing and/or other projects under a blanket policy instead of obtaining a separate policy for the Association, and charge a reasonable portion of the cost thereof to the Association.

In addition, the Association shall, if so specified in a Supplemental Declaration applicable to any Service Area, obtain and maintain property insurance on the insurable improvements within such Service Area. Any such policies shall provide for a certificate of insurance to be furnished upon request to the Owner of each Lot insured.

Unless designated as a Limited Common Area or otherwise provided in a Supplemental Declaration, premiums for Common Maintenance Area insurance shall be a Common Expense.

(b) **Policy Requirements.** The Association shall arrange for periodic reviews of the sufficiency of its insurance coverage by one or more qualified Persons. All Association policies shall provide for a certificate of insurance to be furnished to the Association and, upon request, to each Member insured.

To the extent obtainable at reasonable rates, the insurance policy(ies) maintained by the Association may contain provisions, or be accompanied by endorsements, for agreed amount and inflation guard, demolition costs, contingent liability from operation of building laws and increased costs of construction. All insurance policies shall contain standard mortgagee clauses, if applicable.

The policies may contain a reasonable deductible which shall not be subtracted from the face amount of the policy in determining whether the policy limits satisfy the requirements of Section 7.3(a). In the event of an insured loss, the deductible shall be treated as a Common Expense or Limited Common

Expense in the same manner as the premiums for the applicable insurance coverage subject to the provisions of Section 7.4.

(c) Waiver of Subrogation. As to each policy of insurance maintained by the Association which will not be voided or impaired thereby, the Association hereby waives and releases all claims against the Board, the Members, Declarant, any predecessor Declarant, and the directors, trustees, officers, shareholders, attorneys, agents and employees of each of the foregoing, with respect to any loss covered by such insurance, whether or not caused by negligence of or breach of any agreement by said Persons, but only to the extent that insurance proceeds are received in compensation for such loss.

(d) Restoring Damaged Improvements. In the event of any loss covered by insurance held by the Association, only the Board or its duly authorized agent may file and adjust all insurance claims. The Board shall obtain reliable and detailed estimates of the cost of 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.

Damaged improvements on the Common Area shall be repaired or reconstructed unless Members representing at least 80% of the total Class "A" votes in the Association, if general Common Area, or 80% of the Class "A" votes of Lots to which the Limited Common Area is assigned, if Limited Common Area, and Declarant during the Development and Sale Period, decide, within 90 days after the loss, not to repair or reconstruct. If such damage affects the greeter's cottage, community well and water storage and distribution system, or any other property subject to a Cost Sharing Agreement and 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 estimates of the loss, or both, are not available to the Association within such 90-day period, then the period may be extended until 90 days after such funds or information are available. No Mortgagees shall have the right to participate in the determination of whether the damage or destruction to the Common Area shall be repaired or reconstructed (unless required by FNMA, HUD or VA).

If a decision is made not to restore the damaged improvements, 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 condition consistent with the Community-Wide Standard.

The Association shall deposit any insurance proceeds remaining after paying the costs of repair or reconstruction, or after an agreed-upon settlement, in a capital improvements account for the benefit of the Members. This is a covenant for the benefit of Mortgagees and may be enforced by the Mortgagee of any affected Lot.

7.4. Responsibility and Assessment for Damages.

(a) If an Owner is legally responsible for damage inflicted on any Common Area, the Association may direct such Owner to repair such damage or the Association may itself cause the repairs to be made and to recover the reasonable cost of such repairs and any other damages from the responsible Owner through a Benefited Assessment pursuant to Section 8.4.

(b) If damage is inflicted on any Lot by an agent of the Association in the scope of the agent's activities as such agent, the Association is liable to repair such damage or to reimburse the Owner for the reasonable cost of repairing such damage.

(c) When a claim under either subsection (a) or (b) is less than or equal to the jurisdictional amount established for small claims by North Carolina General Statutes Section 7A-210, any aggrieved party may request that a hearing be held before an adjudicatory panel appointed by the Board to determine if an Owner is responsible for damages to any Common Area or the Association is responsible for damages to any Lot. If the Board fails to appoint an adjudicatory panel to hear such matters, hearings under this Section shall be held before the Board. Such panel shall accord to the party charged with causing damages notice of the charge, an opportunity to be heard and to present evidence, and notice of the decision. This panel may assess liability for each damage incident against each Owner charged or against the Association not in excess of the jurisdictional amount established for small claims by North Carolina General Statutes Section 7A-210. When the claim under either subsection (a) or (b) exceeds the jurisdictional amount established for small claims by North Carolina General Statutes Section 7A-210, liability of any Owner charged or the Association shall be determined as otherwise provided by law. Liabilities of Owners determined by adjudicatory hearing or as otherwise provided by law shall be assessments secured by a lien under Section 47F-3-116 of the Act and Section 8.4 of this Declaration. Liabilities of the Association determined by adjudicatory hearing or as otherwise provided by law may be offset by the Owner against sums owing to the Association, and if so offset, shall reduce the amount of any lien of the Association against the Lot at issue.

7.5. Enforcement.

(a) The Association, acting through the Board, may impose sanctions for violation of the Governing Documents, subject to the notice and hearing procedures set forth in the By-Laws, as applicable. Such sanctions may include, without limitation:

(i) imposing monetary fines, up to the maximum, if any, permitted by the Act, which may accrue from the date of notice and which shall constitute a lien upon the violator's Lot;

(ii) suspending the vote attributable to the violating Owner's Lot if permitted and then in accordance with applicable law;

(iii) suspending the right of the violator and any Occupant of the violator's Lot to use any recreational facilities within the Common Maintenance Area;

(iv) suspending any services which the Association provides to an Owner or the Owner's Lot if the Owner is delinquent in paying any assessment or other charge owed to the Association for longer than 30 days;

(v) recording notices in the County land records describing any violation of the Governing Documents; and/or

(vi) without liability to any Person, precluding any contractor, subcontractor, agent, employee or other invitee of an Owner who fails to comply with the terms and provisions of Article IV, the Architectural Guidelines and/or any other Governing Document from continuing or performing any further activities in the Community.

(b) In addition, but without limitation of the Association's other rights and remedies, the Association, acting through the Board or its designee, may take the following action to enforce the Governing Documents without, to the extent permitted by applicable law, the necessity of compliance with the notice and hearing procedures set forth in the By-Laws:

(i) requiring an Owner, at its own expense, to perform maintenance on such Owner's Lot, to complete or cure any construction or modification approved pursuant to Article IV, or to remove any structure, item or improvement on such Owner's Lot in violation of the Governing Documents and to restore the Lot to its previous condition;

(ii) entering the property pursuant to the easement granted in Section 11.6 and exercising self-help to remove or cure a violating condition, or to complete any construction or modification approved pursuant to Article IV which was begun and not completed within the required time period, upon failure of an Owner to take action as required pursuant to subsection (i) above within 10 days after the Board's mailing of written notice to do so, and any such entry shall not be deemed a trespass;

(iii) exercising self-help in any situation (specifically including, but not limited to, the towing of vehicles that are in violation of parking rules and regulations);

(iv) levying Benefited Assessments pursuant to Section 8.4 to cover costs which the Association incurs to bring a Lot into compliance with the Governing Documents, including Legal Costs, or costs incurred as a consequence of the conduct of an Owner or Occupant of a Lot; and/or

(v) bringing suit at law or in equity to enjoin any violation or to recover monetary damages or both, subject to the procedures set forth in Article XV, if applicable.

(c) In the event that any Occupant of a Lot violates the Governing Documents, the Board may sanction such Occupant and/or the Owner of the Lot. If a fine is imposed, the fine may first be assessed against the violator; however, if the fine is not paid by the violator within the time period set by the Board, the Owner shall pay the fine upon notice from the Board.

(d) All remedies set forth in the Governing Documents shall be cumulative of any remedies available at law or in equity. In any action to enforce the Governing Documents whether brought by the Association, Declarant, or Owner, the prevailing party shall be entitled to recover all Legal Costs incurred in any such action.

(e) The Association's decision to pursue enforcement action in any particular case shall be left to the Board's discretion, except that the Board shall not be arbitrary or capricious in taking enforcement action. Without limiting the generality of the foregoing sentence, the Board may determine that, under the circumstances of a particular case:

(i) the Association's position is not strong enough to justify taking any or further action;

(ii) the covenant, restriction, or rule being enforced is, or is likely to be construed as, inconsistent with applicable law;

(iii) although a technical violation may exist or may have occurred, it is not of such a material nature as to be objectionable to a reasonable person or to justify expending the Association's resources; or

(iv) it is not in the Association's best interests, considering, among other things, hardship, expense, or other reasonable criteria, to pursue enforcement action.

Such a decision shall not be construed a waiver of the right of the Association to enforce such provision at a later time under the same or other circumstances or preclude the Association from enforcing any other covenant, restriction, or rule.

(f) The Association, by contract or other agreement, may enforce applicable governmental regulations and permit a Governmental Authority to enforce ordinances, rules, statutes, or laws within the Community for the benefit of the Association and its Members.

(g) Declarant shall be entitled to exercise all of the rights and powers granted to the Association under Sections 7.5(a), 7.5(b), 7.5(c), and 7.5(d) and shall be entitled to recover all costs that it incurs in so doing from the responsible Owner.

(h) Enforcement of these covenants, conditions and restrictions shall be by any proceeding at law or in equity and may be instituted as provided in the Governing Documents by Declarant, its successors and assigns, the Association, its successors or assigns, or any Owner, against any person or persons violating or attempting to violate or circumvent any covenant, condition or restriction, either to restrain violation or to recover damages, and against the land to enforce any lien created by these covenants; and failure by the Association or any Owner or Declarant to enforce any covenant, condition or restriction herein contained for any period of time shall in no event be deemed a waiver or estoppel of the right to enforce same thereafter. Further, the Association shall have the right of self-help to cure any violations that remain uncured after any required notice is given.

7.6. Implied Rights; Board Authority.

The Association may exercise any right or privilege given to it expressly or by reasonable implication from the Governing Documents, and may take action reasonably necessary to effectuate any such right or privilege. Except as otherwise specifically provided in the Governing Documents or by law, all of the Association's rights and powers may be exercised by the Board without a vote of the membership.

The Board may institute, defend, settle, or intervene on the Association's behalf in mediation, binding or non-binding arbitration, litigation, or administrative proceedings in matters pertaining to the Common Maintenance Areas, enforcement of the Governing Documents, or any other civil claim or action. However, the Board has no legal duty to institute litigation on behalf of or in the name of the Association or the Members. In exercising the Association's rights and powers, making decisions on the Association's behalf, including, without limitation, deciding whether to file a lawsuit under any circumstances, and conducting the Association's affairs, Board members and the Association's officers are subject to, and their actions shall be judged in accordance with, the standards set forth in the By-Laws.

7.7. Provision of Services to Lots.

The Association may provide, or provide for, services, utilities, and facilities for all or any of the Members and their Lots, and may enter into contracts or agreements with other entities, including, without limitation, Declarant and/or Declarant's Affiliates, to provide such services, utilities, and facilities. The Board may charge use or service fees for any such services, utilities, and facilities, or may include the costs in the Association's budget as a Common Expense and assess it as part of the Regular Assessment, if provided to, or determined by the Board to be a benefit to, all Lots. Alternatively, the Board may include the costs in a Service Area budget as a Limited Common Expense if provided to, or determined by the Board to be a benefit to the Lots within a particular Service Area. The Association may also arrange for the costs of such services, utilities, and facilities to be billed directly to Owners by the provider(s) of such services. By way of example, such services, utilities, and facilities might include

shared driveway maintenance, landscape maintenance, snow removal, pest control service, cable or satellite television service, telephone, internet access, security monitoring, caretaker, transportation, fire protection, well, water, septic and other utilities, trash collection and recycling, and other services and facilities.

Nothing in this Section shall be construed as a representation by Declarant, any Declarant Affiliate, or the Association as to what, if any, services, utilities or facilities shall be provided. In addition, subject to the contract terms, the Board may modify or cancel existing contracts for services in its discretion, unless the services are otherwise required by the Governing Documents. Non-use of services, utilities, or facilities provided to Owners or Lots as a Common Expense or a Limited Common Expense, shall not exempt any Owner from the obligation to pay assessments for such services, utilities or facilities.

7.8. Relationships with Other Properties.

The Association may enter into Cost Sharing Agreements with the owners and/or operators of any neighboring properties or any properties within the Community, including, but not limited to, the owners and/or operators of any Private Amenity to share expenses for, among other things, shared or mutually beneficial property or services and/or a higher level of maintenance of Common Maintenance Areas. Such agreements may establish rules and regulations regarding the use of any shared or mutually beneficial property or services. If the Association is obligated to make payments under a Cost Sharing Agreement, such payments shall be deemed to be Common Expenses of the Association unless set forth otherwise in the Cost Sharing Agreement.

7.9. Relationship with Governmental and Tax-Exempt Organizations.

The Association may enter into agreements or contracts with, or grant exclusive and/or non-exclusive easements over the Common Area to, state or local governments, public or private utility providers, and non-profit, tax-exempt organizations for the benefit of the Community, the Association, and the Members. The Association may contribute money, real property (including, without limitation, Common Area), personal property, or services to any such entity. Any such contribution may be a Common Expense and included as a line item in the Association's annual budget.

For the purposes of this Section, a "tax-exempt organization" shall mean an entity which is exempt from federal income taxes under the Internal Revenue Code ("Code"), such as, but not limited to, entities which are exempt from federal income taxes under Sections 501(c)(3) or 501(c)(4), as the Code may be amended from time to time.

7.10. Right To Designate Sites for Governmental and Public Interests.

During the Development and Sale Period, Declarant may, but is not obligated to, designate sites within the Community for government, education, or religious activities and interests, including, without limitation, fire, police, and utility facilities, schools and educational facilities, houses of worship, parks, and other public facilities. The sites may include Common Area, in which case the Association shall take whatever action is required to permit such use, including dedication or conveyance of the site, if so directed by Declarant.

7.11. Provision of Services to Service Areas.

(a) Declarant, on Exhibit "A" to this Declaration and/or by Supplemental Declaration, may assign the submitted property to one or more Service Areas (by name or other identifying designation) as

Declarant deems appropriate, in Declarant's discretion, which Service Areas may be then existing or newly created, and may require that the Association provide benefits or services to the Lots within such Service Area in addition to those which the Association generally provides to all Lots. Until termination of the Development and Sale Period, Declarant may unilaterally amend this Declaration or any Supplemental Declaration to designate or redesignate Service Area boundaries. All costs associated with the provision of services or benefits to a Service Area shall be assessed against the Lots within the Service Area as a Service Area Assessment.

(b) In addition to Service Areas which Declarant may designate, the Owner(s) of any two or more Lots may petition the Board to designate such Lots as a Service Area for the purpose of receiving from the Association (a) special benefits or services which are not provided to all Lots, or (b) a higher level of service than the Association otherwise provides. The Board shall investigate the terms upon which the requested benefits or services might be provided and notify the Owners in the proposed Service Area of such terms and the charge to be made therefore, which may include a reasonable administrative charge in such amount as the Board deems appropriate in its discretion (provided, any such administrative charge shall apply at a uniform rate per Lot among all Service Areas receiving the same service). Upon written approval of the proposal by the Owners of the Lots within the proposed Service Area, and Declarant during the Development and Sale Period, the Association shall provide the requested benefits or services on the terms set forth in the proposal. The cost and administrative charges associated with such benefits or services shall be assessed against the Lots within such Service Area as a Service Area Assessment, subject to the right of the Service Area Owners to veto the budget for their Service Area as provided in Section 8.1.

(c) The Board may, by resolution, designate a group of Lots as a Service Area and levy Service Area Assessments against such Lots to fund the costs of operating, maintaining, repairing, replacing and/or insuring certain portions of the Common Maintenance Area within or adjacent to such Service Area. This may include, without limitation, the costs of maintaining any signage, entry features, right-of-way, and greenspace between the Service Area and adjacent Roadways, regardless of ownership and regardless of the fact that such maintenance may be performed by the Association; however, all similarly situated Lots shall be treated the same. Any such designation shall require the consent of Declarant during the Development and Sale Period.

7.12. Powers of the Association Relating to Service Area Associations.

With respect to any Service Area governed by a Service Area Association, the Association may veto any action taken or contemplated by such Service Area Association which the Board reasonably determines to be adverse to the interests of the Association or its Members or inconsistent with the Community-Wide Standard. The Association also may require specific action to be taken by any Service Area Association to fulfill its obligations and responsibilities under any Governing Document. For example, the Association may require that specific maintenance or repairs or aesthetic changes be performed by the Service Area Association. If the Service Area Association fails to comply with such requirements within a reasonable time as specified in writing by the Association, the Association may effect such action on behalf of the Service Area Association and assess the Lots within such Service Area for any expenses incurred by the Association in taking such action. Such assessments may be collected as a Benefited Assessment.

7.13. Responsibilities Under Governmental Permits.

Declarant shall have the absolute and unconditional right in its sole discretion to assign, delegate, or otherwise transfer to the Association any of its continuing obligations and/or responsibilities under governmental permits and approvals with respect to the Community. The Association shall accept and

assume such obligations and responsibilities without condition or consideration. Such assignment, delegation, or transfer and assumption shall be effective without the consent of, or any further action by the Association, but upon Declarant's request, the Association shall promptly execute any documents which Declarant requests to evidence the assignment, delegation, or transfer and assumption of such obligations and/or responsibilities. The Association shall comply in all respects with the terms of, and shall not undertake any activity inconsistent with, such permits and approvals. The Association shall indemnify, defend and hold Declarant harmless from any claims or losses arising out of the violation or failure to comply with any permit(s), or out of the operation, maintenance or use of any improvement or facility authorized by the permit(s), provided such claim or loss first occurs after the effective date of the assignment, delegation, transfer (or tender of the assignment, delegation, or transfer, if wrongfully refused by an Association).

7.14. Waterways and Use.

With respect to any waterways now existing or which may hereafter be contained within the Community, no Owner shall have the right to pump or otherwise remove any water from such waterways for the purposes of irrigation or other use or to place any matter or object in such waterways unless consented to by Declarant and if permitted by the applicable Governmental Authorities. Water flow and channels may change from time to time as a result of climatic conditions. Stream flows may not be altered or diverted by any Owner or Occupant without the prior written consent of the ARB and the applicable Governmental Authorities.

7.15. Management Companies and Management Agreements.

The Association shall engage a management company at all times, and the management company shall provide the services outlined in Exhibit "D" attached hereto. This provision may be amended only if approved by (a) the unanimous consent of the Board; (b) Class "A" Members representing 80% of the votes present in person or by proxy at a duly called meeting of the Owners at which a quorum is present; and (c) during the Development and Sale Period, Declarant.

Article VIII Association Finances

8.1. Budgeting and Allocating Expenses.

(a) **Calculation of Regular Assessments.** Before the beginning of each fiscal year, the Board shall prepare a budget of the estimated Common Expenses which it expects to incur for the coming year, including any contributions to be made to reserves pursuant to Section 8.2 for periodic major maintenance, repair and replacement of items that the Association maintains as a Common Expense. The budget shall separately reflect the anticipated sources and estimated amounts of funds to cover the Common Expenses, including any surplus or deficit to be applied from prior years, assessment income, any fees charged for use of recreational amenities, and any other non-assessment income.

The Association is authorized to levy Regular Assessments to fund the Common Expenses against all Lots subject to assessment under Section 8.5, in the proportions described in Section 8.5. In determining the Regular Assessment rate, the Board may consider any assessment income expected to be generated from any property anticipated to become subject to assessment during the fiscal year.

Declarant may, but shall not be obligated to, reduce the Regular Assessment for any fiscal year by payment of a subsidy (in addition to any amounts paid by Declarant under Section 8.6(b)) which may be either a contribution, an advance against future assessments due from Declarant, or a loan, in Declarant's discretion. Any such subsidy shall be disclosed as a line item in the income portion of the budget. The

payment of such subsidy in any year shall not obligate Declarant to continue paying a subsidy in future years, unless otherwise provided in a written agreement between the Association and Declarant.

The Board may revise the budget and adjust the Regular Assessment from time to time during the year, subject to the notice requirements set forth above and applicable law.

(b) Calculation of Service Area Assessments. Before the beginning of each fiscal year, the Board shall prepare a separate budget for each Service Area of the estimated Limited Common Expenses which it expects to incur on behalf of such Service Area for the coming year, including any contributions to be made to a reserve fund pursuant to Section 8.2 for periodic major maintenance, repair and replacement of items that the Association maintains on behalf of the Service Area as a Limited Common Expense. Each budget shall include, as a separate line item in the operating expense portion of the budget, the estimated cost of routine maintenance and repair of any Roadways or shared driveways which the Association maintains on behalf of such Service Area as a Limited Common Expense, and as a separate line item in the reserve portion of the budget, a contribution to a reserve fund for periodic major maintenance, repair and repaving of such Roadways and shared driveways. The budget shall separately reflect the anticipated sources and estimated amounts of funds to cover the Limited Common Expenses, including any surplus or deficit to be applied from prior years, assessment income, any fees charged for use of recreational amenities maintained on behalf of the Service Area, and any other non-assessment income.

The Association is authorized to levy Service Area Assessments, to fund the Limited Common Expenses for each Service Area, against all Lots in the Service Area that are subject to assessment under Section 8.5, in the proportions described in Section 8.5, except that, unless otherwise specified in the applicable Supplemental Declaration, any portion of the assessment intended for exterior maintenance of structures, insurance on structures, or replacement reserves which pertain to particular structures, may be levied on each of the benefited Lots in proportion to the benefit received, as the Board may reasonably determine. In determining the Service Area Assessment rate for any Service Area, the Board may consider any assessment income expected to be generated from any property in the Service Area anticipated to become subject to assessment during the fiscal year.

Declarant may, but shall not be obligated to, reduce the Service Area Assessment applicable to any Service Area for any fiscal year by payment of a subsidy (in addition to any amounts paid by Declarant under Section 8.6(b)) which may be either a contribution, an advance against future assessments due from Declarant, or a loan, in Declarant's discretion. Any such subsidy shall be disclosed as a line item in the income portion of the budget. The payment of such subsidy in any year shall not obligate Declarant to continue paying a subsidy in future years, unless otherwise provided in a written agreement between the Association and Declarant.

All amounts that the Association collects as Service Area Assessments shall be expended solely for the benefit of the Service Area for which they were collected and shall be accounted for separately from the Association's general funds.

(c) Budget Ratification and Notice. In accordance with Section 47F-3-103(c) of the Act, within 30 days after adoption of any proposed budget, the Board shall provide to all Owners of Lots subject to such budget 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 Board shall set a date for a meeting of the Owners to consider ratification of the budget, such meeting to be held not less than 10 nor more than 60 days after mailing of the summary and notice. There shall be no requirement that a quorum be present at the meeting. The budget shall be ratified unless, at such meeting, Members representing 75% of the total Class "A" votes allocated to Lots subject to such budget, and Declarant

during the Development and Sale Period, reject the budget. In the event the proposed budget is rejected, or if the Board fails for any reason to determine the budget for any year, then the periodic budget last ratified, or deemed ratified, by the Owners shall be continued until such time as the Owners ratify or are deemed to have ratified a subsequent budget proposed by the Board.

8.2. Budgeting for Reserves.

The Board shall prepare and periodically review separate reserve budgets for the Common Maintenance Area, and for each Service Area for which the Association maintains capital items as a Limited Common Expense, which take into account the number and nature of replaceable assets, the expected life of each asset, and the expected repair or replacement cost of capital items under each budget. The Board shall include in the budgets adopted and ratified pursuant to Section 8.1(c), a capital contribution to fund reserves in an amount which the Board, in the exercise of its business judgment, deems sufficient to meet the projected needs under each budget with respect to both amount and timing by annual contributions over the budget period.

Reserve funds shall be held in a separate account or accounts from the operating and other funds of the Association. Reserve funds collected for each Service Area shall be segregated from reserves collected for Common Maintenance Areas or other Service Areas.

The reserve funds held in each account may be expended only for major maintenance, repair, or replacement of those assets covered by the reserve budget pursuant to which they were collected. Subject to such limitation, the Board may adopt resolutions regarding the expenditure of any reserve funds including, without limitation, policies designating the nature of assets for which reserve funds may be expended. Neither the Association membership nor the Board shall adopt, modify, limit, or expand such policies without Declarant's prior written consent during the Development and Sale Period.

8.3. Special Assessments.

In addition to other authorized assessments, the Association may levy Special Assessments to cover unbudgeted expenses or expenses in excess of those budgeted. Any such Special Assessment may be levied against the entire membership, if such Special Assessment is for Common Expenses, or against the Lots within any Service Area, if such Special Assessment is for Limited Common Expenses. Except as otherwise specifically provided in this Declaration, any Special Assessment shall require the affirmative vote or written consent of a majority of the Board, and the affirmative vote or written consent of Declarant, during the Development and Sale Period. 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.

8.4. Benefited Assessments.

The Association may levy Benefited Assessments against one or more particular Lots as follows:

(a) to cover the costs, including, without limitation, overhead and administrative costs, of providing services to a Lot pursuant to any menu of special services which the Association may offer (which might include the items identified in Section 7.7 or Section 8.11) or pursuant to a Supplemental Declaration. Benefited Assessments for special services may be levied in advance of the provision of the service; and

(b) to cover costs incurred in bringing a Lot into compliance with the Governing Documents, or costs incurred as a consequence of the conduct of the Owner or Occupants of the Lot, including, without limitation, Legal Costs, subject to Section 7.5, as applicable.

In addition, fines levied by the Association pursuant to Section 7.5 shall constitute Benefited Assessments.

The Association may also levy a Benefited Assessment against the Lots within any Service Area to reimburse the Association for costs incurred in bringing the Service Area 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 Service Area Owners and an opportunity for such Owners to be heard before levying any such assessment.

8.5. Assessment Rate; Commencement of Assessments; Time of Payment.

The obligation to pay assessments commences as to each Lot on the date that the Lot is conveyed to a Person other than Declarant or any Declarant Affiliate or the first day of the month in which the Board first determines a budget and levies assessments pursuant to this Article, whichever is later. Regular and Special Assessments for Common Expenses shall be allocated equally among all Lots subject to assessment. Except as otherwise provided in Section 8.1(b) or in any applicable Supplemental Declaration, Service Area Assessments shall be allocated equally among all Lots subject to assessment in the benefited Service Area. The first annual Regular Assessment and Service Area Assessment, if any, levied on each Lot shall be adjusted according to the number of days remaining in the fiscal year at the time assessments commence on the Lot.

Owners shall pay assessments in the manner and on the dates the Board establishes. The Board may require advance payment of assessments at closing of the transfer of title to a Lot and may impose special requirements for Owners who have failed to pay, on a timely basis, two or more payments in any 12 month period, of any nature, due under the Governing Documents. If the Board so elects, assessments may be paid in quarterly or monthly installments. Unless the Board otherwise provides, the entire Regular Assessment and Service Area 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 such Owner's Lot, the Board may require that the outstanding balance on all assessments be paid in full immediately.

8.6. Obligation for Assessments.

(a) Owners. Each Owner, by accepting a deed or entering into a recorded contract of sale for any Lot, covenants and agrees to pay all assessments levied in accordance with the Governing Documents for each Lot owned. All assessments, together with interest (computed from the assessment's due date at a rate of 18% per annum or the maximum rate permitted by law, whichever is less), late charges as determined by Board resolution, and Legal Costs, shall be the personal obligation of each Owner and a lien upon each Lot until paid in full. Upon a transfer of title to a Lot, the grantee shall be jointly and severally liable for any assessments and other charges due at the time of conveyance.

The Board's failure 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 Regular Assessments and Service Area Assessments, if any, 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.

No Owner is exempted from liability for assessments by non-use of Common Maintenance Area, abandonment of such Owner's Lot, or any other means. The obligation to pay assessments is a separate and independent covenant by each Owner. No reduction 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 required function, or for inconvenience or discomfort arising from making repairs or improvements, or for any other reason.

Pursuant to Section 47F-3-118(b) of the Act, the Association shall, upon written request, furnish to any Owner liable for any type of assessment, or the Owner's authorized agents, a written statement signed by an Association officer setting forth the amount of unpaid assessments and other charges against the Lot. Such statement shall be furnished within 10 business days after receipt of the request and shall be binding on the Association, the Board, and every Owner. Except in circumstances where the written request pertains to unpaid assessments or other charges, the Association may require the advance payment of a reasonable processing fee for the issuance of such statement.

(b) Declarant. Notwithstanding anything to the contrary contained in this Declaration, to the extent permitted by applicable law, during the Class "B" Control Period, Declarant shall annually elect either (a) to pay an amount equal to the assessments on all of its unsold Lots, notwithstanding the commencement date set forth in Section 8.5; or (b) to fund the budget deficit. The budget deficit for any fiscal year shall be the difference between (i) the amount of assessments, including but not limited to Initial Assessments and transfer fees, levied on Class "A" Member-owned Lots, plus any other income received during the fiscal year including but not limited to any payments received by the Association pursuant to a Cost Sharing Agreement or any Declarant subsidy as described in Section 8.1, and (ii) the amount of the Association's actual expenditures during the fiscal year, excluding contributions to reserves and excluding Special Assessments arising as a result of any unusual loss or liability. Unless Declarant otherwise notifies the Board in writing at least 30 days before the beginning of the fiscal year, Declarant shall continue paying on the same basis as during the previous fiscal year. Declarant's obligation may be satisfied in the form of cash or by "in kind" contributions of services or materials, or by a combination of these, the value of which shall be reasonably determined by Declarant. After termination of the Class "B" Control Period, Declarant shall pay assessments on Lots which it or its Affiliates own in the same manner as any other Owner.

(c) Declarant's Right to Loan or Advance Funds. Declarant may (but is not obligated to) loan, advance or otherwise make payments to the Association to assist the Association in meeting its financial obligations. Notwithstanding anything to the contrary contained in this Article VIII, if Declarant loans, advances or otherwise pays assessments (in excess of any obligation set forth in subsection (b) above), then any such sums shall be repaid to Declarant prior to the termination of the Class "B" Control Period.

8.7. Lien for Assessments.

The Association may record a lien against any Lot to secure payment of assessments that remain unpaid for a period of 30 days or longer after becoming due. For purposes of this Section, assessments shall include interest, late charges (subject to North Carolina law), and Legal Costs. Such lien shall be superior to all other liens, except (a) the lien or charge of any recorded first Mortgage (meaning any recorded Mortgage with first priority over other Mortgages) made in good faith and for value, and (b) other liens or encumbrances which by law would be superior. The Association's lien may be enforced by suit, judgment, and/or foreclosed in like manner as a mortgage on real estate under power of sale under Chapter 45 of the North Carolina General Statutes, unless prohibited by applicable law.

Notwithstanding the above, and subject to applicable law, the Board may designate assessments or charges levied solely for the purpose of funding Common Expenses related to acquisition, development, or construction of infrastructure or capital improvements serving the Community (or to pay the cost to underwrite, service, and repay any debt incurred to finance any such acquisition, development, or construction) as a "Capital Improvement Assessment," and the lien therefore shall be superior to (a)

the Association's lien for other Common Expenses and Limited Common Expenses, and (b) all other liens except those deemed superior under federal or North Carolina law and which may not be made subordinate by this provision.

At a foreclosure sale, the Association may bid for the Lot and acquire, hold, lease, mortgage, and convey the Lot. The Association may sue for unpaid assessments and other charges without foreclosing or waiving its assessment lien.

Sale or transfer of any Lot shall not affect the assessment lien or relieve such Lot from the lien for any subsequent assessments. However, the sale or transfer of any Lot pursuant to foreclosure by the first Mortgagee (or pursuant to a deed in lieu of foreclosure to a first Mortgagee) extinguishes the lien relating to any amounts due prior to the Mortgagee's foreclosure or the deed in lieu of foreclosure. The purchaser of such foreclosed Lot shall not be personally liable for assessments on such Lot due prior to the foreclosure sale. Such unpaid assessments shall be a Common Expense collectible from Owners of all Lots subject to assessment under Section 8.5, including, without limitation, such purchaser, its successors and assigns.

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 the trustee to sell the Lot, subject to the lien at public auction 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 of the North Carolina General Statutes. 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 Legal Costs 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 Lot, and any advancements made by the Association in the protection of the security.

Notwithstanding the above, while the Association owns a Lot: (a) no right to vote shall be exercised on its behalf; (b) no assessment shall be levied on it; and (c) each other Lot shall be charged, in addition to its usual assessment, its pro rata share of the assessment that would have been charged such Lot had it not been acquired by the Association.

8.8. Exempt Property.

The following property shall be exempt from payment of Regular Assessments, Service Area Assessments, and Special Assessments:

- (a) All Common Area and other portions of the Community which are not Lots; and
- (b) Any property dedicated to and accepted by any governmental authority or public utility.

8.9. Initial One-Time Assessment.

The Association hereby establishes an initial one-time assessment (the "Initial Assessment") applicable to each Lot in such amount as determined in the Board's discretion, not to exceed 100% of the

full Regular Assessment per Lot levied for the year in which the Initial Assessment is due and payable. The Initial Assessment shall become due and payable upon the closing of the purchase and sale of the first conveyance of the Lot from Declarant or any Declarant Affiliate. Such Initial Assessment may be used to fund the Association's initial start up costs and other operating expenses or to help fund reserves, in the Board's discretion. The Initial Assessment may be referred to by another name, such as Working Capital Contribution, Working Fund Contribution or some other name, in marketing and disclosure materials.

No further Initial Assessment shall be due for any subsequent transfer of ownership of any Lot from one Class "A" Member to a successor Class "A" Member.

8.10. Transfer Fee.

Excluding the sale of any Lot from or to Declarant or any Declarant Affiliate but including all other sales of Lots, a transfer fee shall be collected at the closing of a transfer of a Lot from the purchaser of each Lot equal to one-fourth of one percent (0.25%) of the total purchase price of such Lot, which transfer fee shall be paid to the Association. This amount shall be collected and disbursed to the Association at the closing of the purchase and sale of each Lot. Such funds may be used by Association in its sole discretion. In the event of non-payment of such transfer fee, the amount due shall bear interest and shall be collectible as an assessment as set forth in this Article. The Association may require the purchasing and/or selling Owner to provide reasonable written proof of the applicable sale price, such as executed closing statements, contracts of sale, copies of deed, or other such evidence.

8.11. Use and Consumption Fees; Licenses and Royalties.

The Board may charge use and consumption fees to any Person using Association services, utilities, or facilities and may determine the amount and method of determining such fees. Different fees may be charged to different classes of users (e.g., Owners and non-Owners). Any such fees charged to Owners shall be considered a Benefited Assessment against the Lots of such Owners under Section 8.4(a).

As set forth in Section 10.7, the Association may enter into license agreements with Declarant or other parties to permit the Association's use of trade names or service marks (e.g., use of the name "Bear Lake Reserve"). To the extent permitted by such license agreements, the Board may enter into sub-license agreements, under negotiated terms, which permit others within the Community to use such trade names and/or service marks. The Association may charge fees and collect royalties in connection with such sub-license agreements; provided, Declarant and any Declarant Affiliate shall retain the absolute right to use such trade names and service marks without payment of any license fees. Any such fees and royalties shall be considered a Benefited Assessment under Section 8.4(a).

Article IX Expansion of the Community

9.1. Annexation by Declarant.

Declarant may, from time to time, subject to this Declaration all or any portion of the property described in Exhibit "B" by recording a Supplemental Declaration describing the property being subjected. A Supplemental Declaration recorded pursuant to this Section shall not require the consent of any Person except the owner of such property, if other than Declarant.

Declarant's right to annex property pursuant to this Section expires when all property described in Exhibit "B" has been subjected to this Declaration or 15 years after this Declaration is recorded, whichever is earlier. Until then, Declarant may transfer or assign this right, in whole or in part, to any

Person who is the developer of at least a portion of the real property described in Exhibit "A" or "B." Any such transfer shall be memorialized in a recorded instrument executed by Declarant.

Nothing in this Declaration shall require Declarant, or any successor or assign, to subject additional property to this Declaration or to develop any of the property described in Exhibit "B" in any manner whatsoever.

Declarant intends to develop the Community in accordance with the Development Plan, but hereby reserves the right to modify the Development Plan and any Plat from time to time in its discretion and at its option. Declarant shall not be required to follow any predetermined order of improvement and development within the Plat or Community; and it may annex additional lands and develop them before completing the development of the Community.

9.2. Annexation by the Association.

The Association also may annex property to the provisions of this Declaration by recording a Supplemental Declaration describing the additional property. Annexation by the Association shall require the affirmative vote or written consent of Members representing more than 50% of the Class "A" votes and the consent of the property owner. In addition, during the Development and Sale Period, Declarant's written consent is required. The Supplemental Declaration shall be signed by the President and Secretary of the Association, by the owner of the property, and by Declarant, if Declarant's consent is required.

In the event that either the U.S. Department of Housing and Urban Development or the U.S. Department of Veterans Affairs insures or guarantees any Mortgage encumbering a Lot, and the regulations or procedures of such agency require under such circumstances approval of annexations by such agency or determination by such agency that such annexation is consistent with the general plan of development for the Community, then such approval or determination shall be a prerequisite to such annexation.

9.3. Additional Covenants and Easements.

By Supplemental Declaration, Declarant may impose additional covenants, restrictions and easements on portions of the Community, including, without limitation, covenants obligating the Association to maintain and insure specific property and authorizing the Association to recover its costs through Benefited Assessments or through Service Area Assessments. If someone other than Declarant owns the property, then such owner's consent and execution of the Supplemental Declaration is required. 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.

9.4. Effect of Filing Supplemental Declaration.

A Supplemental Declaration shall be effective upon recording. Unless otherwise specified in the Supplemental Declaration, the Lots subjected to this Declaration by such Supplemental Declaration shall have equal voting rights in the Association and equal pro rata liability for Regular Assessments with all other Lots.

Article X Additional Rights Reserved to Declarant

10.1. Withdrawal of Property.

Declarant reserves the right to amend this Declaration, until termination of the Development and

Sale Period, to remove from the coverage of this Declaration any property which has not been improved by a structure intended for occupancy, whether or not such property has been improved by landscaping, decorative walls, signs, irrigation, utilities, or other improvements. Such amendment shall not require the consent of any Person other than the Owner(s) of the property to be withdrawn, if not Declarant. Except as provided in Section 7.1(c), if the property is Common Area, the Association's consent is required for such withdrawal.

10.2. Marketing and Sales Activities.

Notwithstanding anything in the Governing Documents to the contrary, Declarant, its Affiliates, and their assigns and builders authorized by Declarant, may construct, maintain, and operate upon portions of the Common Area and property they own, such facilities, activities, and things as, Declarant, in its discretion, may deem to be required, convenient, or incidental to the construction or sale of Lots in the Community and in any other Community developed by Declarant. Such permitted facilities, activities, and things shall include, without limitation, business offices, signs, flags (whether hung from flag poles or attached to a structure), model homes, sales offices, holding or sponsoring special events, and exterior lighting features or displays. Owners may be excluded from use of all or any portion of such facilities in Declarant's sole discretion. In addition, if reasonably required, convenient, or incidental to construction or sales activities, Declarant, Declarant's Affiliates, and their assigns, and authorized builders may park vehicles in areas other than garages or driveways, including, without limitation, on Roadways and shared driveways.

10.3. Right to Develop.

Declarant and its Affiliates, and their respective employees, agents, and designees, shall have a right of access and use, and an easement over, upon, and under, all of the Common Area for the purpose of making, constructing, and installing such improvements to the Common Area, the Exhibit "A" property and the Exhibit "B" property, as Declarant deems appropriate in Declarant's discretion.

Each Owner acknowledges that the development of the Community may extend over a number of years, and agrees and consents to all changes in (a) uses or density of Lots or dwellings within the Community, and/or (b) the Development Plan.

Notwithstanding anything contained in any written letter, document or materials, or oral statement received by any Owner, each Owner acknowledges and agrees that the present plans and themes for the Community's development may change and that such Owner has not relied on any representation, warranty, or assurance by any Person (a) that any Lots, or other property or facilities, will be added, modified, or eliminated within the Community; or (b) as to the financial or other impact of such action on any Owner. Each Owner acknowledges and agrees that it is not entitled to rely upon and has not received or relied upon any representations, warranties, or guarantees whatsoever as to the current or future: (a) design, construction, completion, development, use, benefits, or value of property within the Community; (b) number, types, sizes, prices, or designs of any residential or non-residential structures or improvements built or to be built in any part of the Community; or (c) use or development of any property adjacent to or within the vicinity of the Community.

10.4. Right to Approve Changes in the Community Standards.

No amendment to or modification of any Use Restrictions, rules, or the Architectural Guidelines during the Development and Sale Period shall be effective without prior notice to and the written approval of Declarant.

10.5. Right to Transfer or Assign Declarant Rights.

Any or all of Declarant's rights and obligations set forth in this Declaration or the By-Laws may, except to the extent restricted by applicable law, be transferred, in whole or in part, from time to time, to other Persons. No such transfer or assignment shall be effective unless it is in a recorded instrument signed by Declarant. Declarant may allow other Persons to exercise, on a one-time or limited basis, any Declarant right without transferring the entire right. In such case, a recorded instrument is not required.

10.6. Community Systems and Services.

Declarant reserves for itself, its successors and assignees, and grants to the Association (after the termination of the Development and Sale Period or at such earlier time as Declarant elects in writing) the exclusive and perpetual right to provide and operate, or to permit others to provide and operate, within the Community, such telecommunication systems (including, without limitation, satellite television, community intranet, internet, and other systems for receiving, distributing, and transmitting electronic data, signals, and audio or visual communications), security systems and services, utilities (including the community well and water storage and distribution system), shared septic systems and shared septic drain fields, trash collection, and other systems and services, including, without limitation, conduits, wires, amplifiers, towers, antennae, and other apparatus and equipment for the operation or provision thereof (collectively, the "Community Systems and Services") as Declarant, in its discretion, deems appropriate. Such right shall include, without limitation, the right to select and contract with companies licensed, if applicable, to provide such services in the vicinity of the Community, and to charge individual users a fee not to exceed the maximum allowable charge for such service, as from time to time is defined by the laws, rules, and regulations of the relevant government authority, if applicable. Declarant may receive, and shall be entitled to retain, any rebate, credit, fee, or incentive relating to the installation, operation, or provision of any Community Systems and Services.

During the Development and Sale Period, Declarant may require that the Association enter into agreements for the provision of Community Systems and Services to all Lots as a Common Expense, or to Lots within a particular Service Area as a Service Area Expense. If particular services or benefits are provided to particular Owners or Lots at their request, the benefited Owner(s) shall pay the service provider directly for such services, or the Association may assess the costs as a Benefited Assessment.

10.7. Rights To Use Names; License Agreements.

The Community Name, the name "Centex Homes," the name "Centex Destination Properties," and all similar or derivative names, along with all logos associated therewith, are the proprietary trade names and service marks of Centex Homes, Declarant, or their Affiliates. No Person shall use such trade names or service marks for advertising or any other purpose in any promotional material, whether printed, audio, video, or otherwise, in any signage, or in any logo or depiction or in any other fashion or manner without the prior written consent of the Person who owns such mark in each instance. In addition, due to the integrated nature of the Community as a planned community, and the public identification of the Lots with the Community, any name or "logo" to be used in connection with or displayed on any Lot, and any sales or other materials or documentation related to the use of the Lot, shall be subject to Declarant's prior written consent in each instance. Such approval may be given or withheld in Declarant's discretion and may be subject to such terms and conditions as Declarant deems appropriate in Declarant's discretion.

Notwithstanding the above, Owners may use the name "Bear Lake Reserve" where such term is used solely to specify that their particular Lot is located within the Community (subject, however, to such terms and conditions as Declarant may impose in order to protect any registered trade names and service marks).

The mark or trademark owner may condition such use of the mark by the Association or any Owner upon the signing of one or more license agreement(s) which are intended to protect the trade names and service marks from unauthorized use by others. Such license agreement(s) shall be non-exclusive, non-transferable, in form and substance acceptable to the owner of the mark.

10.8. Easement to Inspect and Right to Correct.

Declarant reserves for itself and others it may designate, from time to time, the right to inspect, monitor, test, redesign, modify and correct any structure, improvement, or condition which may exist on any portion of the Community, including Lots, and a nonexclusive easement of access throughout the Community to the extent reasonably necessary to exercise such right. Except in an emergency, entry onto a Lot shall be only after reasonable notice to the Owner and no entry into a dwelling or other structure on a Lot shall be permitted without the Owner's consent, which consent shall not unreasonably be withheld, conditioned, or delayed. The failure or refusal to permit reasonable access to the Lot for the purposes contemplated under this paragraph shall excuse Declarant or its designee from responsibility for repairs or damages. The Person exercising this easement shall promptly repair, and pay for, any resulting damage. The provisions of this paragraph do not impose any obligation on Declarant or any other Person to perform any such inspection, monitoring, testing, redesigning, modification, or correction.

10.9. Right to Notice of Design or Construction Claims.

No Person shall retain an expert for the purpose of inspecting the design or construction of any structures or improvements within the Community in connection with or in anticipation of any potential or pending claim, demand, or litigation involving such design or construction unless Declarant has been first notified in writing and given an opportunity to meet with the property Owner and conduct an inspection.

10.10. Termination of Rights.

Rights granted Declarant under this Article (other than the rights granted in Sections 10.6 and 10.7) shall terminate upon the earlier of (a) the period specified in the particular Section, if any; or (b) 25 years from the date this Declaration is recorded. Thereafter, Declarant may continue to use the Common Areas for the purposes stated in this Article only pursuant to a rental or lease agreement between Declarant and the Association which provides for rental payments based on the fair market rental value of any such portion of the Common Areas. Notwithstanding the above, Declarant reserves for itself and its Affiliates a perpetual, non-exclusive easement of access to, and use of, the Common Areas in connection with the marketing and sale of other properties in order to show the Community as an example of Declarant's projects. This Article shall not be amended without Declarant's prior written consent.

10.11. Exclusion of Declarant's Other Properties.

By accepting a deed to a Lot, each Owner specifically acknowledges that nothing contained in this Declaration shall, in any way, either expressly or by implication, restrict, limit, or otherwise affect the use or disposition by Declarant or any Declarant Affiliate of any property either of them owns, whether contained within or contiguous to the Community. Declarant and its Affiliates shall have full, free, and unrestricted use of its and their other lands, notwithstanding any incompatibility of such use with restrictions this Declaration imposes upon the Lots. By accepting a deed to a Lot, each Owner, specifically and expressly disclaims any reciprocal negative easement in any property Declarant owns.

Article XI Easements**11.1. Easements in Common Area.**

Subject to the provisions below, every Owner shall have a right to use and an easement of enjoyment in and to the Common Areas or Limited Common Areas, as applicable, which shall be appurtenant to and shall pass with the title to the Lot owned by such Owner. Declarant grants to each Owner a right and easement of use, access, and enjoyment in and to the Common Area, subject to:

- (a) The Governing Documents and any other applicable covenants;
- (b) Any restrictions or limitations contained in any deed conveying the property to the Association;
- (c) The Board's right to:
 - (i) adopt rules regulating Common Area use, including, without limitation, rules limiting the number of guests who may use the Common Area, and charge use fees for such use;
 - (ii) suspend the right of an Owner and the Occupants of such Owner's Lot to use any Common Maintenance Area amenity (A) for any period during which any assessment or other charge against the Owner's Lot remains delinquent, and (B) for a period not to exceed 30 days for a single violation, or for a longer period in the case of any continuing violation, of the Governing Documents;
 - (iii) dedicate or transfer all or any part of the Common Area, subject to any approval requirements set forth in this Declaration;
 - (iv) rent any portion of the Common Area on an exclusive or non-exclusive and permanent or short-term basis to any Person, including but not limited to the owner or operator of any Private Amenity;
 - (v) permit use by the general public, which use may, but need not, be subject to admission charges, membership fees, or other user fees established in the Board's discretion (except to the extent inconsistent with any easement agreement relating thereto); and
 - (vi) mortgage, pledge, or hypothecate any or all of the Common Area as security for money borrowed or debts incurred, subject to the approval requirements set forth in Section 7.1;
- (d) The rights of certain Owners to the exclusive use of those portions of the Common Area designated "**Limited Common Areas**," if any, as described in Article XIII; and
- (e) The rights of Declarant to conduct activities and establish facilities as provided in Section 10.2.

Any Owner may extend such Owner's right to use the Common Area to the Occupants of such Lot, subject to reasonable Board regulation. An Owner who leases such Owner's Lot in accordance with this Declaration shall be deemed to have assigned all such rights to the tenant of such Lot for the lease term and shall not have any right to utilize the Common Area during such term, except as necessary to access the Lot. If use of a portion of the Lot is retained by the Owner, in compliance with Article III, then both the Owner and such Owner's tenants may use the Common Area, subject to any reasonable Board regulation.

Each Owner has a perpetual, non-exclusive ingress and egress easement to their Lot over the Roadways.

11.2. Easements of Encroachment.

Declarant grants easements of encroachment, and for maintenance and use of any permitted encroachment, between each Lot and any adjacent Common Area, between adjacent Lots, and between each Lot and any adjacent Private Amenity. Such easement shall permit encroachment only by a structure, improvement or fixture which has been constructed by Declarant or approved in accordance with Article IV of this Declaration and which is constructed on another's property without the actual intention of encroaching on such property. An encroachment easement shall not exist if the encroachment results from willful and knowing conduct on the part of, or with the knowledge and consent of, the Person claiming the benefit of such easement.

11.3. Easements for Utilities, Etc.

(a) Installation and Maintenance. Declarant reserves for itself, its duly authorized agents, successors and assigns, during the Development and Sale Period, and grants to the Association, subject to Declarant's rights under Section 10.6, perpetual, non-exclusive easements throughout the Community (but not through a structure) to: (i) install utilities and infrastructure to serve the Community, including, without limitation, community well and water storage and distribution systems, sewer and shared septic systems and shared septic drain fields, telephone, electric, gas, irrigation, cable and other systems for sending and receiving data and/or other electronic signals, drainage structures, facilities and systems, and security and similar systems and other Community Systems and Services; (ii) install walkways, pathways and trails, curb cuts, Roadways, shared driveways and other paved areas, street lights, and signage on property which Declarant or the Association owns or within rights-of-way or easements reserved for such purpose (or for the installation of landscaping or utilities) on a Plat; (iii) inspect, maintain, repair, and replace the utilities, infrastructure, and other improvements described above; (iv) access and read utility meters; and (v) for any other purpose in Declarant's sole discretion. The right, license, or easement granted to a utility supplier shall include the non-exclusive right to ingress and egress over any Roadways and shared driveways for access and maintenance of its equipment and facilities.

Declarant reserves the right to deny access to any utility or service provider, to the extent permitted by law, or to condition such access on negotiated terms.

(b) Specific Easements. Declarant also reserves for itself the non-exclusive right and power to record such specific easements anywhere in the Community (except through a structure) as may be necessary or appropriate, in Declarant's sole discretion, to assist in the construction, development and operation of the Community, including but not limited to any Lot, and/or any Private Amenity, and such easements may be granted, transferred or assigned to Declarant, Declarant's Affiliates, Owners, utility providers, the owners or operators of any Private Amenities, and other third parties as deemed necessary or appropriate by Declarant.

(c) Interference. All work associated with the exercise of the easements described in subsections (a) and (b) of this Section shall be performed in such a manner as to minimize, to the extent reasonably practicable, interference with the use and enjoyment of the property burdened by the easement. Upon completion of the work, the Person exercising the easement shall restore the property, to the extent reasonably practicable, to the condition existing prior to the work. The exercise of these easements shall not extend to permitting entry into the structures on any Lot, nor shall it unreasonably interfere with the use of any Lot and, except in an emergency, entry onto any Lot shall be made only after reasonable notice to the Owner or Occupant. Nothing contained herein shall obligate Declarant or the

Association to pursue legal recourse against any Person damaging a Lot or any portion thereof as a result of the exercise of this easement.

11.4. Easements to Serve Additional Property.

Declarant reserves for itself and its duly authorized agents, successors, assigns, and Mortgagees, an easement over the Common Area and Lots for enjoyment, use, access, and development of the property described in Exhibit "B," 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 and Lots for construction of roads and for connecting and installing utilities.

11.5. Easement for Entry.

Declarant grants to the Association an easement and the right, but not the obligation, to enter upon any Lot for emergency, security, and safety reasons. Such easement and right may be exercised by the Association through its officers, directors, committee members, employees, contractors, managers and agents in their capacities as such, and by all emergency personnel in the performance of their duties. Except in an emergency situation, entry shall be only during reasonable hours and after notice to the Owner. This easement includes the right to enter any Lot 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. Entry under this Section shall not constitute a trespass.

11.6. Easements for Maintenance and Enforcement.

(a) Declarant grants to the Association easements over the Community, including each Lot but excluding the interior of any dwelling, as necessary for the Association to (a) perform its maintenance responsibilities under the Governing Documents; and (b) make inspections to ensure compliance with the Governing Documents. Except in emergencies, entry onto a Lot 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.

(b) Declarant grants to the Association an easement and right to enter a Lot, excluding the interior of any dwelling, to abate a Governing Document violation and/or remove any structure, thing or condition which violates the Governing Documents, using such measures as may be reasonably necessary. Any costs incurred, including Legal Costs, may be assessed against the Lot Owner as a Benefited Assessment.

(c) Entry under this Section shall not constitute a trespass, and prior notice to the Owner shall not be required except as provided in Section 7.5(b)(ii).

11.7. Easement for Walking Trail Access.

Subject to the right to designate Limited Common Areas pursuant to Article XIII, Declarant hereby grants to the Owners and Occupants, a perpetual, non-exclusive easement for enjoyment, use and access over and across any areas designated as "walking trails" or "paths" on any recorded subdivision plat of the Community. Use of such walking trails or paths shall be governed by reasonable rules and regulations promulgated by the Association.

11.8. Easements for Maintenance of Bodies of Water and Flooding.

Declarant reserves for itself, the Association, and their successors, assigns, and designees, the nonexclusive right and easement, but not the obligation, to enter upon bodies of water and Wetlands located within the Common Maintenance Areas and the Community to (a) install, operate, maintain, repair, and replace pumps and other equipment to supply irrigation water to the Common Maintenance Areas or any Private Amenity; (b) construct, maintain, repair, and replace structures and equipment used for retaining, detaining, and otherwise controlling water; and (c) maintain such areas in a manner consistent with the Community-Wide Standard and applicable legal requirements. Declarant, the Association, and their successors, assigns, and designees shall have an access easement over and across any portion of the Community to the extent reasonably necessary to exercise their rights under this Section.

Declarant further reserves for itself, the Association, and their successors, assigns and designees, a perpetual, nonexclusive right and easement of access and encroachment over the Common Maintenance Area and Lots (but not inside a dwelling or other structure) adjacent to or within 50 feet of bodies of water and Wetlands within the Community, in order to (a) temporarily flood and back water upon and maintain water over such portions of the Community; (b) alter in any manner and generally maintain the bodies of water and Wetlands within the Common Maintenance Areas; and (c) maintain and landscape the slopes and banks pertaining to such areas. Anyone exercising these easements shall use reasonable care in, and repair any damage resulting from, their intentional exercise of the easements. Nothing herein shall be construed to make Declarant or any other Person liable for damage resulting from flooding due to natural occurrences or for other occurrences not reasonably foreseeable or under the control of Declarant or such other Person.

11.9. Easements for Cross-Drainage.

All portions of the Community shall be burdened with easements for drainage of stormwater runoff from other portions of the Community; provided, however, that no Person other than Declarant shall alter the drainage on any Lot to increase materially the drainage of stormwater onto adjacent portions of the Community without the consent of the Owner(s) of the affected property, the Board, and Declarant during the Development and Sale Period.

11.10. Rights to Stormwater Runoff, Effluent, and Water Reclamation.

Declarant reserves for itself and its designees all rights to ground water, surface water, stormwater runoff, and effluent located or produced within the Community, and each Owner agrees, by acceptance of a deed to a Lot, that Declarant shall retain all such rights. Such rights shall include, without limitation, the reservation of an easement over the Community for access, and for installation and maintenance of facilities and equipment to capture and transport such water, runoff, and effluent.

11.11. Easement for Maintenance of Surface Water and Storm Water Management System.

Declarant and the Association shall have a perpetual, non-exclusive easement over all portions of the surface water and storm water management system for access to operate, maintain, repair, or replace the system. By this easement, Declarant and the Association shall have the right to enter upon any portion of any Lot which is a part of or adjacent to the surface water and storm water management system, at a reasonable time and in a reasonable manner, to operate, maintain, repair, or replace the system as the County or any governmental agency or quasi-governmental body requires or permits. Additionally, Declarant and the Association shall have a perpetual, non-exclusive easement for drainage and maintenance over the entire surface water and storm water management system as necessary for the

operation, maintenance, repair, and replacement of such equipment. No Person other than Declarant shall alter the drainage flow of or over the surface water and storm water management system, including, without limitation, buffer areas or swales, without the Association's prior written approval, and, during the Development and Sale Period, Declarant's prior written consent.

11.12. Sign Easement.

Declarant reserves for itself and the Association an easement (herein referred to as the "Entry, Sign, and Landscape Easement"), over, upon, and across all areas designated as "Landscape Tract," "Signage Tract," "Landscape Area," "Entryway Feature Easement Area or Tract," or "Open Space" or identified by similar designation, on any Plat, for erection, installation, operation, maintenance, repair, and replacement of Community signs, walls, monuments, fencing, decorative improvements, entry features, together with landscaping, lighting, utility, and irrigation facilities. No Owner shall obstruct access to the Entry, Sign, and Landscape Easement, or install or remove any plant or other improvement or installation placed in the Entry, Sign, and Landscape Easement by the beneficiaries thereof, or obstruct the view of the Entry, Sign, and Landscape Easement from the adjacent Roadway right-of-way. All signs, walls, monuments, entry features, landscaping, utility, irrigation and other permanent improvements installed in the Entry, Sign, and Landscape Easement by Declarant shall become the Common Area of the Association upon conveyance from Declarant, and the Association shall maintain such Entry, Sign, and Landscape Easement and the improvements therein as part of the Common Area. In addition, Declarant and any designee of Declarant shall have the right, without the prior approval of the Association or any Owner, within the Entry, Sign, and Landscape Easement, to erect, change, move, remove, repaint, maintain, and otherwise exercise complete and unfettered control over marketing signs at all times during the Development and Sale Period and all such marketing signs shall be and remain the exclusive property of Declarant (or such designee of Declarant) and shall not be deemed part of the Common Area owned by the Association. The designation of an area as a Landscape Tract, Signage Tract, Landscape Area, Entryway Feature Easement Area or Tract, or Open Space shall not be deemed to obligate, or to limit the right of, Declarant or the Association to install or construct any particular improvement or landscaping within such tract or area.

11.13. Easement for Irrigation Equipment.

If there is a master irrigation system for all or any portion of the Community, Declarant and the Association shall have a perpetual, non-exclusive easement over, under and through all exterior portions of each Lot, except any area upon which buildings have been erected by Declarant or otherwise in accordance with Article IV, for the purpose of installing, maintaining, repairing, replacing and operating all irrigation equipment, systems and lines serving all or any portion of the Lots and/or Common Area. The foregoing easement shall not impose any obligation on the Association and/or Declarant to install any such improvements.

11.14. Roadways.

(a) The Roadways shall be owned by the Association as part of the Common Area and shall not be dedicated to the County or to public use by recordation of such Plat. Use of such Roadways and any shared driveways shall be subject to and in accordance with any rights and easements shown on the Plats and such reasonable Use Restrictions and rules as the Association may adopt from time to time consistent with this Declaration, the Plat, and any law, ordinance, or regulation governing the Community. The paved portions of the Roadways may not be constructed or installed in the exact locations as depicted on Plats and may be changed or relocated from time to time.

(b) Declarant hereby reserves unto itself, its agents, employees, successors, and assigns an easement over the Roadways for the purpose of constructing, maintaining, repairing, or rebuilding any

subdivision improvements installed or to be installed in the Community and for performing any other work within the Community (including Lots) which Declarant deems reasonably necessary, in its discretion, or which Declarant is required to perform pursuant to a contract with any Owner or pursuant to the requirements of any government agency having jurisdiction over the Community. With regard to construction on any of the Lots by the Owners thereof, the contractors, subcontractors, laborers, materialmen, and other Persons providing construction services and materials to any such Lots shall have access to such Lots over the Roadways subject to such rules as the Association may adopt; provided, however, that during the Development and Sale Period, Declarant shall have the right to prohibit the use of the Roadways by such Persons and to designate alternate access easements for such Persons.

(c) Declarant hereby creates a perpetual, nonexclusive easement for access, ingress, and egress over the Roadways for Owners, law enforcement, fire fighting, paramedic, rescue, and other emergency vehicles, equipment, and personnel; for school buses; for U.S. Postal Service delivery vehicles and personnel; and for vehicles, equipment, and personnel providing garbage collection service to the Community provided that such easement shall not authorize any such Persons to enter the Community except while acting in their official capacities.

(d) Declarant hereby creates for the Owners and Occupants of each Lot a perpetual, nonexclusive easement for the construction, installation, use and maintenance of private and shared driveways, utility lines, mailboxes, underground trash containers, landscaping, and other improvements (such construction or installation being subject to approval as required under Article IV) over any area depicted on a Plat as a shared driveway serving such Owner's Lot and over any portion of a Roadway right-of-way adjacent to such Lot. Exercise of such easement rights shall be subject to the Governing Documents, including but not limited to, the architectural review rights in Article IV, the maintenance requirements of Section 5.1 and the Common Area easements set forth in Section 11.1.

(e) The existence of this easement shall not preclude the Association from maintaining devices or systems designed to limit general vehicular access to the Community, provided that the Association at all times maintains systems and/or procedures to permit the uncontested entry of Persons authorized to exercise access, ingress and egress easements without unreasonable interference or delay.

11.15. Easement and Rights of Third Parties.

(a) 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 boundaries of the Community, 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.

(b) Owners acknowledge that third parties, including but not limited to Duke Power Company and certain owners of portions of the property described on Exhibit "B" and other property in the vicinity of the Community, may have access and easement rights through the Community by virtue of recorded documents, prescriptive easements, and/or other equitable and legal rights. This provision is not intended to create or grant any right or easement to any third party, and no Person may claim or assert any third party beneficiary rights pursuant to this Section.

11.16. Easement for Special Events.

Declarant reserves, creates, establishes, promulgates and declares for itself, its successors, assigns and designees a perpetual, non-exclusive appurtenant easement over the Common Area for the purpose of conducting or allowing its designees to conduct educational, cultural, entertainment, promotional 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 Lot, 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 Lot 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.

11.17. General Development Easements.

Declarant reserves for itself, its successors or assigns, a blanket easement throughout the entire Community, to allow it to take whatever action it determines is necessary or beneficial to the construction, development or operation of the Community. This blanket easement is to allow Declarant to construct all of its improvements in the Community, whether on Common Area or on Lots, in the manner that it deems necessary. This means that Declarant has access and use of any Lot or Common Area as is necessary to construct any improvement within the Community or any Private Amenity. It also is reserved for the purpose of allowing Declarant, if it deems necessary, to repair, relocate, construct, or maintain any of the improvements installed in the Community.

11.18. Liability for Use of Easements.

No Owner shall have a claim or cause of action against Declarant, any Declarant Affiliate, the Association, their successors or assigns, including without limitation the owner(s) or operator(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 Community, except in cases of willful or wanton misconduct.

11.19. Release and Termination of Easements.

Declarant reserves unto itself the right, in its sole discretion, upon the request of any Person holding, or intending to hold, an interest in the Community, or at any other time, (a) to release all or any portion of the Community from the burden, effect, and encumbrance of any of the easements granted or reserved under this Article; or (b) to define the limits of any such easements. This Article may not be amended without Declarant's consent, and the easements and other rights created in this Article shall survive termination of this Declaration.

Article XII Conservation Easements, Natural Conditions and Preserves

12.1. Conservation Easements.

(a) Establishment of Conservation Easements. The provisions of Chapter 113A, Article 16, North Carolina General Statutes establish the right of the Department of Environment and Natural Resources (the "Easement Grantee"), to accept easements for the preservation of the natural habitat (such easements shall be referred to herein as the "Conservation Easements"). There are no Conservation Easements established by this Declaration; provided, however, that Declarant reserves unto itself and to the Association the right to grant such easements over and upon portions of the Common Area or Lots unto the Easement Grantee pursuant to the provisions of Chapter 113A, Article 16, North Carolina General Statutes. Any Conservation Easements so granted shall be subject to the requirements of Chapter 113A, Article 16, North Carolina General Statutes, and the following provisions. For the purposes of this Declaration, any portion of the Community encumbered by a Conservation Easement shall be referred to as the "Conservation Easement Property."

(b) Purpose. The purpose of a Conservation Easement is to assure that the Conservation Easement Property will be retained forever in its existing natural condition and to prevent any use of the Conservation Easement Property that will impair or interfere with the environmental value of the Conservation Easement Property.

(c) Prohibited Acts and Uses. Any activity on or use of the Conservation Easement Property inconsistent with the purpose of a Conservation Easement is prohibited. Without limiting the generality of the foregoing, the following activities and uses may be expressly prohibited by the terms of any Conservation Agreement:

(i) constructing or placing buildings, roads, signs, billboards, or other advertising, utilities or other structures on or above the ground;

(ii) dumping or placing soil or other substances or material as landfill or dumping or placing of trash, waste or unsightly or offensive materials;

(iii) removing, mowing, trimming or destroying trees, shrubs, or other vegetation;

(iv) excavating, dredging, or removing loam, peat, gravel, soil, rock, or other material substances in such a manner as to affect the surface;

(v) using the surface area of the Conservation Easement Property, except for purposes that permit the land or water area to remain predominantly in its natural condition;

(vi) activities detrimental to drainage, flood control, water conservation, erosion control, soil conservation, or fish and wildlife habitat preservation;

(vii) acting upon or using the Conservation Easement Property in a manner detrimental to such retention of land or water areas;

(viii) acting upon or using the Conservation Easement Property in a manner detrimental to the preservation of the structural integrity or physical appearance of sites or properties of historical, architectural, archaeological, or cultural significance;

(ix) constructing or installing utilities on, below, or above the ground without appropriate local, state, and federal permits or other authorization; and

(x) applying of herbicides, pesticides, or fertilizers.

(d) Reserved Rights. The owner of record title to the Conservation Easement Property reserves unto itself, and its successors and assigns, all rights accruing from its ownership of the Conservation Easement Property, including, without limitation, the right to engage in or permit or invite others to engage in all uses of the Conservation Easement Property that are not expressly prohibited by the terms of any Conservation Easement and are not inconsistent with the purpose of the Conservation Easement.

(e) Rights of Easement Grantee. To accomplish the purposes stated herein, the owner of record title to the Conservation Easement Property shall grant the following rights to the Easement Grantee and Declarant:

(i) to enter upon and inspect the Conservation Easement Property in a reasonable manner and at reasonable times to determine if the Association, the Owners and Declarant or its

successors and assigns are complying with the covenants and prohibitions contained in the Conservation Easement; and

(ii) to proceed at law or in equity to enforce the provisions of the Conservation Easement and the covenants set forth therein, to prevent the occurrence of any of the prohibited activities set forth herein, and require the restoration of areas or features of the Conservation Easement Property that may be damaged by any activity inconsistent with the Conservation Easement.

(f) Acts Beyond Declarant's Control. Nothing contained in any Conservation Easements shall be construed to entitle the Easement Grantee to bring any action against Declarant or the Association for any injury to or change in the Conservation Easement Property resulting from natural causes beyond Declarant's or the Association's control, including, without limitation, fire, flood, storm and earth movement, or from any necessary action taken by Declarant under emergency conditions to prevent, abate, or mitigate significant injury to the Conservation Easement Property or to persons resulting from such causes.

(g) Successors. The covenants, terms, conditions, and restrictions of any Conservation Easements shall be binding upon, and inure to the benefit of, the parties hereto and their respective personal representatives, heirs, successors, and assigns and shall continue as a servitude running in perpetuity with the Conservation Easement Property.

(h) Restrictive Covenants Affecting Conservation Easements. No Owner or other person shall cut, remove, destroy, or otherwise disturb any plant, shrub, tree, or other vegetation within any Conservation Easement Property, nor shall any person, including, but not limited to any Owner, Declarant, and the Association, deposit dirt, fill, grass clippings, trash, rubbish, tree trimmings, building materials, or other waste within such easements without the prior written consent (as evidenced by any required permit or other official certification) of the Association or Declarant.

12.2. Natural Conditions.

(a) The Community may contain a number of manmade, natural, and environmentally sensitive areas that may serve as habitats for a variety of native plants and wildlife, including, without limitation, insects, venomous and non-venomous snakes and other reptiles, bears, deer, raccoons, opossums, and other animals, some of which may pose hazards to persons or pets coming in contact with them. Each Owner and Occupant of any Lot, and every Person entering the Community: (i) acknowledges that such plants and wildlife are indigenous to the area and are not restrained or restricted in their movements within or through the Community; and (ii) assumes all risk of personal injury arising from the presence of such plants and wildlife within the Community. Neither the Association, Declarant, any predecessor Declarant, any builder, nor the members, partners, affiliates, officers, directors, shareholders, attorneys, agents, or employees of any of the foregoing, shall have any duty to take action to control, remove, or eradicate any plant or wildlife in the Community, nor shall they have any liability for any injury resulting from the presence, movement, or propagation of any plant or wildlife within or through the Community.

(b) Declarant, acting in its sole and absolute discretion, retains the right, but not the obligation, to engage in wildlife and fishery management plans and practices within the Community to the extent that such practices are permitted by applicable state and federal law. For the purpose of illustration and not limitation, this includes the right to manage and control any populations of wildlife through a variety of techniques. Declarant may, in its discretion, commission environmental studies and reports relating to the Community and the wildlife habitats located thereon, and may elect to follow or disregard

any recommendations resulting from such studies. Declarant may assign these management rights to the Association in which event the expenses of such activities shall be funded by Regular Assessments.

(c) From time to time, certain portions of the Community may be designated as "Buffer Areas" by Declarant, the Board, the County, and other Governmental Authorities. Currently, all property located within 30 feet of a stream or within 30 feet of the Lake are designated as "Buffer Areas." Unless otherwise approved in writing by Declarant or designated by the Board, the County and any other governmental authorities having jurisdiction, the Buffer Areas shall be maintained in their natural state in perpetuity. No Owner or Occupant, or any other Person acting, or purporting to act, on behalf of any Owner, or for whom any Owner shall be responsible pursuant to this Declaration, shall disturb the natural environment of the Buffer Areas in any way without first obtaining the written consent of the Board properly approved by the adoption of a resolution describing in detail the exact activities to be conducted within the Buffer Areas, the times and dates when such activities are authorized to occur, and the identities of the Persons who are authorized to so act, together with the written consent of Declarant and any governmental authority having jurisdiction over the proposed activity

This restrictive covenant is intended in the broadest sense, and includes, but is not limited to, trimming, cutting, or mowing grass, shrubs, trees or other plants; placing grass clippings, landscape debris, household trash or other materials; storing materials, equipment, vehicles, boats, motor homes, trailers, or other items; erecting children's playhouses, tree houses, swings, or other permanent or temporary improvements; planting trees, shrubs, grass, or ground cover; releasing birds, snakes, reptiles, insects, or other animals; grading or excavating; cultivating or gardening; or dumping or removing dirt, sand, rocks, gravel, or other inorganic or organic material on any part of a Buffer Area.

Any Owner who violates the foregoing restrictive covenants shall be responsible for the cost of restoring the affected Buffer Area to the satisfaction of the Association, Declarant, and any governmental authority having jurisdiction thereof, and the Association shall have the right to prohibit the offending party from further use or enjoyment of the Buffer Areas after prior notice and hearing before the Board.

(d) Areas within the Community include various conditions that may affect construction, including but not limited to, steep mountain slopes, rock outcroppings, and unstable or expansive soil conditions. In addition, the Community may be subject to rock and mud slides from time to time. These conditions may necessitate the use of special construction techniques to build on or use Lots. Owners are encouraged to seek professional advice and assistance prior to the commencement of construction on any Lot. The topography and weather conditions may, from time to time, affect access and the availability of facilities, services, utilities, and fire and police protection.

Article XIII Limited Common Areas

13.1. Purpose.

Certain portions of the Common Area may be designated as Limited Common Area and reserved for the exclusive use or primary benefit of Owners and Occupants of one or more, but less than all, Lots. By way of illustration and not limitation, Limited Common Areas may include entry features, recreational facilities, landscaped medians and cul-de-sacs, Roadways and shared driveways, and other portions of the Common Area primarily serving a limited area. All costs associated with ownership, maintenance, repair, replacement, management, operation and insurance of a Limited Common Area shall be a Limited Common Expense allocated in accordance with Section 8.1(b) among the Lots in the Service Area to which the Limited Common Area is assigned.

13.2. Designation.

Limited Common Areas may be designated as such in the deed conveying such areas to the Association, in any Supplemental Declaration, or on the Plat relating to such Common Area; however, any such assignment shall not preclude Declarant from later assigning use of the same Limited Common Area to additional Lots during the Development and Sale Period.

Thereafter, a portion of the Common Area may be assigned as Limited Common Area upon approval of (a) the Board, (b) Members representing a majority of the total Class "A" votes in the Association, and (c) Members entitled to cast a majority of the Class "A" votes attributable to Lots to which the Limited Common Area is proposed to be assigned or reassigned. During the Development and Sale Period, any such assignment or reassignment shall also require Declarant's written consent.

13.3. Use by Others.

Upon approval of a majority of Owners of Lots to which any Limited Common Area is assigned, and subject to such restrictions as such Owners may impose, the Association may permit Owners of other Lots to use all or a portion of such Limited Common Area upon payment of reasonable user fees, which fees shall be used to offset the Limited Common Expenses attributable to such Limited Common Area. During the Development and Sale Period, any such use shall also require Declarant's written consent.

Article XIV Party Walls and Other Shared Structures

14.1. General Rules of Law to Apply.

Each wall, fence, driveway, or similar structure built as a part of the original construction on the Lots that serves any two adjoining Lots shall constitute a party structure. For the purposes of this Article, any fence that serves to enclose only one Lot or which is otherwise installed at the option of the Owner of a Lot shall not be deemed 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 to party structures. Any dispute arising concerning a party structure shall be handled in accordance with any applicable provisions of Article XV.

14.2. Maintenance; Damage and Destruction.

Unless otherwise specifically provided in additional covenants relating to such Lots, the Owners sharing the party structure shall share equally in the cost of necessary or appropriate party structure repairs and maintenance; provided, however, that painting and other aesthetic modifications visible only to one side of the structure shall be the responsibility of the Lot Owner with such visibility.

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 sharing the structure may restore it and be entitled to contribution for the restoration cost in equal proportions from other sharing owners. 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. The Owner of each Lot is granted an easement over the adjacent Lot as necessary to make repairs and restore the Lot.

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.

Article XV Dispute Resolution**15.1. Dispute Resolution.**

It is the intent of the Association and Declarant to encourage the amicable resolution of disputes involving the Community and to avoid the emotional and financial costs of litigation if at all possible. Accordingly, the Association, Declarant and each Owner covenants and agrees that it shall attempt to resolve all claims, grievances or disputes involving the Community, including, without limitation, claims, grievances or disputes arising out of or relating to the interpretation, application or enforcement of the Governing Documents 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.

15.2. Initiation of Litigation by Association.

To the fullest extent permitted by law, after the Class "B" Control Period, the Association shall not initiate any judicial or administrative proceeding, which is reasonably expected to cost \$25,000.00 or more in legal fees to prosecute to completion, unless first approved by the Board upon the specific recommendation of the Dispute Resolution Committee (if created as provided in the By-Laws), or a majority of the Class "A" votes in the Association. If Voting Delegates have been elected, a Voting Delegate shall not vote in favor of bringing or prosecuting any such proceeding unless authorized to do so by a vote of Owners holding 80% of the total votes attributable to Lots in the Service Area represented by the Voting Delegate. The Dispute Resolution Committee's recommendation must be in writing and must be accompanied by a feasibility analysis including an explanation of the issues, a budget for legal and related expenses, the amount in controversy, the expectation of success, and a copy of bids from a minimum of three qualified law firms.

Article XVI Mortgagee Provisions

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

16.1. Notices of Action.

An institutional holder, insurer, or guarantor of a first Mortgage which 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 Lot 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 Community or which affects any Lot 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 Lot 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 Governing Documents relating to such Lot or the Owner or Occupant which is not cured within 60 days;

- (c) Any lapse, cancellation, or material modification of any Association insurance policy;
- (d) Any proposed action which would require the consent of a specified percentage of Eligible Holders; or
- (e) If HUD is insuring or VA is guaranteeing the Mortgage on any Lot, material amendment to the Governing Documents or extraordinary action of the Association, as defined under VA Pamphlet 26-7, as it may be amended or superceded.

Otherwise, no consent from Eligible Holders shall be necessary to enable the Association to accomplish any of its operational duties and responsibilities or to exercise any of its rights.

16.2. Special FHLMC Provision.

To the extent required by the Federal Home Loan Mortgage Corporation, the following provisions apply in addition to and not in lieu of the foregoing. Unless at least 67% of the first Mortgagees or Class "A" Members representing at least 67% of the total Association vote consent, the Association shall not:

- (a) By act or omission seek to abandon, partition, subdivide, encumber, sell, or transfer all or any portion of the real property comprising the Common Area which the Association owns, directly or indirectly (the granting of easements for utilities or other similar purposes consistent with the intended use of the Common Area shall not be deemed a transfer within the meaning of this subsection);
- (b) Change the method of determining the obligations, assessments, dues, or other charges which may be levied against an Owner of a Lot (any decision or action in accordance with the provisions of this Declaration or any Supplemental Declaration subsequently recorded on any portion of the Community resulting in the levy of Service Area Assessments shall not be subject to this provision);
- (c) By act or omission change, waive, or abandon any scheme of regulations or enforcement pertaining to architectural design, exterior appearance or maintenance of Lots and the Common Area (the issuance and amendment of architectural standards, procedures, rules and regulations, or use restrictions shall not constitute a change, waiver, or abandonment within the meaning of this provision);
- (d) Fail to maintain insurance, as required by this Declaration; or
- (e) Use hazard insurance proceeds for any Common Area losses for other than the repair, replacement, or reconstruction of such property.

First Mortgagees may, jointly or singly, pay taxes or other charges which are in default and which may or have become a charge against the Common Area and may pay overdue premiums on casualty insurance policies or secure new casualty insurance coverage upon the lapse of an Association policy, and first Mortgagees making such payments shall be entitled to immediate reimbursement from the Association.

16.3. Other Provisions for First Lien Holders.

To the extent not inconsistent with applicable law and in addition to the provisions in this Declaration:

(a) Any restoration or repair of the Community after a partial condemnation or damage due to an insurable hazard shall be performed substantially in accordance with this Declaration and the original plans and specifications, unless the approval is obtained of the Eligible Holders of first Mortgages on Lots to which more than 50% of the votes of Lots subject to Mortgages held by such Eligible Holders are allocated.

(b) Any election to terminate the Association after substantial destruction or a substantial taking in condemnation shall require the approval of the Eligible Holders of first Mortgages on Lots to which more than 50% of the votes of Lots subject to Mortgages held by such Eligible Holders are allocated.

16.4. Construction of Article XVI.

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

16.5. 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 Lot in the case of distribution to such Owner of insurance proceeds or condemnation awards for losses to or a taking of the Common Area.

16.6. 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 the Owner's Lot.

16.7. Failure of Mortgagee to Respond.

Any Mortgagee (and for purposes of this paragraph "Mortgagee" shall include FHA, VA, HUD, FNMA, FHLMC, or other similar governmental or quasi-governmental agency) who receives a written request from the Board to respond to or consent to any action, shall be conclusively deemed to have irrevocably 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 mail, return receipt requested; or overnight delivery by a nationally recognized courier that provides tracking and receipt services; or personal delivery.

Article XVII Disclosures and Waivers

17.1. No Liability For Third Party Acts.

Owners and Occupants of Lots are responsible for their own personal safety and for their property in the Community. The Association may, but is not obligated to, maintain or support certain activities within the Community which are intended to promote or enhance safety or security within the Community.

No representation or warranty is made that any systems or measures, including, without limitation, fire protection, burglar alarm, or other security monitoring systems, (or mechanism or system for limiting access to the Community, if any), cannot be compromised or circumvented, nor that any such systems or measures undertaken will prevent loss or provide the detection or protection for which the system is designed or intended. Each Owner acknowledges, understands, and shall be responsible for informing the Occupants of its Lot that the Association, the Board, its officers and its committees, Declarant, any Declarant Affiliate, and any predecessor Declarant are not insurers or guarantors of security or safety and that each Person within the Community assumes all risks of personal injury and loss or damage to property, including Lots and the contents of Lots, resulting from acts of third parties. Each Owner on behalf of itself and the Occupants of its Lot agrees to release and discharge the Association, the Board, its officers and its committees, Declarant, any Declarant Affiliate, and any predecessor Declarant from and against any and all losses, damages (compensatory, consequential, punitive, or otherwise), injuries, or deaths and expenses of whatever nature or kind, including, without limitation, Legal Costs arising by reason of failure to provide adequate security or ineffectiveness of security measures undertaken.

Any mechanism or system for limiting access to the Community may, at Declarant's discretion, be left open or unattended, from time to time or at any time, to facilitate access by contractors, subcontractors, inspectors, brokers, salespersons and others to any sales office and/or Lots that are under construction or for sale. In addition, the boundaries of the Community will not be enclosed by perimeter fencing.

Declarant or the owner or operator of the Club may, but shall not be obligated to, employ or retain, at Declarant's or the Club's sole cost and expense, a person or persons to staff a greeter's cottage or gatehouse located at the entrance to the Community and perform such functions on its behalf as Declarant or the Club, in their discretion, deem appropriate, including, but not limited to, facilitating access by contractors, subcontractors, inspectors, brokers, and salespersons, and others to any sales office and/or Lots that are under construction or for sale. Any such person employed or retained by Declarant or the Club shall under no circumstances be responsible for the security or safety of any persons or property within the Community, nor shall the Association or any Owner or Occupant of the Community be authorized to direct or request favors of any such person. Neither Declarant, the Club nor the Association shall have any obligation to staff any greeter's cottage or gatehouse.

17.2. View Impairment.

Neither Declarant, any Declarant Affiliate, nor the Association guarantee or represent that any view over and across the Lots, any open space or Common Area, the Lake, or any other portion of the Community will be preserved without impairment. Neither Declarant, any Declarant Affiliate nor the Association shall be obligated to relocate, prune, or thin trees or other landscaping. The Association (with respect to the Common Area), Declarant and Declarants Affiliates have the right to relocate, prune, thin, or add trees and other landscaping and improvements from time to time subject to applicable law. Any express or implied easements for view purposes or for the passage of light and air are hereby expressly disclaimed.

17.3. Notices and Disclaimers as to Community Systems and Services.

In recognition of the fact that interruptions in satellite and/or cable television and other Community Systems and Services will occur from time to time, neither Declarant, any predecessor Declarant, nor any of Declarant's successors or assigns (or their Affiliates) shall in any manner be liable for, and no Community System and Service user shall be entitled to refund, rebate, discount, or offset in applicable fees, for any interruption in Community Systems and Services, regardless of whether or not

such interruption is caused by reasons within the service provider's control. Declarant shall be entitled to retain any rebate, discount, or other compensation received from the provider of any Community Systems and Services in connection with the installation or operation of such system.

17.4. Construction Activities.

All Owners and Occupants are hereby placed on notice that Declarant, any Declarant Affiliate, and/or their agents, contractors, subcontractors, licensees, and other designees, successors, or assigns, as well as other Owners shall continue, from time to time, to conduct construction activities, which may include, but shall not be limited to, use of explosives, within and/or adjacent to the Community. By the acceptance of a deed or other conveyance or mortgage, leasehold, license, or other interest, and/or by using any portion of a Lot or the Community generally, Owners and Occupants acknowledge, stipulate, and agree: (a) that such activities shall not be deemed nuisances, or noxious or offensive activities, under any applicable covenants or at law generally; (b) not to enter upon, or allow their children or other Persons under their control or direction to enter upon (regardless of whether such entry is a trespass or otherwise), any property within or in proximity to the Lot or any other portion of the Community where such activities are being conducted (even if not being actively conducted at the time of entry, such as at night or otherwise during non-working hours); (c) to release and discharge Declarant, any Declarant Affiliate, any predecessor Declarant, and all of their agents, contractors, subcontractors, licensees, and other designees, successors, and assigns, from and against any and all losses, claims, damages (compensatory, consequential, punitive, or otherwise), injuries, or deaths and expenses of whatever nature or kind, including, without limitation, Legal Costs arising from or relating to any breach of this covenant; (d) that any purchase or use of any portion of a Lot has been and will be made with full knowledge of the foregoing; and (e) this acknowledgment and agreement is a material inducement to Declarant and its Affiliates to sell, convey, lease, and/or allow the use of Lots within the Community.

17.5. Water Management.

Each Owner acknowledges and agrees that some or all of the water features, including but not limited to ponds, streams, the Lake, and Wetlands in or adjacent to the Community may be designed as water management areas and are not designed solely as aesthetic features. Due to fluctuations in water elevations within the immediate area, water levels will rise and fall. Each Owner further acknowledges and agrees that neither the Association nor Declarant has, and neither is obligated to exert, control over such elevations. Therefore, each Owner agrees to, and does by purchase of a Lot, release and discharge Declarant, Declarant's Affiliates, any predecessor Declarant, and the Association from and against any and all losses, claims, damages (compensatory, consequential, punitive, or otherwise), injuries, or deaths, and expenses of whatever nature or kind, including, without limitation, Legal Costs, related to or arising out of any claim relating to such fluctuations in water elevations. Owners shall not alter, modify, expand, fill, or otherwise adversely affect any water features, Wetlands or waterways located within or in the vicinity of the Community without the prior written approval of Declarant and any local, state, or federal regulatory or permitting authorities as may have relevant jurisdiction over such matters.

17.6. Lakes and Other Water Bodies.

Each Owner acknowledges, understands and covenants to inform all Occupants of its Lot that the Lake, Lake water levels, and the lakeshore surrounding the Lake between the waterfront boundary of Lots as shown on Plats and the waterline of the Lake, is owned, controlled, and/or maintained by Duke Power Company and that any decision concerning use of the Lake and such area shall be made in the discretion of Duke Power Company. Each Person using the Lake shall do so only as permitted under the Lake Use Restrictions and applicable governmental laws, ordinances, rules and regulations. Neither the Association, Declarant, nor any Declarant Affiliate makes any guarantee that the Owners will have any

rights to use the Lake. Provisions in this Declaration referencing use of the Lake shall not be construed or interpreted as representations that the Owners are or will be granted access to and use rights over the Lake.

Each Owner, by the acceptance of title to a Lot, acknowledges that owning property adjacent to the Lake has benefits as well as detriments and that the detriments may include, but are not limited to: (a) disturbance and loss of privacy resulting from use by third parties of the Lake and that portion of the lakeshore that is owned by Duke Power Company; (b) the risk of damage or injury as described more fully below; and (c) view restrictions caused by maturation of trees and shrubbery. Neither Declarant, Declarant's Affiliates, the Club, the Association or Duke Power Company shall have any obligation to take steps to remove or alleviate any such risks or detriments.

DECLARANT AND THE ASSOCIATION SHALL NOT BE OBLIGATED TO PROVIDE SUPERVISORY PERSONNEL, INCLUDING, BUT NOT LIMITED TO, LIFEGUARDS, FOR THE LAKE OR ANY OTHER WATERWAYS. ANY INDIVIDUAL USING THE LAKE OR ANY OTHER WATERWAYS SHALL DO SO AT HIS/HER OWN RISK AND HEREBY HOLDS DECLARANT, ANY PREDECESSOR DECLARANT, ANY DECLARANT AFFILIATE, AND THE ASSOCIATION HARMLESS FROM AND AGAINST ANY CLAIM OR LOSS ARISING FROM SUCH USE.

EACH OWNER, BY THE ACCEPTANCE OF TITLE TO A LOT, ACKNOWLEDGES THAT THE LAKE AND OTHER WATERWAYS ARE DEEP AND DANGEROUS. NEITHER DECLARANT, ANY PREDECESSOR DECLARANT, DECLARANT'S AFFILIATES, THE ASSOCIATION NOR ANY OF THEIR RESPECTIVE OFFICERS, DIRECTORS, COMMITTEE MEMBERS, EMPLOYEES, MANAGEMENT AGENTS, CONTRACTORS OR SUBCONTRACTORS (COLLECTIVELY, THE "LISTED PARTIES"), SHALL BE LIABLE OR RESPONSIBLE FOR MAINTAINING OR ASSURING THE SAFETY, WATER QUALITY OR WATER LEVEL OF/IN THE LAKE OR ANY WATERWAY WITHIN THE COMMUNITY, EXCEPT AS SUCH RESPONSIBILITY MAY BE SPECIFICALLY IMPOSED BY, OR CONTRACTED WITH, AN APPLICABLE GOVERNMENTAL OR QUASI-GOVERNMENTAL AGENCY OR AUTHORITY. FURTHER, NONE OF THE LISTED PARTIES SHALL BE LIABLE FOR ANY AND ALL LOSSES, CLAIMS, DAMAGES (COMPENSATORY, CONSEQUENTIAL, PUNITIVE, OR OTHERWISE), INJURIES, OR DEATHS, AND EXPENSES OF WHATEVER NATURE OR KIND, INCLUDING, WITHOUT LIMITATION, LEGAL COSTS, OCCURRING IN, OR OTHERWISE RELATED TO THE LAKE OR ANY WATER BODY, ALL PERSONS USING SAME DO SO AT THEIR OWN RISK. ALL OWNERS AND USERS OF ANY PORTION OF THE COMMUNITY SHALL BE DEEMED, BY VIRTUE OF THEIR ACCEPTANCE OF THE DEED TO OR USE OF, SUCH PROPERTY, TO HAVE AGREED TO RELEASE THE LISTED PARTIES FROM ALL CLAIMS FOR ANY AND ALL CHANGES IN THE QUALITY AND LEVEL OF THE WATER IN THE LAKE OR OTHER WATER BODIES. ALL PERSONS ARE HEREBY NOTIFIED THAT FROM TIME TO TIME WILDLIFE MAY HABITATE OR ENTER INTO THE LAKE OR WATER BODIES WITHIN OR NEARBY THE COMMUNITY AND MAY POSE A THREAT TO PERSONS, PETS AND PROPERTY, BUT THAT THE LISTED PARTIES ARE UNDER NO DUTY TO PROTECT AGAINST, AND DO NOT IN ANY MANNER WARRANT OR INSURE AGAINST, ANY DEATH, INJURY OR DAMAGE CAUSED BY SUCH WILDLIFE.

17.7. Buffer Areas.

BECAUSE THE BUFFER AREAS AND OTHER NATURAL AREAS ARE TO BE RETAINED IN THEIR NATURAL STATE, SUCH AREAS SHOULD BE CONSIDERED HAZARDOUS FOR RECREATIONAL ACTIVITIES.

NEITHER THE ASSOCIATION, NOR DECLARANT, NOR ANY OF THEIR AFFILIATES, HAS ANY OBLIGATION TO PROVIDE SECURITY OR SUPERVISION FOR ANY PERSON USING A BUFFER AREA OR ANY OTHER NATURAL AREA, AND ALL PERSONS USING SUCH AREAS DO SO AT THEIR OWN RISK.

INSECTS, SNAKES, AND ANIMALS THAT MAY BE DANGEROUS TO HUMANS MAY INHABIT THE BUFFER AND OTHER NATURAL AREAS.

OWNERS SHOULD NOT ALLOW CHILDREN OR PETS TO ENTER ANY BUFFER OR OTHER NATURAL AREA WITHOUT ADULT SUPERVISION.

NEITHER THE ASSOCIATION NOR DECLARANT, DECLARANT'S AFFILIATES, NOR ANY PREDECESSOR DECLARANT SHALL HAVE ANY LIABILITY WHATSOEVER FOR ANY CONDITION OF A BUFFER OR OTHER NATURAL AREA OR ANY INJURY OR DEATH OCCURRING THEREON.

THE ASSOCIATION SHALL HAVE THE RIGHT TO IMPOSE ADDITIONAL RULES AND REGULATIONS GOVERNING THE USE OF BUFFER AND OTHER NATURAL AREAS.

IF ANY BUFFER AREA OR OTHER NATURAL AREA, OR THE TREES OR VEGETATION THEREON, ARE DAMAGED OR DESTROYED BY FIRE, WINDSTORM, FLOOD, DISEASE, OR OTHER NATURAL OR MANMADE EVENT, NEITHER THE ASSOCIATION, NOR DECLARANT, NOR ANY DECLARANT AFFILIATE, SHALL HAVE ANY OBLIGATION TO REPAIR OR RESTORE THE DAMAGE OR DESTRUCTION, OR TO REMOVE ANY DEAD OR DAMAGED TREES OR OTHER VEGETATION.

17.8. Utility Lines.

Each Owner on behalf of such Owner and the Occupants of such Owner's Lot acknowledges that neither the Association, the Board, Declarant, any predecessor Declarant, nor any Declarant Affiliate shall in any way be considered insurers or guarantors of health within the Community and neither the Association, the Board, Declarant, any predecessor Declarant, nor any Declarant Affiliate shall be held liable for any and all losses, claims, damages (compensatory, consequential, punitive, or otherwise), injuries, or deaths, or expenses of whatever nature or kind, including, without limitation, Legal Costs, caused by or related to the presence or malfunction of utility lines or utility sub-stations adjacent to, near, over, or on the Community. Each Owner and Occupant assumes all such risks arising from the presence of utility lines, utility sub-stations or other utility facilities and further acknowledges that neither the Association, Declarant, any predecessor Declarant, nor any Declarant Affiliate have made any representations or warranties, nor has any Owner or Occupant relied upon any representations or warranties, expressed or implied, relative to the condition or impact of utility lines or utility sub-stations.

17.9. Trails.

Declarant reserves for itself, its successors and assigns, and the Association, the right to designate certain areas within the Community, including the Common Area, to be used as recreational pathways and trails ("trail system"). Use of the trail system shall be subject to the reasonable rules and regulations of the Association. Any individual using the trail system shall do so at his/her own risk. Each Owner acknowledges, understands and covenants to inform the Occupants of such Owner's Lot, that the Community may contain a trail system and that there may be certain inconveniences and loss of privacy associated with the ownership of Lots adjacent to such trail system resulting from the use of the trail

system by Declarant, Declarant's Affiliates, the Association, its Members, Occupants of Lots, and their respective invitees.

17.10. Liability for Association Operations.

The Association shall, to the fullest extent permitted by law, indemnify, defend, and hold harmless Declarant and any predecessor Declarant (including, without limitation, their respective Affiliates, successors, and assigns) from and against any and all losses, claims, demands, damages, costs, and expenses of whatever kind or nature (including, without limitation, Legal Costs), which relate to or arise out of Association management and operations, including, without limitation, improvement, maintenance, and operation of amenities and other portions of the Common Maintenance Areas and the collection of assessments.

Article XVIII Private Amenities

18.1. General.

Private Amenities shall not be a portion of the Common Area, and neither membership in the Association nor ownership or occupancy of a Lot shall confer any ownership interest in or easement or other rights 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 and operators of the Private Amenities. The owners and operators of the Private Amenities shall have the right, from time to time in their 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 cease operation of any or all of the facilities; and to reserve use rights; and to terminate use rights altogether, subject to the terms of any written agreements.

In furtherance, and not in limitation of the foregoing, privileges to use the Private Amenities shall be subject to the terms and conditions of the membership documents for the Club, as the same may be amended from time to time (the "Membership Plan Documents"). Acquisition of a membership in the Club requires the payment of a membership purchase price called a membership contribution or membership deposit, and membership dues, fees and charges. These amounts shall be determined by Declarant and/or the Club as set forth in the Membership Plan Documents for the Club.

Any entry upon a Private Amenity without permission of the Owner may be deemed a trespass, and each Owner shall refrain from, and shall cause all Occupants of such Owner's Lot to refrain from, any unauthorized entry upon any Private Amenity.

18.2. Conveyance of Private Amenities.

All Persons, including all Owners, are hereby advised that no representations or warranties have been or are made by Declarant, Declarant's Affiliates, 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 owner or operator of the Private Amenity. Further, the ownership or operation of the Private Amenities may change at any time by virtue of, but without limitation, the sale to or assumption of operations of any Private Amenity by a Person other than the current owner or operator. No consent of the Association, any Service Area

Association, any Voting Delegate, 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.

18.3. View Impairment.

Neither Declarant, any Declarant Affiliate, the Association, nor the owner or operator of any Private Amenity, guarantees or represents that any view of, over and across any Private Amenity from Lots will be preserved without impairment. The owners or operators of any Private Amenity shall have no obligation to prune or thin trees or other landscaping, and shall have the right, in their discretion, to add trees and other landscaping and/or to install improvements or barriers (both natural and artificial) to the Private Amenities from time to time. In addition, the owner or operator of any Private Amenity which includes a golf course may, in its discretion, change the location, configuration, size and elevation of the trees, landscaping, bunkers, fairways and greens, improvements and barriers (both natural and artificial) from time to time. Any such additions or changes may diminish or obstruct any view from the Lots and any express or implied easements for view purposes or for the passage of light and air are hereby expressly disclaimed. Each Owner, by acceptance of a deed, acknowledges that any view of, over or across, a Private Amenity which the Lot may enjoy as of the date of the purchase of the Lot may be impaired or obstructed by the natural growth of existing landscaping, the installation of additional trees, other landscaping or other types of improvements or barriers (both natural and artificial) on the Private Amenity. Neither Declarant, any predecessor Declarant, Declarant's Affiliates, the Association or the owner or operator of the Private Amenity shall have any liability to any Owner as a result of any such modifications to a Private Amenity.

18.4. Golf Course.

By acceptance of a deed to any Lot, each Owner acknowledges and agrees that owning property adjacent to a golf course has benefits as well as detriments and that the detriments include, without limitations: (a) the risk of damage to property or injury to persons and animals from golf balls which are hit onto an Owner's Lot or other portion of the Community or arising from the design, construction, operation, maintenance and/or use of the golf course; (b) the entry by golfers onto an Owner's Lot or other portion of the Community utilized by the golfer to retrieve golf balls and/or other acts or omissions of persons using the golf course; (c) noise from golfers, spectators and special events; (d) overspray of herbicides, fungicides, pesticides, fertilizers and water in connection with the maintenance of the roughs, fairways and greens on the golf course; (e) 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; (f) odors arising from irrigation and fertilization of the turf situated on the golf course; (g) disturbance and loss of privacy resulting from motorized golf car traffic, golfers and golf course maintenance personnel; (h) artificial light illuminating from any facilities; (i) the existence of water hazards and/or ponds on the golf course; and (j) view restrictions caused by maturation of trees and shrubbery. 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. Neither Declarant, Declarant's Affiliates, the Club, the Association or the owner or operator of any Private Amenity shall have any obligation to take steps to remove or alleviate any such risks or detriments.

Each Owner on behalf of such Owner and the Occupants of such Owner's Lot hereby assumes such risks of owning property adjacent to a golf course and forever waives and relinquishes, and agrees not to institute any action or suit at law or in equity nor to institute or prosecute, any claim, demand or compensation against Declarant, any predecessor Declarant, or any Declarant Affiliate; the Association or

its Members (in their capacity as such); the owner(s) or operator(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; any officer, director, member, manager, or partner of any of the foregoing, or any officer, director, member or manager of any partner of the foregoing for or on account of any damages, loss, or injury either to person or property, or both, resulting directly or indirectly from the design, construction, operation, maintenance and/or use of the golf course. Each Owner hereby agrees to take any necessary steps to maintain adequate hazard and other insurance policies to protect such Owner and the Occupants of such Owner's Lot against all such risks associated with the golf course. Each Owner hereby agrees to indemnify and hold harmless all of the above-named Persons against any and all claims by the Occupants of such Owner's Lot.

18.5. Open Space Disclosure.

Notwithstanding the fact that any golf course or other Private Amenity located adjacent to the Community may constitute open space or a recreation area for purposes of applicable zoning ordinances and regulations, each Owner by acquisition of title to a Lot releases and discharges forever Declarant, any predecessor Declarant, and Declarant's Affiliates, the Association and its Members (in their capacity as such); the owner(s) and operator(s) of the Private Amenities and their successors, successors-in-title, or assigns; any builder or contractor (in their capacities as such); the golf course designer or builder; any officer, director, member, manager, or partner of any of the foregoing, or any officer, director, member or manager of any partner of the foregoing from: (1) any claim that such Private Amenity is, or must be, owned and/or operated by the Association or the Owners; and/or (2) any claim that the Owners are entitled to use any such Private Amenity by virtue of their ownership of a Lot without complying with the terms and conditions adopted by the owner of such Private Amenity.

Each Owner and the Association shall jointly and severally indemnify, defend, and hold harmless the above-named Persons, against and in respect of, and shall reimburse the above-named Persons on demand for, any and all claims, demands, losses, costs, expenses, obligation, liabilities, damages, recoveries, and deficiencies, including, but not limited to, interest, penalties, attorneys fees and disbursements (even if incident to any appeals), that any of the above-named Persons shall incur or suffer, which arise out of, result from, or relate to any claim that because a Private Amenity is deemed to be open space or a recreation area for purposes of applicable zoning ordinances and regulations, such Private Amenity must be owned and/or operated by the Association or the Owners and/or that Owner may use the Private Amenity without complying with the terms and conditions adopted by the owner of such golf course.

18.6. Easements for Private Amenities.

Declarant reserves, creates, establishes, promulgates and declares for the owners and operators of any Private Amenity and their respective invitees and designees the following non-exclusive, perpetual, reciprocal, appurtenant easements which shall benefit each Private Amenity:

(a) All portions of the Community, including but not limited to Lots, that are adjacent to any Private Amenity are burdened with an easement for the purpose of doing every act necessary and proper to the playing of golf on a Private Amenity which shall include, but not be limited to, permitting golf balls unintentionally to come upon such property and for golfers at reasonable times and in a reasonable manner to come upon the exterior portions of such property to retrieve errant golf balls; provided however, if any Lot 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 a Private Amenity, including but not limited to, any errant golf balls

or the exercise of this easement: Declarant or Declarant's Affiliates; the Association or its Members (in their capacity as such); the owner(s) or operator(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; any officer, director, member, manager, or partner of any of the foregoing; or any officer, director, member or manager of any partner of any of the foregoing.

(b) Declarant hereby reserves for itself, its successors and assigns and the owner(s) and operator(s) of any Private Amenities over, across and upon each and every Lot that abuts a Private Amenity, a 10 foot easement, as measured from the boundary line of the Lot that separates such Lot from such Private Amenity to a line running parallel thereto being located 10 feet into the interior of such Lot. Such easement may be used for the purposes of operation and maintenance of such Private Amenity, including, without limitation, installation and maintenance of cart paths and for overspray of water from the irrigation system serving the Private Amenities. By way of example and not limitation, such easement shall be for the purpose of authorizing entry onto such portions of the Lot 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 inches in diameter. Under no circumstances shall the Association or the owner(s) or operator(s) of the Private Amenities be held liable for any damage or injury resulting from such maintenance, landscaping, overspray or other exercise of this easement.

(c) There is hereby established for the benefit of the owner or operator of any of the Private Amenities and their members (regardless of whether such members are Owners hereunder) and designees, a right and nonexclusive easement of access and use over all Roadways and shared driveways located within the Community reasonably necessary to travel between the entrance to the Community and the Private Amenities and over those portions of the Community (whether Common Area or otherwise) reasonably necessary to the use, operation, maintenance, repair, and replacement of the Private Amenities. The owners and operators of the Private Amenities and their designees shall have the right to be admitted through any gate or other measure designed to limit access, and over all such Roadways and shared driveways, after receipt of clearance from the Private Amenity, without the payment of a fee or charge for ingress or egress, provided that the number of such persons permitted entrance to the Community at any one time may be limited or otherwise restricted to the reasonable number of parking spaces available at the Private Amenity in order to avoid congestion and the unauthorized parking of vehicles.

18.7. Use Restrictions.

Upon request of the owner or operator 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.

18.8. Limitations on Amendments.

In recognition of the fact that the provisions of this Article are for the benefit of the Private Amenities, no amendment to this Article, and no amendment in derogation of any other provisions of this Declaration benefiting any Private Amenity, may be made without the written approval of the owner(s) of the affected Private Amenity. The foregoing shall not apply to amendments made by Declarant. Notwithstanding anything contained herein to the contrary, the easements described hereinabove may not be amended or extinguished without the written consent of the owner(s) of the Private Amenities.

18.9. 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 Community and the Private Amenities. The Association shall have no power to promulgate any Use Restrictions or rules affecting activities on or use of the Private Amenities without the prior written consent of the owner or operator of the Private Amenity affected thereby.

Article XIX Changes in Ownership of Lots

Any Owner, other than Declarant or any Declarant Affiliate, desiring to sell or otherwise transfer title to such Owner's Lot shall give the Board at least 14 days' prior 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. Notwithstanding the transfer of title, the transferor shall continue to be jointly and severally responsible with the transferee for all obligations of the Lot Owner, including, without limitations, assessment obligations, until the date upon which the Board receives such notice, after which the original Owner shall be released from the obligation to pay assessments levied after the date such notice is received.

Article XX Changes in Common Area

20.1. Condemnation.

The Association shall be the sole representative with respect to condemnation proceedings concerning Common Area. Whenever any part of the Common Area is taken by or conveyed under threat of condemnation to any authority having the power of eminent domain, the Board shall determine, in the exercise of its business judgment, whether each Owner is entitled to notice. The award made for such taking shall be payable to the Association.

If the taking 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 practicable, unless, within 60 days after such taking, Members entitled to cast at least 75% of the total Class "A" votes and Declarant, during the Development and Sale Period, shall otherwise agree. Any such construction shall be in accordance with plans the Board approves. The provisions of Section 7.3 regarding funds for the repair of damage or destruction shall apply.

If the taking does not involve any Common Area improvements, 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 may be used by the Association for such purposes as the Board shall determine.

20.2. Partition.

Except as permitted in this Declaration, the Common Area shall remain undivided, and no Person shall bring any action for partition of any portion of the Common Area without the written consent of all Owners and Mortgagees. This Section 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.

20.3. Transfer or Dedication of Common Area.

The Association may convey, dedicate, or otherwise transfer portions of the Common Area to the County or to any other local, state, or federal governmental or quasi-governmental entity, with the consent of Members representing at least two-thirds of the Class "A" votes in the Association; however, any dedication or transfer of Limited Common Areas to the County or to any other governmental entity shall also require the consent of Members representing at least two-thirds of the Class "A" votes allocated to the Lots to which such Limited Common Area is assigned.

Article XXI Amendment of Declaration

21.1. By Declarant.

In addition to specific amendment rights granted elsewhere in this Declaration, to the fullest extent permitted by law, until the termination of the Class "B" Control Period, Declarant may unilaterally amend this Declaration for any purpose, subject to the approval requirements set forth in Article XVI, if applicable.

Thereafter, and until termination of the Development and Sale Period, Declarant may, to the fullest extent permitted by law, unilaterally amend this Declaration if such amendment is necessary (a) to bring any provision into compliance with any applicable governmental statute, rule, regulation, or judicial determination; (b) to enable any reputable title insurance company to issue title insurance coverage on the Lots; (c) to enable any institutional or governmental lender, purchaser, insurer, or guarantor of mortgage loans, including, for example, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, HUD, or VA, to make, purchase, insure, or guarantee mortgage loans on the Lots; (d) to satisfy the requirements of any local, state, or federal governmental agency; or (e) for any other purpose which does not materially adversely affect title to any Lot, unless the Owner of such Lot consents to such amendment.

21.2. By the 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 at least 67% of the Association's total Class "A" votes. In addition, during the Development and Sale Period, Declarant's written consent is required for any amendment. The approval requirements set forth in Article XVI also shall be met, if applicable. Except as provided in this Declaration, no Class "C" Member shall be entitled to vote on any amendment to the Declaration.

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.

21.3. Fair Housing Amendments Act The provisions of the Governing Documents shall be subordinate to the Fair Housing Amendments Act of 1988, 42 U.S.C. § 3601, *et seq.*, (hereinafter referred to as "FHAA"), and shall be applied so as to comply with the FHAA. In the event that there is a conflict between or among the Governing Documents and the FHAA, the FHAA shall prevail. Notwithstanding anything to the contrary contained herein, in the event that any provision of this Declaration conflicts with the FHAA, the Board of Directors, without the consent of the Members or of Declarant, shall have the unilateral right to amend this Declaration solely for the purpose and only to the extent necessary for bringing this Declaration into compliance with the FHAA. Furthermore, notwithstanding Section 13.2, the Board shall have the unilateral right to assign portions of the Common Area as Limited Common Area or to reassign Common Area previously assigned as Limited Common Area to one or more Lots to one or more Owner(s) or Occupant(s) should such action be required in order to make a reasonable accommodation under the FHAA.

21.4. Validity and Effective Date.

No amendment may remove, revoke, or modify any right or privilege of Declarant or the Class "B" Member without the written consent of Declarant or the Class "B" Member, respectively (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 the 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, if required by applicable laws, permits and/or approvals. No action to challenge the validity of an amendment may be brought more than one year after the amendment is recorded.

Any amendment shall become effective upon the earliest of (a) actual notice; or (b) recording; provided, however, that a later effective date may be specified in any amendment. In no event shall a change of conditions or circumstances operate to amend any provisions of this Declaration.

21.5. Exhibits.

Exhibits "A," "B," "C," "D," "E," and "F" attached to this Declaration are incorporated herein.

IN WITNESS WHEREOF, Declarant has caused this instrument to be executed on the day and year written below.

DECLARANT:

CENTEX HOMES, a Nevada general partnership d/b/a Centex
Destination Properties

By: Centex Real Estate Corporation, a Nevada corporation,
its managing general partner

By: _____

John Lenihan
Division President

[Corporate Seal]

Date: 8/11/03

Address: Centex Homes
Attn: Legal Department
385 Douglas Avenue, Suite 1000
Altamonte Springs, Florida 32714

STATE OF FLORIDA

COUNTY OF SEMINOLE

The foregoing instrument was acknowledged before me on this 11th day of August, 2003, by John Lenihan, Division President of Centex Real Estate Corporation, the managing general partner of Centex Homes, a Nevada general partnership, on behalf of said partnership.

Tasha Nyquist
Notary Public

Print Name: TASHA NYQUIST

Notary Public in and for the State of Florida



Commission expires: 3/11/07

[Notary Seal]

STATE OF NORTH CAROLINA

COUNTY OF JACKSON

The foregoing Certificate of _____, a Notary Public, is certified to be correct.

This instrument was presented for registration and recorded in this office in Book _____, at Page _____ this _____ day of _____, 2003, at _____ .m.

JOE HAMILTON, Register of Deeds

EXHIBIT "A"**Land Initially Submitted**

ALL THOSE TRACTS OR PARCELS OF LAND containing 769.2 acres and designated "Parcel A" as shown on that certain plat prepared by Lindsey & Associates, Inc. dated August 28, 2002, last revised April 14, 2003, and recorded in Plat Cabinet 12, Slide 137, Jackson County, North Carolina Registry.

EXHIBIT "B"**Land Subject to Annexation**

ALL THOSE TRACTS OR PARCELS OF LAND containing 692.2 acres and designated "Parcel B" as shown on that certain plat prepared by Lindsey & Associates, Inc. dated August 28, 2002, last revised April 14, 2003, and recorded in Plat Cabinet 12, Slide 138, Jackson County, North Carolina Registry.

TOGETHER WITH:

ALL THOSE TRACTS OR PARCELS OF LAND containing 617.3 acres and designated "Parcel C" as shown on that certain plat prepared by Lindsey & Associates, Inc. dated August 28, 2002, last revised April 14, 2003, and recorded in Plat Cabinet 12, Slide 139, Jackson County, North Carolina Registry.

TOGETHER WITH:

Any parcel of land located within a two-mile radius of the perimeter boundaries of the above-described property or the property described on Exhibit "A."

Note to clerk and title examiners:

This Declaration is not intended to create an encumbrance on title to the property described on this Exhibit "B." Such title may be encumbered only with the consent of the owner by filing a Supplemental Declaration in accordance with Article IX.

EXHIBIT "C"**Initial Use Restrictions**

The following restrictions are covenants running with the land and shall apply to all of the Community until such time as they are amended, modified, repealed, or limited pursuant to procedures of the Declaration.

1. **Restricted Activities.** The following activities are prohibited within the Community unless expressly authorized by, and then subject to such conditions as may be imposed by, Declarant or the Board of Directors:

(a) Parking of any vehicles on Roadways or shared driveways and parking of commercial vehicles or equipment, mobile homes, campers and similar recreational vehicles, golf carts, boats and other watercraft, trailers, stored vehicles, or inoperable vehicles in places other than in enclosed garages, portions of the Lot that are not visible from outside of the Lot, or other areas as may be permitted by the Board, except temporarily during loading and unloading; provided, however, that construction, service, and delivery vehicles shall be exempt from this provision for such period of time as is reasonably necessary to provide service or to make a delivery to a Lot or the Common Area. For purposes of this provision, "commercial vehicles" shall be defined as any vehicle with commercial writing on their exteriors or vehicles primarily used, designed, or registered for a commercial purpose, and vehicles with advertising signage attached or displayed on such vehicle's exterior, but shall not include passenger cars with identifying decals or painted lettering not exceeding a total area of one square foot in size or official vehicles owned by governmental or quasi-governmental bodies including, without limitation, police and sheriff insignias;

(b) Raising, breeding, or keeping animals, livestock, or poultry of any kind, except that a reasonable number of dogs, cats, or other household pets of the nature commonly sold in pet stores located within regional malls in urban areas may be permitted in a Lot; provided, however, that those pets which roam free, or, in the discretion of the Board, make objectionable noise, endanger the health or safety of, or constitute a nuisance or inconvenience to the Owner or Occupants of other Lots shall be removed by the owner thereof upon request of the Board. Dogs shall be kept on a leash or otherwise confined in a manner acceptable to the Board whenever outside the dwelling and the person walking the dog shall clean up after it. The Board may adopt additional rules clarifying the number and types of pets permitted in a Lot. Pets shall be registered, licensed, and inoculated as required by law;

(c) Any activity which emits foul or obnoxious odors outside the Lot or creates an unreasonable level of noise or other conditions which tend, in the Board's judgment, to unreasonably disturb the peace or threaten the safety of the Owners or Occupants of other Lots (this paragraph shall not preclude normal and customary use of power tools, lawn mowers, and other yard maintenance equipment during reasonable hours);

(d) Any activity which violates local, state, or federal laws or regulations; provided, however, that the Board shall have no obligation to take enforcement action in the event of a violation;

(e) Pursuit of hobbies or other activities which tend to cause an unclean, unhealthy, or untidy or noisy condition to exist outside of enclosed structures on the Lot;

(f) Any noxious or offensive activity which in the determination of the Board tends to cause embarrassment, discomfort, annoyance, or nuisance to persons using the Common Area or to the Owners or Occupants of other Lots;

(g) Outside burning of trash, leaves, debris, or other materials, except during the normal course of construction by Declarant or a person authorized to do so by Declarant;

(h) Use or discharge of any radio, loudspeaker, horn, whistle, bell, or other sound device so as to be an unreasonable source of annoyance, as the Board may determine, to Owners or Occupants of other Lots, except alarm devices used exclusively for security purposes, provided such alarm device contains a system which causes it to shut off automatically;

(i) Dumping grass clippings, leaves or other debris, petroleum products, fertilizers, or other potentially hazardous or toxic substances in the Lake, or in any drainage ditch, stream, creek, pond, or Buffer Area within the Community, except that fertilizers may be applied to landscaping on Lots provided care is taken to minimize runoff into such areas;

(j) Accumulation of rubbish, trash, or garbage except between regular garbage pick ups, and then only in approved containers;

(k) Obstruction or rechanneling drainage flows after location and installation of drainage swales, storm sewers, or storm drains, except that Declarant and the Association shall have such right; provided, however, that the exercise of such right shall not materially diminish the value of or unreasonably interfere with the use of any Lot without the Owner's consent;

(l) Discharge of firearms or use of explosives; provided, no Association director, officer, employee or managing agent shall have any duty to exercise self-help or to become physically involved to stop such discharge;

(m) On-site storage of gasoline, heating, or other fuels, except that a reasonable amount of fuel may be stored on each Lot for emergency purposes and for the operation of generators, lawn mowers, pool, spa and hot tub heaters, and similar tools or equipment, and the Association shall be permitted to store fuel for operation of maintenance vehicles, generators, and similar equipment;

(n) Any yard sale, garage sale, moving sale, rummage sale, or similar activity, except on such dates as the Board may designate for such activities to be conducted on a community-wide basis;

(o) Capturing, trapping, hunting or killing of wildlife within the Community (other than by or on behalf of the Association, Declarant or by a representative or designee of a Governmental Authority);

(p) Any activities by persons other than Declarant or its designees which materially disturb or destroy the vegetation, wildlife, Wetlands, or air quality within the Community (except as may be approved pursuant to Article IV), or which use excessive amounts of water or which result in unreasonable levels of sound or light pollution;

(q) Swimming, boating, use of personal flotation devices, or other active use of ponds, streams, creeks, or other bodies of water within the Community, excluding the Lake, except as may be permitted by the Association, and except that Declarant, its successors and assigns, shall be permitted to draw water from ponds, streams, creeks and other bodies of water within the Community for purposes of irrigation and such other purposes as Declarant shall deem desirable. 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 ponds, streams, creeks or other bodies of water within or adjacent to the Community;

(r) Entry onto any Lot or onto any maintenance or other easement to access any pond, Buffer Area, Wetland or similar area within the Community, except that the Owner and Occupants of a Lot abutting any such area may access such area at points along the common boundary between such Owner's Lot and such area (but shall not enter onto other Lots or portions of any maintenance or other easement abutting any other Lot) and the authorized agents, employees, contractors, and designees of Declarant or the Association may enter upon any Lot or maintenance or other easement for the purpose of gaining access to any such area;

(s) Any construction, erection, placement, or modification of any structure or thing, permanently or temporarily, on the outside portions of the Lot, whether such portion is improved or unimproved, except in strict compliance with the provisions of Article IV of the Declaration. This shall include, without limitation, all signs, fences, basketball hoops, swing sets and similar sports and play equipment; children's play houses; clothes hanging devices; garbage cans; woodpiles; swimming pools, spas, and hot tubs; air conditioners; tanks; solar energy devices; docks, piers and similar structures; and landscaping, hedges, irrigation and sprinkler systems, wells, septic systems, walls, mailboxes, dog runs, animal pens, or fences of any kind; satellite dishes and antennas, except that antennas, satellite dishes, and any other apparatus for the transmission or reception of television, radio, satellite or other signals of any kind may be regulated only in strict compliance with all applicable laws and regulations. Declarant and/or the Association shall have the right, without obligation, to erect an aerial, satellite dish, or other apparatus for a master antenna, cable, or other communication system for the benefit of all or a portion of the Community, should any master system or systems be utilized by the Association and require such exterior apparatus;

(i) a reasonable number of holiday and religious lights and decorations may be displayed on a Lot for up to 30 days prior to a publicly observed holiday or religious observance and up to 15 days thereafter without prior approval, subject to the right of the Association or Declarant to require removal of any such decorations which it deems to (A) be excessive in number, size, or brightness, relative to other Lots in the area; (B) draw excessive attention or traffic; (C) unreasonably interfere with the use and enjoyment of neighboring properties; or (D) cause a dangerous condition to exist. The Association shall have the right, upon five days prior written notice, to enter upon any Lot and summarily remove exterior lights or decorations displayed in violation of this provision. The Association, and the individuals removing the lights and decorations, shall not be liable to the Owner for trespass, conversion, or damages of any kind except intentional misdeeds and gross negligence; and

(ii) one United States flag not exceeding 36" x 60" in size may be mounted on the exterior facade of the dwelling at a location approved pursuant to Article IV of the Declaration;

(t) picketing, protest marches, sit-in demonstrations, protest speeches, or other forms of public protest or conduct, including, without limitation, displaying signs or placards on the Lot or any vehicle, apparatus or otherwise within public view in the Community, which tends to vilify, ridicule, denigrate, or impugn the character of Declarant, the Association, their respective officers, directors or employees, or any Owner or Occupant. Each Owner, by acceptance of the deed to any Lot, shall be deemed to have accepted the foregoing prohibitions as reasonable limitations on such Owner's constitutional right of free speech;

(u) any activity which generates a level of noise audible to Occupants of other Lots while inside their dwellings (including, without limitation, lawn maintenance, recreational activities, games, parties, music, and other activities conducted outdoors or on porches or decks) between the hours of 11:00 p.m. and 8:00 a.m., except that during the construction of dwellings on the Lots, Declarant and builders may commence construction activities within the Community at 7:00 a.m.;

- (v) door-to-door solicitation within the Community; and
- (w) overnight camping or campfires.

2. Prohibited Conditions. The following shall be prohibited in the Community:

(a) Plants, animals, devices or other things 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 Community;

(b) Structures, equipment, or other items on the exterior portions of a Lot which have become rusty, dilapidated or otherwise fallen into disrepair; and

(c) Owners, as well as their Occupants and pets, shall refrain from any actions which would distract from the playing qualities of any golf course adjacent to the Community. 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, or growing or permitting to grow varieties of grass or other vegetation which the owner of the golf course determines to be inimical to the golf course grasses or vegetation. Pets shall not be permitted on any golf course or any other portion of a Private Amenity, except as permitted by the owner of such Private Amenity. In addition, no Person shall, by virtue of this Declaration, have any right to prune or otherwise alter any landscaping located on the golf course property, or use any portion of any golf cart path system, including any portion thereof which may be situated upon Common Area, without the prior written approval of the owner of such golf course. This covenant is for the benefit of any golf course adjacent to the Community and the owner thereof and persons playing golf on said golf courses and shall be enforceable by the owner of such golf course.

EXHIBIT "D"**Management Company Services**

The management company or agent (hereinafter the "Agent") retained by the Association shall render services and perform duties as follows:

ADMINISTRATION:

1. Maintain business-like relations with the Members whose service requests shall be received and completed or, after reasonable investigation, be reported to the Board with appropriate recommendations. If a complaint requires legal assistance to secure its resolution, the Board will be so informed, and no further action will be taken by the Agent until or unless the Board so authorizes.
2. Perform periodic inspections of the Community to ensure that the Community is maintained, repaired and operated in the manner more fully specified in the Governing Documents.
3. Investigate, hire, contract with, supervise and pay from the Association's funds such personnel and independent contractors as the Agent deems necessary to properly maintain, repair and operate the Community, including but not limited to, the Common Maintenance Area in the manner more fully specified in the Governing Documents. The Agent will require all independent contractors performing services for the Community to provide the Association with active certificates of insurance for workman's compensation, general liability and property damage. The Agent shall recommend to the Association qualified professionals to assist the Association and the Agent. The decision to employ and compensate professional expertise will be the responsibility of the Board.
4. Make contracts for water, electricity, gas, fuel oil, cable and satellite television, and other services to the Common Maintenance Area within the Community as the Association shall deem advisable which shall be subject to Board approval and shall be at the expense of the Association.
5. Place orders for such equipment, tools, appliances, materials and supplies as are necessary to properly maintain and repair the Community at the expense of the Association. All such contracts and orders shall be made in the name of the Association. When taking bids or issuing purchase orders, the Agent shall be under a duty to secure for the credit of the Association any discounts, commissions or rebates obtainable as a result of such purchases.
6. Cause to be placed and kept in force all forms and insurance of the type and in the amount requested by the Association or, as required by law or as required under the Governing Documents, at the expense of the Association. All of the various types of insurance coverage required will be placed with such companies, in such amounts and with such beneficial interest appearing therein, as shall be requested by the Association. The Agent shall furnish to the Board copies of all such insurance policies and report to the insurance company all reported accidents or damages related to the management operation and maintenance including any damage or destruction to the Community.
7. Maintain records in regard to the Agent's duties hereunder in a manner which is approved by the Board. Such records shall be kept in the office or a storage facility of the Agent, and shall be available for inspection by any Member during normal business hours by prior appointment. Storage of records shall be at the expense of the Association.

8. Maintain copies of the following documents, which constitute the official records of the Association, and open the records for inspection by any Member, or authorized representative of such Member, at all reasonable times, who shall have the right to make copies as may be required, subject to the applicable charges therefore:

- (a) A copy of the recorded Declaration and all amendments thereto;
- (b) A copy of the recorded By-Laws of the Association and all amendments thereto;
- (c) A certified copy of the Articles of Incorporation of the Association or other documents creating the Association and all amendments thereto;
- (d) A copy of the current Use Restrictions, Lake Use Restrictions and rules and regulations of the Association;
- (e) A book or books containing the minutes of all meetings of the Association, of the Board and of Members, which minutes shall be retained for a period of not less than seven years;
- (f) A current roster of all members, their mailing addresses, lot identification, and if known, telephone numbers;
- (g) All current insurance policies for the Association;
- (h) A current copy of any management agreement, lease or other contract to which the Association is a party or under which the Association or the Members have an obligation or responsibility;
- (i) Bills of sale or transfer for all property owned by the Association;
- (j) Accounting records for the Association. All accounting records shall be maintained for a period of not less than seven years. The accounting records shall include, but are not limited to:
 - (i) Accurate, itemized and detailed records of all receipts and expenditures;
 - (ii) A current account and a monthly, bi-monthly, or quarterly statement of the account for each Lot designating the name of the Members owning the Lot, the due date and amount of each assessment, the amount paid upon the account, the balance due;
 - (iii) All audits, reviews, accounting and financial reports of the Association; and
 - (iv) All contracts for work to be performed. Bids for work to be performed shall also be maintained for a period of five years; and
 - (v) Voting proxies, which shall be maintained for a period of one year from the date of the meeting for which the proxy was given.

9. Maintain an office together with a telephone so that Members or Occupants of Lots may contact the Agent or its employees on a 24 hour basis.

10. Attend, conduct and take minutes of all annual meetings of the Association and such additional Board of Directors meetings, not to exceed 12 Board meetings per calendar year. Meetings

may be held after normal working hours and on weekends to accommodate the Board's work schedule without additional charge.

11. Cooperate with the Board in preparation of the Association's annual meeting; prepare and transmit such notices, proxies and other materials at the Association's expense as may be requested.

FISCAL

1. Submit to the Board, with Board or its finance committee assistance, proposed budgets for the operation of the Community for the ensuing fiscal year consistent with the requirements of the Governing Documents, at least 60 days before the beginning of each new fiscal year of the Association. Such budgets shall include such financial information, and/or other information as the Board requests and is reasonably necessary for the Board to review and finalize the schedule of assessments proposed for the new fiscal year and for expenditures hereunder. The Board shall furnish the Agent with the preliminary budgets as approved by the Board at least 45 days before the commencement of the fiscal year. The Agent, at the expense of the Association, shall transmit copies of the budgets to each Member of the Association in accordance with the requirements of the Governing Documents. The budgets shall constitute a major control under which the Agent shall operate, and there shall be no substantial variances therefrom, except such as may be sanctioned in writing by the Board. Any failure to meet the foregoing time frame shall be deemed a default under the management contract.

2. The Agent shall advise individual Members of the Association's authority and notice of intent to file liens against property, should a Member's account become delinquent, to protect Association's financial interest.

3. From the funds collected and deposited, cause to be disbursed regularly and punctually:

(a) All insurance premiums, charges for electrical, water, sewer, trash, cable and satellite television and similar Association services; and the amount specified by the Association for allocation to reserves, if any;

(b) Compensation to on-site labor, together with the payroll processing cost, insurance, taxes, workman's compensation, audit expense, overtime, vacation pay, holiday pay, sick pay, jury duty, group hospitalization and life insurance and such other employee benefits as the Board may approve;

(c) The Agent's compensation as set forth in the management agreement;

(d) The Agent's reimbursable expenses which, in addition to those items specifically disclosed herein, shall be itemized by the Agent and approved by the Board or a designated director;

(e) Other sums otherwise due and payable by the Association as Common Expenses authorized to be incurred under the terms of the management agreement and the Governing Documents.

4. The Agent shall furnish to the Board, no later than the first work day after the 20th day of each month, the following records and information regarding the Association:

(a) Balance Sheet;

(b) Statement of Revenues and Expenses, showing monthly and year-to-date expenditures as compared to current monthly and year-to-date budgets, or a photocopy thereof;

- (c) A list of Aged Accounts Receivable; and
- (d) Supporting schedules as provided in the software system for those statements provided in (a) and (b) above.

5. The Agent shall maintain a complete set of formal books to include a balance sheet, income statement and all ledgers. These records will be available at the office of the Agent for inspection by the Association or its Members upon request.

6. The Agent shall, on behalf of the Association, prepare, file and cause to be paid, all forms, reports and licenses required by law. At direction of the Board, the Agent shall contract for the preparation of the tax returns at the expense of the Association. At the expense of the Agent, the annual balance sheet and revenue and expense statement shall be prepared without audit for the Association. These financial reports will then be delivered to the Members within 60 days following the end of the fiscal year. The expense incurred for the distribution of this financial report to the Members will be borne by the Association. The Association, at its option and its expense, shall have the right to an independent audit or review, and the Agent agrees to cooperate with such independent auditor or reviewer.

7. Any payments to be made by the Agent under the management agreement shall be made from the accounts of the Association or as may be provided by the Association. The Agent shall not be obliged to make any advance to or for the accounts of the Association, or to pay any sum, except out of funds held or provided as aforesaid, nor shall the Agent be obliged to incur any liability or obligation for the accounts of the Association. The Association shall maintain an adequate balance in its operating account to cover current operating expenses.

8. Establish and maintain bank accounts as the agent of the Association, which accounts shall be in one or more financial institutions as directed by the Board from time to time and reflect the custodial nature thereof. Said accounts shall be for the deposit of all monies received by the Agent on behalf of the Association. Such funds shall not be commingled with the funds of the Agent or any other homeowners association or entity managed by such Agent.

(a) The Association specifically directs the Agent to draw funds on said accounts to discharge any liabilities or obligations, incurred pursuant to the management agreement, and for the payment of the Agent's compensation or reimbursements, all of which payments shall be subject to the limitations set forth in the management agreement.

(b) The Agent will place all monies in excess of current needs in interest bearing accounts or in long term obligations such as certificates of deposit as directed by the Board.

(c) The Agent shall provide the Association with a certificate of the Agent's fidelity bond coverage.

9. Upon notification by a closing agent of a pending sale, the Agent will review the Association's Governing Documents as regards required approvals and/or transfer fees. Should review of property transfers be required by Association's Governing Documents, the Agent will provide the appropriate information to the closing agent for completion. Upon receipt of required approvals, the Agent will review the property account status and prepare a certificate stating the total amount of Regular Assessments, Special Assessments, Benefited Assessments, late fees, transfer fees, etc., due to be collected at closing of title. After closing is held, the Agent will collect and deposit funds received from closing agent and update the Association's files and financial records with new owner information.

OPERATIONS

1. If the Association specifically requests, and at the Association's expense, the Agent shall require all of the Agent's on-site personnel to prominently display sufficient identification of their employment, while engaged in such employment, on or about the Community.

2. The Agent shall cause the Common Maintenance Areas which are to be maintained by the Association under the Governing Documents to be maintained according to the standards acceptable by the Association, subject to limitations imposed by the budgets, the Governing Documents, the Association and those contained in the management agreement. The Agent shall inspect the Community at least weekly to ensure that all maintenance is being performed in a timely manner and that Members are complying with the rules.

3. For any one item of repair or replacement, the expense shall not exceed the budgeted amount, unless specifically authorized in writing by the Board. However, if such repairs manifest danger to life and/or the property, or for the safety of the Members or Occupants of Lots or are required to avoid the suspension of any necessary service to the Community, emergency repairs may be made by the Agent, irrespective of the cost limitation imposed by the management agreement. Notwithstanding this authority as to emergency repairs, it is understood and agreed that the Agent will, if reasonably possible, confer with the designated person of the Association regarding such expenditure.

4. Take such action as may be necessary to cause compliance with any and all orders or requirements affecting the Community placed thereon by any federal, state, county, municipal or other governmental or regulatory authority having jurisdiction thereover, and the orders of the Board of Fire Underwriters or other similar bodies, subject to the limitation of the budgets or direction of the Board. The Agent shall notify the Association within two working days of all such notices and orders.

5. It shall be the duty of the Agent at all times during the term of this Agreement to operate and maintain the Community according to standards consistent with the overall plan of the Association. The Agent shall see that all Members are informed with respect to such rules, regulations and notices as may be promulgated from time to time by the Board of the Association.

EXHIBIT "E"**ARTICLES OF INCORPORATION
OF
BEAR LAKE RESERVE OWNERS ASSOCIATION, INC.**

The undersigned, by these Articles, associate themselves for the purpose of forming a nonprofit corporation under and in accordance with the provisions of Chapter 55A, North Carolina General Statutes, and certify as follows:

Article 1. Name. The name of the nonprofit corporation is Bear Lake Reserve Owners Association, Inc. For convenience, the corporation shall be referred to in this instrument as the "Association."

Article 2. Address. The address of the initial principal office of the Association and the initial mailing address of the Association is 124 Highway 107 South, Cashiers, Jackson County, North Carolina, 28717.

Article 3. Definitions. All capitalized terms used in these Articles of Incorporation which are not defined herein shall have the meaning set forth in the Declaration of Covenants, Conditions, and Restrictions for Bear Lake Reserve, recorded or to be recorded by Centex Homes, a Nevada general partnership ("Declarant"), in the public records of Jackson County, North Carolina, as such Declaration may be amended and/or amended and restated from time to time (the "Declaration").

Article 4. Purposes. The Association does not contemplate pecuniary gain or benefit, direct or indirect, to its members. By way of explanation and not of limitation, the purposes for which the Association is organized are:

(a) to be and constitute the Association to which reference is made in the Declaration, to perform all obligations and duties of the Association, and to exercise all rights and powers of the Association, as set forth in the Governing Documents and as provided by law; and

(b) to provide an entity for the furtherance of the interests of the owners of real property now and hereafter made subject to the Declaration (such real property is referred to in these Articles as the "Community").

Article 5. Powers. In furtherance of its purposes, the Association shall have the following powers, which, unless indicated otherwise by the Declaration or By-Laws of the Association, shall, if exercised at all, be exercised by the Board of Directors:

(a) all of the powers conferred upon nonprofit corporations by common law and North Carolina General Statutes in effect from time to time; and

(b) all of the powers necessary or desirable to perform the obligations and to exercise the rights and powers set out in these Articles, the By-Laws, and the Declaration, including, without limitation, the following:

(i) to establish, levy, collect, and enforce payment of all charges or assessments authorized by the Declaration by any lawful means; to pay all expenses in connection therewith and all administrative and other expenses incident to the conduct of the business of the Association including, without limitation, all licenses, taxes, or governmental charges levied or imposed against the property of the Association;

(ii) to manage, control, operate, alter, maintain, repair, improve, and replace the common areas and facilities, and any property acquired by the Association, or any property owned by another for which the Association, by rule, regulation, declaration, or agreement, has a right or duty to provide such services;

(iii) to make rules and regulations and to enforce covenants, conditions, or restrictions affecting any property within the Community to the extent the Association may be authorized to do so under the Declaration or By-Laws;

(iv) to engage in activities which will actively foster, promote, and advance the common interests of all owners of property within the Community subject to the Declaration;

(v) to buy, or otherwise acquire, sell, dedicate for public use, or otherwise dispose of, mortgage, or otherwise encumber, exchange, lease, own, hold, use, operate, grant easements and otherwise deal in and with, real and personal property of all kinds and any right or interest therein for any purpose of the Association;

(vi) to borrow money for any purpose subject to such limitations as may be contained in the Declaration and/or By-Laws;

(vii) to enter into, make, perform, and enforce agreements of every kind and description, and to do all other acts necessary, appropriate, or advisable in carrying out any purpose of the Association, with or in association with any other corporation, or other entity or agency, public or private;

(viii) to act as agent, trustee, or other representative of other corporations, firms, or individuals, and as such to advance the business or ownership interests in such corporations, firms, or individuals; and

(ix) to provide any and all supplemental municipal services to the Community as may be necessary or desirable.

The foregoing enumeration of powers shall not limit or restrict in any manner the exercise of other and further rights and powers which may now or hereafter be allowed or permitted by law; and the powers specified in each of the paragraphs of this Article 5 are independent powers, not to be restricted by reference to or inference from the terms of any other paragraph or provision of this Article 5.

Article 6. Members. The Association shall be a membership corporation without certificates or shares of stock. There initially shall be three classes of membership, as more fully set forth in the Declaration, provided that the Declarant may establish additional classes of membership as set forth in the Declaration. The Owner of each Lot shall be a member of the Association and shall be entitled to vote as provided in the Declaration and the By-Laws. In addition, Declarant shall be a Member for such period as provided in the Declaration, regardless of whether Declarant owns any Lot. Membership in the Association is appurtenant to, and may not be severed from the Lot. The rights and obligations of a Member may not be assigned or delegated except as provided in the Declaration, these Articles of Incorporation, or the By-Laws of the Association, and shall automatically pass to the successor-in-interest of any Owner upon conveyance of such Owner's interest in the Lot.

Change of an Owner's membership in the Association shall be established by recording in the Public Records of the County, a deed or other instrument establishing record title to a Lot. Upon such recordation, the Owner designated by such instrument shall become a member of the Association and the membership of the prior Owner shall terminate.

Article 7. Existence and Duration. Existence of the Association shall commence with the filing of these Articles of Incorporation with the Secretary of State of the State of North Carolina. The Association shall exist in perpetuity.

Article 8. Board of Directors. The Association's business and affairs shall be conducted, managed, and controlled by a Board of Directors ("**Board**"). The Board may delegate its operating authority to such companies, individuals, or committees as it, in its discretion, may determine.

The Board shall initially consist of three members, as provided in the By-Laws. The names and addresses of the initial directors, who shall hold office until their successors are elected and have qualified, or until removed, are as follows:

<u>Name</u>	<u>Address</u>
Chuck Hall	124 Highway 107 South, Cashiers, North Carolina 28717
Lane Wright	445 Douglas Avenue, Suite 1805, Altamonte Springs, Florida 32714
Perry Hariri	445 Douglas Avenue, Suite 1805, Altamonte Springs, Florida 32714

The method of election and removal of directors, filling of vacancies, and the term of office of directors shall be as set forth in the By-Laws.

Article 9. By-Laws. The initial By-Laws shall be adopted by the Board and thereafter may be altered, amended, rescinded or repealed in the manner provided in the By-Laws.

Article 10. Liability of Directors. To the fullest extent that Chapter 55A, North Carolina General Statutes, or other applicable law, exists on the date hereof or as they may hereafter be amended, permits the limitation or elimination of the liability of directors or officers, no director or officer of the Association shall be personally liable to the Association or its members for monetary damages for breach of duty of care or other duty as a director or officer. No amendment to or repeal of this Article shall apply to or have any effect on the liability or alleged liability of any director or officer of the Association for or with respect to any acts or omissions of such director or officer occurring prior to such amendment or repeal.

Article 11. Indemnification.

(a) **Indemnity.** The Association shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative, by reason of the fact that he or she is or was a director, employee, officer, or agent of the Association. Such indemnification shall include indemnification against expenses (including, without limitation, reasonable attorneys' fees and appellate attorneys' fees), judgments, fines, and amounts paid in settlement, actually and reasonably incurred by the indemnified person in connection with such action, suit, or proceeding, if such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interest of the Association, and, with respect to any criminal action or proceedings, such person had no reasonable

cause to believe his or her conduct was unlawful. Notwithstanding the foregoing, no indemnification shall be made in respect of any claim, issue, or matter as to which such person shall have been adjudged to be liable for gross negligence or misfeasance or malfeasance in the performance of his or her duty to the Association, unless, and then only to the extent that, the court in which such action or suit was brought shall determine upon application that despite the adjudication of liability, in view of all of the circumstances of the case, such person is fairly and reasonably entitled to indemnification for such expenses as such court shall deem proper. The termination of any action, suit, or proceeding by judgment, order, settlement, conviction, or upon a plea of *nolo contendere* or its equivalent shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interest of the Association, and with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful. Notwithstanding the foregoing, the Association need not indemnify the managing agent of the Community unless such indemnification is required to do so by the agreement between the Association and such managing agent, approved by the Board or required by law.

(b) Approval. Any indemnification under paragraph (a) above (unless ordered by a court) shall be made by the Association only as authorized in the specific case upon a determination that indemnification is proper under the circumstances because the person requesting indemnification has met the applicable standard of conduct set forth in paragraph (a) above. Such determination shall be made (i) by majority vote of the members of the Board who were not parties to such action, suit, or proceeding, if sufficient to constitute a quorum, or (ii) if a quorum of the Board is not obtainable, or, even if obtainable, if a quorum of disinterested directors so directs, in a written opinion rendered by independent legal counsel engaged by the Association, or (iii) by a majority vote of the Class "A" Members and the consent of the Class "B" Member, during the Development and Sale Period.

(c) Advances. Expenses incurred in defending a civil or criminal action, suit, or proceeding may be paid by the Association in advance of the final disposition of such action, suit, or proceeding as authorized by the Board in any specific case upon receipt of a written agreement by or on behalf of the affected director, officer, employee, or agent to repay such amount if it is ultimately determined that he or she is not entitled to be indemnified by the Association as authorized in this Article.

(d) Miscellaneous. The indemnification provided by this Article shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled by law, under the By-Laws, or pursuant to any agreement, vote of Members, or otherwise, and shall continue as to a person who has ceased to be a director, officer, employee, or agent and shall inure to the benefit of the heirs and personal representatives of such person.

(e) Insurance. The Association shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee, or agent of the Association, including, without limitation, as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise, against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Association would have the power to indemnify him or her against such liability under the provisions of this Article.

Article 12. Interested Directors.

(a) No contract or transaction between the Association and one or more of its directors or officers, or between the Association and any other corporation, partnership, or Association, or other organization in which one or more of its directors or officers are directors or officers or have a financial interest, shall be invalid, void, or voidable solely for such reason, or solely because the director or officer is present at or participates in the meeting of the Board at which such contract or transaction was authorized, or solely because his, her, or their votes are counted for such purpose. No director or officer of the Association shall incur liability by reason of the fact that he or she is or may be interested in any such contract or transaction.

(b) Interested directors may be counted in determining the presence of a quorum at a meeting of the Board at which a contract or transaction with an interested director is to be considered.

(c) The Association may enter into contracts and transactions with Declarant and Declarant's Affiliates.

Article 13. Amendments. The Board may amend these Articles without Member approval (a) for those specific purposes permitted under North Carolina law; (b) for the purpose of bringing any provision into compliance with any applicable governmental statute, rule, regulation, or judicial determination; (c) to enable any reputable title insurance company to issue title insurance coverage on the Lots; (d) to enable any institutional or governmental lender, purchaser, insurer or guarantor of Mortgage loans, including, for example, the U.S. Department of Veterans Affairs, the U.S. Department of Housing and Urban Development, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to make, purchase, insure or guarantee Mortgage loans on the Lots; or (e) to satisfy the requirements of any local, state or federal agency. Such amendments may be adopted by the Board of Directors, with the written consent of the Declarant during the Development and Sale Period. Other amendments to the Articles may be adopted by the Board of Directors with the approval of Members holding at least two-thirds (2/3) of the Class "A" votes in the Association and, during the Development and Sale Period, the written consent of the Declarant; provided, however, that no amendment may be in conflict with the Declaration. No amendment may be in conflict with the Declaration nor be effective to impair or dilute any rights of Members that are governed by the Declaration.


Article 14. Dissolution. The Association may be dissolved only upon (a) a resolution duly adopted by the Board, and (b) the affirmative vote of members who are Owners of not less than two-thirds (2/3) of the Lots, and (c) the consent of Declarant during the Development and Sale Period. Upon dissolution of the Association, if the VA is guaranteeing or HUD is insuring the Mortgage on any Lot, then unless otherwise agreed to in writing by HUD or the VA, any remaining real property of the Association shall be dedicated to an appropriate public agency or conveyed to a nonprofit organization to be used for purposes similar to those for which this Association was created. In the event that acceptance of such dedication is refused, such real property and the Association's remaining assets shall be granted, conveyed and assigned to any nonprofit corporation, association, trust, or other organization to be devoted to such similar purposes. Such requirement shall not apply if the VA is not guaranteeing and HUD is not insuring any Mortgage; provided, if either agency has granted project approval for the Community, then HUD and/or the VA shall be notified of such dissolution.

Article 15. Incorporator. The name of the incorporator of the Association is Edward G. Milgrim and such incorporator's address is Centex Homes, 385 Douglas Avenue, Suite 3100, Altamonte Springs, Florida 32714.

Article 16. Registered Agent and Office. The initial registered office of the Association is located in Jackson County, North Carolina at 211 Cashiers School Road, Cashiers, North Carolina 28717, and the initial registered agent at such address is Kimberly R. Coward.

IN WITNESS WHEREOF, the undersigned Incorporator has executed these Articles of Incorporation this 7th day August, 2003.

INCORPORATOR:



Edward G. Milgrim

EXHIBIT "F"

BY-LAWS

OF

BEAR LAKE RESERVE OWNERS ASSOCIATION, INC.

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**BY-LAWS
OF
BEAR LAKE RESERVE OWNERS ASSOCIATION, INC.**

Article I.

Name, Principal Office, and Definitions

1.1. **Name.**

The name of the nonprofit corporation is Bear Lake Reserve Owners Association, Inc. (the "Association").

1.2. **Principal Office.**

The Association's principal office shall be located in the State of North Carolina in such location as the Board of Directors (the "Board"), determines or as the Association's affairs require.

1.3. **Definitions.**

The words used in these By-Laws shall have their normal, commonly understood definitions. Capitalized terms shall have the same meaning as set forth in the Declaration of Covenants, Conditions, and Restrictions for Bear Lake Reserve as it may be amended, or amended and restated, from time to time ("Declaration"), unless the context indicates otherwise. The interpretation of certain references, as set forth in Section 2.2 of the Declaration, shall also apply to the words used in these By-Laws.

Article II.

Membership, Meetings, Quorum, Voting, Proxies

2.1. **Membership.**

The Association initially shall have three classes of membership, Class "A," Class "B," and Class "C," as more fully set forth in the Declaration. The Declarant may establish additional classes of membership as set forth in the Declaration. Provisions of the Declaration pertaining to membership are incorporated herein by this reference.

2.2. **Change of Membership.**

Change of membership in the Association shall be established by recording a deed or other instrument conveying record fee title to any Lot. The grantee named in such instrument shall, by acceptance of such instrument, become a Member of the Association, and the membership of the prior Owner shall terminate. The new Owner shall deliver a copy of the conveyance instrument to the Association within 14 days after the conveyance and the new Owner shall not be entitled to voting privileges until the same has been received by the Association. The foregoing shall not, however, limit the Association's powers or privileges and the new Owner shall be liable for accrued and unpaid fees and assessments attributable to the Lot acquired.

2.3. **Place of Meetings.**

The Association shall hold meetings at its principal office or at such other place as the Board may designate. Meetings may be conducted electronically (*i.e.*, via the Internet, intranet, or teleconference) if

and to the extent permitted by law. If Voting Delegates have been elected, meetings shall be of Voting Delegates.

2.4. Annual Meetings.

The Association shall hold its first meeting, whether a regular or special meeting, within one year after the date of the Association's incorporation. The Board shall set the date and time of subsequent regular annual meetings to occur during the first quarter of each year thereafter.

2.5. Special Meetings.

The President may call a special meeting of the Association. It also shall be the President's duty to call a special meeting if so directed by Board resolution or upon written petition of Members representing at least 10% of the total Class "A" votes in the Association describing the purpose or purposes for which the special meeting is to be held. If the President does not call a special meeting pursuant to this Section within 30 days after the date such written petition is delivered to the Association's Secretary, any Member signing the petition may set the time and place of the special meeting and give the Association notice pursuant to Section 2.6.

2.6. Notice of Meetings.

The Association's Secretary shall cause written notice stating the place, day, and hour of any Association meeting to be given in any manner permitted by applicable law. If permitted by law, notice may be published in a newspaper, or by radio, television, or other form of public broadcast communication in the County, delivered by hand delivery, or sent by facsimile, electronic mail, or other electronic communication device, or such other manner which is reasonably calculated, as the Board determines in its discretion, to provide personal notice to Members. Notice shall be given at least 30 and, in any event, not more than 60, days before the date of the meeting, by or at the direction of the President, the Secretary, or the officers or Persons calling the meeting.

The notice of any meeting shall also state the items on the agenda, including, without limitation, the general nature of any proposed amendment to the Governing Documents, any budget changes, and any proposal to remove a director or officer. No other business shall be transacted at a special meeting except as stated in the notice for the special meeting. Unless one-third (1/3) or more of the votes entitled to be cast in the election of directors are represented in person or by proxy, the only matters that may be voted upon at an annual or regular meeting of Members are those matters that are described in the meeting notice.

If mailed, the notice of a meeting shall be deemed given when deposited in the United States mail addressed to the Member at his or her address as it appears on the Association's records, with postage prepaid. If sent by facsimile, electronic mail, or other electronic communication device, notice shall be deemed delivered when transmitted to the Member at his or her address, e-mail address, or telephone or fax number as it appears on the Association's records. Failure to receive actual notice of an Association meeting shall not affect the validity of any action taken at such meeting.

2.7. Waiver of Notice.

Waiver of lack of proper notice of an Association meeting shall be the equivalent of proper notice. Any Member may waive, in writing, lack of proper notice of any Association meeting, either before or after such meeting. A Member's attendance at a meeting shall be deemed a waiver by such Member of lack of proper notice of the meeting, unless the 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 a waiver of lack of proper notice of all business transacted at the meeting, unless an objection on the basis of lack of proper notice is raised before the business is put to a vote.

2.8. Adjournment of Meetings.

If the Association cannot hold a meeting because a quorum is not present, or if the Members otherwise elect (with the approval of the Declarant during the Development and Sales Period), a majority of the Members who are present may adjourn the meeting to a time at least 5 but not more than 30 days from the date called for the original meeting. 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. At the reconvened meeting, if a quorum is present, any business may be transacted which might have been transacted at the meeting originally called. If those in attendance at the original meeting do not fix a time and place for reconvening the meeting, or if for any reason a new date is fixed for reconvening the meeting after adjournment, the Association shall give the Members notice of the time and place for reconvening the meeting in the manner prescribed for regular meetings.

2.9. Voting.

Members shall have such voting rights as are set forth in the Declaration, which provisions are incorporated herein 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.

2.10 List for Voting.

After setting 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.

2.11. Proxies.

On any matter as to which a Member is entitled personally to cast the vote for his or her Lot, such vote may be cast in person or by proxy, subject to applicable law. A Voting Delegate entitled to cast the votes for all Lots within such delegates' Service Area may not assign the right to cast such votes by proxy, but may cast such votes only in person or through such Voting Delegate's designated alternate.

Every proxy shall be in writing specifying the Lot(s) for which it is given, signed by the Member or his or her duly authorized attorney-in-fact, dated, and filed with the Association's Secretary or person presiding over the meeting prior to or during the roll call for the meeting for which it is to be effective. In accordance with Section 55A-7-24 of the North Carolina Nonprofit Corporation Act, a Member may deliver one or more proxies by an electronic mail message or other form of electronic, wire, or wireless communication that provides a written statement appearing to have been sent by the Member. 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, the later, if the timing of the execution thereof can be determined, shall prevail, otherwise both shall be deemed invalid.

Every proxy shall be revocable and shall automatically cease upon: (a) conveyance of any Lot(s) for which it was given; (b) the receipt of written notice of revocation of the proxy or of the death or

judicially declared incompetence of a Member who is an individual by the Secretary or the person presiding over a meeting of the Association; (c) 90 days from the meeting date for which the proxy was originally given, unless the proxy specifies a shorter period; or (d) 11 months after the date of the proxy, unless the proxy specifies a shorter period.

2.12. Majority.

As used in these By-Laws, the term "majority" shall mean those votes, Owners, or other group as the context may indicate, totaling more than 50% of the total eligible number.

2.13. Quorum.

Except as these By-Laws or the Declaration otherwise provide, Members or their proxies entitled to cast 10% of the total Class "A" votes in the Association and the Class "B" Member, if such Member exists, shall constitute a quorum at all Association meetings. If no quorum is present at a meeting, the meeting may be adjourned and reconvened on a later date by the affirmative vote of a majority of those Members present in person or by proxy. At such reconvened meeting, the quorum requirement shall be 5% of the total Class "A" votes in the Association and the Class "B" Member, if such Member exists. The quorum shall continue to be reduced by 50% from that required at the previous meeting as previously reduced, until such time as a quorum is present and business can be conducted.

2.14. Conduct of Meetings.

The President shall preside over all Association meetings at which he or she is present, and the Secretary shall keep (or cause to be kept) the minutes of the meetings and record in a minute book all resolutions adopted and all other transactions occurring at such meetings.

2.15. Action Without a Meeting.

Without holding a meeting pursuant to Sections 2.4 or 2.5, Members may take any action that applicable law requires or permits the Members to take at a meeting (subject to any limitations in the Governing Documents), if the action is approved by Members representing at least the minimum number of votes in the Association necessary to authorize such action at a meeting, assuming the number of votes cast equals or exceeds the quorum required to be present at a meeting authorizing the action. Such approval shall be evidenced by one or more written consents specifically authorizing the proposed action, dated and signed by Members holding the requisite votes. The Association need not give prior notice before soliciting such consent; provided, however, that the Association must send written consent forms to all Members for action authorized pursuant to this section to be valid. Members shall sign, date, and deliver such consents to the Association within 60 days after the Association's receipt of the earliest dated consent. The Association's Secretary shall file (or cause to be filed) such consents with the Association's minutes and the consents shall have the same force and effect as a vote of the Members at a meeting. Within 10 days after receiving authorization for any action by written consent, the Secretary shall give (or cause to be given) written notice to all Members entitled to vote, fairly summarizing the material features of the authorized action.

2.16. Order of Business.

The order of business at all annual meetings of the Members shall be as follows: (a) roll call to determine whether a quorum is represented; (b) proof of notice of the meeting or waiver of notice; (c) reading of (or waiver of reading) minutes of the preceding annual meeting; (d) reports of officers, if any;

(e) reports of committees, if any; (f) election of inspector(s) of election if an election is to be held; (g) election of Class "A" Directors if applicable; (h) unfinished business, if any; and (i) new business.

Article III.

Board of Directors: Selection, Meetings, Powers

A. Composition and Selection.

3.1. Governing Body: Composition.

The Board shall govern the Association's affairs. Each director shall have one vote. Directors must be Members or residents of the Community, except in the case of directors that the Class "B" Member appoints. A director must be at least 18 years old. No more than one representative of any Member which is a legal entity, nor more than one occupant of any Lot, shall serve on the Board at a time, except in the case of directors that the Class "B" Member appoints.

3.2. Number of Directors.

The initial Board shall consist of the three directors identified in the Articles of Incorporation. Upon termination of the Class "B" Control Period, the number of directors shall be increased to five. The Board may, by resolution, increase or decrease the number of directors.

3.3. Nomination and Election Procedures.

(a) Nominations and Declarations of Candidacy. Prior to each election of directors, the Board shall prescribe the opening date and the closing date of a reasonable filing period in which every eligible person who has an interest in serving as a director may file as a candidate for any position to be filled by Class "A" votes. Nominations for election to the Board also may be made by a nominating committee. The nominating committee, if any, shall consist of a Chairman, who shall be a Member, and two or more Members or representatives of Members, all appointed by a majority of the Board. The nominating committee, if any, may make as many nominations for election to the Board as it shall in its discretion determine. If Voting Groups have been formed, nominations shall be to separate slates for the directors, if any, to be elected at large by all Members, and for the director(s) to be elected by the votes within each Voting Group. The Board shall also permit nominations from the floor at any election meeting.

The Board shall give each candidate a reasonable, equal opportunity to communicate his or her qualifications to the Members and to solicit votes.

(b) Election Procedures. A Member may cast the vote(s) assigned to the Lot(s) which he or she owns for each position to be filled at an election. If Voting Delegates have been elected, each Voting Delegate may cast all votes assigned to the Lots which such Voting Delegate represents for each position to be filled from the slate of candidates on which such Voting Delegate is entitled to vote. Cumulative voting is not allowed. That number of candidates equal to the number of positions to be filled who receive the greatest number of votes shall be elected.

3.4. Election and Term of Office.

(a) The Class "B" Member shall have complete discretion in appointing, removing, and replacing directors during the Class "B" Control Period.

(b) Upon termination of the Class "B" Control Period, the President shall call for an election at which the Class "A" Members shall be entitled to elect four of the five directors. The remaining director shall be appointed by the Class "B" Member. The two directors receiving the largest number of Class "A" votes shall be elected for a term of two years and the remaining two directors shall be elected for a term of one year. If Voting Groups have been established, one director shall be elected by the Members representing each Voting Group and any remaining directorships filled at large by the vote of all Members.

(c) Until termination of the Development and Sale Period, the Declarant shall be entitled to appoint one director. Upon termination of the Development and Sale Period, the director elected by the Declarant shall resign and the remaining directors shall be entitled to appoint a director to serve until the next annual meeting, at which the Class "A" Members shall be entitled to elect a director to fill such position. Such director shall be elected for a term of two years.

Notwithstanding the stated length of any term, directors shall hold office until their respective successors have been elected. Directors elected by the Class "A" Members are hereafter referred to as the "Class "A" Directors."

Upon expiration of the term of each Class "A" Director elected pursuant to this subsection and thereafter, a successor shall be elected for a term of two years.

3.5. Removal of Directors and Vacancies.

Any Class "A" Director may be removed, with or without cause, by the vote of Class "A" Members holding a majority of the votes entitled to be cast for the election of such Class "A" Director. Any Class "A" Director whose removal is sought shall be given notice prior to any meeting called for that purpose. Upon removal of a Class "A" Director, a successor shall be elected by the Class "A" Members entitled to elect the Class "A" Director so removed to fill the vacancy for the remainder of such Class "A" Director's term. Class "A" Directors may not be removed by the Class "B" Member.

Any Class "A" Director who has three consecutive unexcused absences from Board meetings, or who is more than 60 days delinquent (or occupies or represents a Lot for which assessments are so delinquent) in the payment of any assessment or other charge due the Association may be removed by a majority vote of the Board, excluding the Class "A" Director at issue. If the Class "A" Director is removed, the Board may appoint a successor to fill the vacancy 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 entitled to fill such directorship may elect a successor for the remainder of the term. If they fail to do so, the Board may appoint another director to fill the vacancy until filled by election. Any director that the Board appoints shall be selected from among Members and residents within the Voting Group represented by the director who vacated the position.

This Section shall not apply to directors the Class "B" Member appoints nor to any director serving as Declarant's representative. Such directors may be removed and replaced only by the Class "B" Member or Declarant. The Class "B" Member or 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 Declarant.

B. Meetings.

3.6. Organizational Meetings.

Within 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.

3.7. Regular Meetings.

The Board may hold regular meetings at such time and place as the Board shall determine, but the Board shall hold at least one such meeting during each fiscal year.

3.8. Special Meetings.

The Board shall hold special Board meetings when called by written notice signed by the President, Vice President, or any two directors.

3.9. Notice; Waiver of Notice.

(a) Notices of Board meetings 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. The Board shall give notice to each director by: (i) personal delivery; (ii) first class mail, postage prepaid; (iii) telephone (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); or (iv) facsimile, electronic mail, or other electronic communication device, with confirmation of transmission. All such notices shall be given at the director's telephone number, fax number, electronic mail address, or sent to the director's address, each as shown on the Association's records. Notices sent by first class mail shall be deposited into a United States mailbox at least 7 business days before the time set for the meeting, except in the event of an emergency. Notices given by personal delivery, telephone, or other device shall be delivered or transmitted at least 72 hours before the time set for the meeting.

(b) Except for emergency meetings, notice of a Board meeting shall be posted in a conspicuous place within the Community at least 48 hours in advance of the meeting or provided in any other manner reasonably anticipated to provide notice to all Members, including, without limitation, publication in an Association newsletter with Community-wide circulation, posting on a Community cable television channel, or posting on a Community Internet or intranet page. In lieu of notice of each regular Board meeting, the Board may post or publish a schedule of upcoming Board meetings.

(c) Transactions of any Board meeting, 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 (i) a quorum is present, and (ii) either before or after the meeting each director 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 meeting's purpose. Notice of a meeting shall also be deemed given to any director who attends the meeting without protesting before or at its commencement about the lack of adequate notice.

3.10. Telephonic Participation in Meetings.

Members of the Board or any committee designated by the Board may participate in a Board or committee meeting by means of telephone or other electronic means, through which all persons participating in the meeting can converse with each other at the same time. Participation in this manner

shall constitute presence at the meeting for all purposes. Participants attending by electronic means may vote by electronic transmission.

3.11. Quorum of Board.

At all Board meetings, 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 Board's decision, unless these By-Laws or the Declaration specifically provide otherwise. A meeting at which a quorum is initially present may continue, notwithstanding the withdrawal of directors, if at least a majority of the required quorum for that meeting approves any action taken. If the Board cannot hold a meeting 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.

3.12. Conduct of Meetings.

The President shall preside over all Board meetings at which he or she is present, and the Secretary shall keep (or cause to be kept) a minute book of Board meetings, recording all Board resolutions and all transactions and proceedings occurring at such meetings.

3.13. Open Meetings; Executive Session.

Subject to the provisions of Section 3.14, all Board meetings shall be open to all Members. However, attendees other than directors may not participate in any discussion or deliberation unless a director requests that they be granted permission to speak, and the Board concurs. In such case, the President (or other officer conducting the meeting) may limit the time any such individual may speak.

Notwithstanding the above, the President may call a special Board meeting, or adjourn any Board meeting and reconvene in executive session, and may exclude persons other than directors, to discuss with the Association's attorney matters relating to pending or threatened litigation which are protected by the attorney-client privileges, or to discuss among the Board any other matter of a sensitive nature, if applicable law permits. In such cases, no recording will be permitted.

3.14. Action Without a Formal Meeting.

Any action to be taken or which may be taken at a Board meeting may be taken without a meeting if all directors sign a consent in writing, setting forth the action so taken. Such consent shall have the same force and effect as a unanimous vote.

C. Powers and Duties.

3.15. Powers.

The Board shall have all of the powers and duties necessary for administering the Association's affairs and for performing all of the Association's responsibilities and exercising all of the Association's rights as set forth in the Governing Documents, and as provided by law. The Board may do or cause to be done on the Association's behalf all acts and things except those which the Governing Documents or applicable law require to be done and exercised exclusively by the membership generally.

3.16. Duties.

The Board's duties shall include, without limitation:

- (a) those obligations set forth in the Declaration and elsewhere in these By-Laws;
- (b) depositing all funds received on the Association's behalf in a bank depository which it shall approve, and using such funds to operate the Association; provided, however, that any reserve funds may be deposited, in the Board's business judgment, in depositories other than banks;
- (c) 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 if, in the exercise of its business judgment, it deems it prudent to do so;
- (d) keeping books with detailed accounts of the Association's receipts and expenditures; and
- (e) maintaining, and retaining for the time periods required, the "official records" of the Association, as provided in Chapters 47F and 55A, North Carolina General Statutes, or such other applicable law.

3.17. Compensation.

The Association shall not compensate a director for acting as such. The Association may reimburse any director for expenses incurred on the Association's behalf if approved by a majority of the other directors. In addition, nothing herein shall prohibit the Association from compensating a director for services or supplies he or she furnishes to the Association in a capacity other than as a director pursuant to a contract or agreement with the Association. The foregoing also applies to any entity with which a director is affiliated.

3.18. Right of Class "B" Member to Disapprove Actions.

During the period of Class "B" membership, the Class "B" Member shall have a right, to the extent not prohibited by law, to veto any action, policy, or program of the Association, the Board, and/or any committee which, in the Class "B" Member's discretion, would tend to impair rights or interests of Declarant, or any Affiliate of Declarant's, interfere with development or construction of any portion of the Community, or diminish the level of services the Association provides.

(a) Notice. The Association, the Board, and each committee shall give the Class "B" Member written notice of their meetings and proposed actions to be approved at their meetings (or by written consent in lieu of a meeting). The notice shall comply with the requirement for notice to directors under Section 3.9 and 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.

(b) Opportunity to be Heard. The Association, the Board, and each committee shall give the Class "B" Member the opportunity at any meeting to join in, or to have its representatives or agents join in, discussion from the floor concerning any prospective action, policy, or program which would be subject to the veto right described in this Section.

(c) Exercise of Rights. The Class "B" Member may exercise its veto right at any time within 30 days following the meeting at which such action was proposed or, if the action is approved without a meeting, at any time within 30 days following receipt of written notice of the proposed action. 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. This veto right may be used to block proposed actions but shall not include a right to require any action or counteraction by the Association, the Board, or any committee. The Class "B" Member shall not use its veto right to prevent expenditures required to comply with applicable laws.

(d) Condition of Implementation. No action, policy, or program subject to the Class "B" Member's veto right shall become effective or be implemented until and unless the requirements of subsections (a) and (b) above have been met, and then subject to the Class "B" Member's rights under subsection (c).

3.19. Management.

The Board may employ a professional managing agent or agents, at such compensation as the Board may establish, to perform such duties and services as the Board shall authorize and as are otherwise within the scope of the Board's authority. The Board may delegate such powers as are necessary to perform the manager's duties, but shall not delegate policy-making authority or the obligation to adopt a budget. The Board may contract with or employ Declarant or any of its Affiliates as managing agent or manager.

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

The Class "A" Members shall have no right to terminate a management contract during the Class "B" Control Period. Unless the Board otherwise grants such right, or unless the management contract otherwise provides, the Board may act in its discretion with respect to executing and terminating management contracts during the Class "B" Control Period. Any management contract may, among other things, authorize the managing agent to act as the Association's agent with respect to the expenditure of Association funds within the scope of the approved Association budget; however, the managing agent shall not be permitted to spend money in excess of the budget or reallocate greater than 10% of any budget line item without the Board's prior written approval.

3.20. Accounts and Reports.

The following management standards of performance shall be followed unless the Board specifically determines otherwise:

(a) Commencing at the end of the quarter in which the first Lot is sold and closed, the Board may prepare financial reports for the Association at least quarterly containing:

(i) an income statement reflecting all income and expense activity for the preceding period on a cash or accrual basis;

(ii) a statement reflecting all cash receipts and disbursements for the preceding period;

(iii) a variance report reflecting the status of all accounts in an "actual" versus "approved" budget format;

(iv) a balance sheet as of the last day of the preceding period; and

(v) a delinquency report listing all Owners who are delinquent in paying any assessments at the time of the report and describing the status of any action to collect such assessments which remain delinquent (any assessment or installment thereof shall be considered to be delinquent on the 15th day following the due date unless otherwise specified by Board resolution); and

(b) An annual financial report consisting of at least the following shall be prepared within 60 days (or such longer period as is permitted by law) after the close of the fiscal year: (i) a balance sheet showing actual receipts and expenditures; (ii) an operating (income) statement; and (iii) a statement of changes in financial position for the fiscal year. Such annual report shall be prepared on an audited, reviewed, or compiled basis, as the Board determines, by an independent public accountant.

The Association shall provide each Owner or its authorized agent a copy of the annual financial report within 5 business days following receipt of a written request for same. In addition, if applicable law requires, the Association shall send a copy of the annual financial report to each Member by mail or personal delivery following the close of the fiscal year.

3.21. 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 other owners or residents associations.

3.22. Fines and Sanctions.

The Association may impose fines, in such amounts as permitted by law, for any violation of the Governing Documents except with regard to assessments. To the extent the Declaration or applicable law specifically requires, the Board shall comply with the following procedures prior to imposition of sanctions:

(a) Notice. The Board or its delegate shall serve the alleged violator with written notice describing (i) the nature of the alleged violation; (ii) the proposed sanction to be imposed; (iii) a period of not less than 14 days within which the alleged violator may present a written request for a hearing; and (iv) a statement that the proposed sanction shall be imposed as contained in the notice unless the alleged violator challenges the violation within 14 days of the notice. If a timely request for a hearing is not made, or if otherwise permitted by the Governing Documents and applicable law, the sanction stated in the notice shall be imposed. The Board or Covenants Committee may suspend any proposed sanction if the violation is cured, or if a diligent effort is being made to cure, within the 14-day period. Such suspension shall not constitute a waiver of the right to sanction future violations of the same or other provisions and/or rules by any Person. If a violator repeats the violation, or engages in a similar violation, for which notice was given within 12 months after the date of the first notice, the Board shall have the discretion to impose the proposed sanctions if the alleged violations were one continuous violation without the need to serve the alleged violator with additional notice. The Board may adopt a schedule of sanctions for violations of the Governing Documents; provided, however, that the Board shall not impose a fine that exceeds the limits prescribed by § 47F-3-107.1 of the Act.

(b) Hearing. If the alleged violator requests a hearing within the allotted 14-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. Proof of proper notice shall be placed in the minutes of the meeting. A copy of the notice, together with a

statement of the date and manner of delivery signed by the officer, director, or agent who delivered such notice shall be considered adequate proof of notice. The notice requirement shall be deemed satisfied if the alleged violator or its representative appears at the meeting. A written statement of the results of the hearing and the sanction, if any, imposed shall be filed with the minutes of the Covenants Committee's meetings.

(c) Additional Enforcement Rights. Notwithstanding anything to the contrary in this Article, subject to any limitations set forth in the Declaration, the Board may elect to enforce any provision of the Governing Documents by self-help (specifically including, but not limited to, towing vehicles that violate parking rules) or, following compliance with the Declaration's dispute resolution procedures, if applicable, by suit at law or in equity to enjoin any violation or to recover monetary damages or both. In any such action, to the maximum extent permissible, the Owner or occupant responsible for the violation of which abatement is sought shall pay all costs, including, without limitation, reasonable Legal Costs actually incurred.

3.23. Board Training Seminar.

The Board may provide or provide for, as a Common Expense, seminars and continuing educational opportunities designed to educate and inform directors of their responsibilities as directors. Such programs may include instruction on applicable corporate and fiduciary law principles, other issues relating to administering the Community's affairs, and upholding and enforcing the Governing Documents. The Board may retain industry professionals, including property managers, attorneys, and accountants, as appropriate or necessary for such purpose. Each newly elected director and each re-elected director may be required to complete a training seminar within the first six months of assuming the director position.

3.24. Board Standards.

In performing their duties, directors and officers shall act in accordance with § 55A-8-30 of the North Carolina Nonprofit Corporation Act (the "business judgment rule") and are entitled to insulation from liability as provided for directors and officers of corporations by applicable law and as otherwise provided by the Governing Documents.

A director or officer acting in accordance with the business judgment rule shall not be personally liable to the Association or its Members for errors in judgment made in the director's or officer's capacity as such. Unless the Governing Documents require that specific action be taken, the failure to take such specific action shall not, without further showing that the Board acted in violation of the business judgment rule, be deemed a violation of a Board duty.

Board determinations of the meaning, scope, and application of Governing Document provisions shall be upheld and enforced so long as such determinations are reasonable. The Board shall exercise its power in a fair, nondiscriminatory manner and shall adhere to the procedures established in the Governing Documents.

3.25. Conflicts of Interest Code of Ethics.

Unless otherwise approved by a majority of the other directors, no Class "A" Director may transact business with the Association or a contractor engaged by the Association during his or her term as director. A Class "A" Director shall promptly disclose in writing to the Board any actual or potential conflict of interest affecting the director relative to his or her performance as a director. A Class "A"

Director's failure to make such disclosure shall be grounds for removal by a majority vote of the other Board members. The Board may void any contract which creates a prohibited conflict of interest.

Notwithstanding the above, the directors appointed by the Class "B" Member may be employed by or otherwise transact business with Declarant or any of its Affiliates, and Declarant and its Affiliates may transact business with the Association or its contractors.

Article IV. **Officers**

4.1. Officers.

The Association's officers shall include a President, Vice President, Secretary, and Treasurer. The officers may, but need not, be Board members, Owners, or residents of the Community; provided, however, that so long as there is a Class "B" membership, the appointment of officers who are not residents of the Community shall require the prior written consent of the Class "B" Member. The Board may appoint such other officers, including, without limitation, one or more Vice Presidents, Assistant Secretaries or 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 Association's officers at the first Board meeting following each Association annual meeting. Officers shall serve until their successors are elected.

4.3. Removal and Vacancies.

Any officer may be removed with or without cause by a vote of at least a majority of the directors. The Board shall appoint a replacement to fill any vacancy in any office for the unexpired portion of the term.

4.4. Powers and Duties.

The Association's officers each shall have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as the Board may specifically confer or impose. The President shall be the Association's chief executive officer. The Treasurer shall supervise the preparation of the Association's budget, but may delegate all or part of the preparation and notification duties to a finance committee, managing agent, or both. The Secretary shall prepare or supervise the preparation of meeting minutes as required by applicable law.

4.5. Resignation.

Any officer may resign at any time by giving written notice to the Board, the President, or the Secretary. 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, 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 Association instruments shall be executed by an officer, unless the Board provides otherwise, or by such other person or persons as the Board may designate by resolution.

4.7. Compensation.

Compensation of officers shall be subject to the same limitations as compensation of directors under Section 3.17.

4.8. President.

The President shall be the chief executive officer of the Association. He or she shall preside at all meetings of the Association and of the Board at which he or she is present. He or she shall have all of the general powers and duties which are usually vested in the office of the President of a corporation, including, but not limited to, the power, subject to the provisions of Article V, to appoint committees from among the Members from time to time as he or she may in his or her discretion decide is appropriate to assist in the conduct of the affairs of the Association. The President shall, subject to the control of the Board, have general supervision, direction, and control of the business of the Association. The President shall be ex-officio a member of all standing committees, and shall have such other powers and duties as may be prescribed by the Board or these By-Laws.

4.9. Vice President.

The Vice President shall take the place of the President and perform his or her duties whenever the President is absent, disabled, or refuses or is unable to act. If neither the President nor the Vice President is able to act, the Board shall appoint some other member of the Board to do so on an interim basis. The Vice President shall also perform such other duties as shall from time to time be conferred upon him or her by the Board or these By-Laws.

4.10. Secretary.

The Secretary shall keep (or cause to be kept) the minutes of all meetings of the Board and the minutes of all meetings of the Association at the Association's principal office or at such other places as the Board may order. The Secretary shall keep (or cause to be kept) the seal of the Association in safe custody and shall have charge of such books and papers as the Board may direct. The Secretary shall, in general, perform (or cause to be performed) all of the duties incident to the office of Secretary. The Secretary shall give, or cause to be given, notice of meetings of the Members of the Association and of the Board required by these By-Laws or by law to be given. The Secretary shall maintain (or cause to be maintained) a book of record Owners, listing the names and addresses of the Owners furnished by the Association, and such books shall be changed only at such time as satisfactory evidence of a change in ownership of a Lot is presented to the Secretary. The Secretary shall perform such other duties as may be prescribed by the Board or these By-Laws. The Secretary may delegate all or a part of such duties to the managing agent.

4.11. Treasurer.

The Treasurer shall have responsibility for Association funds and securities and shall be responsible for keeping, or causing to be kept, full and accurate accounts, tax records, and business transactions of the Association, including accounts of all assets, liabilities, receipts, and disbursements in

books belonging to the Association. The Treasurer shall be responsible for the deposit of all monies and other valuable effects in the name and to the credit of the Association in such depositories as may from time to time be designated by the Board, in accordance with the Declaration and these By-Laws, shall render to the President and the directors, upon request, an account of all of his or her transactions as Treasurer and of the financial conditions of the Association, and shall have such other powers and perform such other duties as may be prescribed by the Board or these By-Laws. The Treasurer may delegate a part of such duties to the managing agent.

Article V.
Committees

5.1. General.

The Board may create such committees and appoint its members, as it deems appropriate to perform such tasks and to serve for such periods as the Board may designate by resolution.

Committees shall exercise only such authority as granted by Board resolution; provided, however, that the Board may elect not to follow a committee's advice on any matter. Committees may not act without specific Board authority and may not bind the Association contractually or financially.

5.2. Covenants Committee.

The Board shall, from time to time, appoint a Covenants Committee consisting of three persons to serve as a hearing tribunal pursuant to Section 3.22. The Covenants Committee shall be comprised of Members of the Association who are not directors, officers, or employees of the Association or the spouse, parent, child, brother, or sister of a director, officer, or employee.

5.3. Service Area Committees.

In addition to any other committees appointed as provided above, each Service Area which has no formal organizational structure or Service Area Association may elect a Service Area Committee to determine the nature and extent of services, if any, to be provided to the Service Area by the Association in addition to those provided to all Members of the Association in accordance with the Declaration. A Service Area Committee may advise the Board on any issue but shall not have the authority to bind the Board. Such Service Area Committee, if elected, shall consist of three Members; provided, however, that if approved by the vote of at least a majority of the Owners of Lots within the Service Area, the number may be increased to five.

Service Area Committee members shall be elected for a term of one year or until their successors are elected. Any director elected to the Board from a Service Area shall be an *ex officio* member of the Service Area Committee. The members of the Service Area Committee shall elect a chairperson from among themselves, 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 Service Area Committee shall conduct itself in accordance with the notice, participation, and quorum requirements applicable to the Board under Sections 3.9, 3.10, and 3.11. Meetings of a Service Area Committee shall be open to all Owners of Lots in the Service Area and their representatives. Members of a Service Area Committee may act by unanimous written consent in lieu of a meeting.

5.4. Other Committees.

In addition to the above, the Board may create additional committees, as it deems necessary and useful. The following are examples of types of committees, along with their purpose, which the Board may create:

(a) Finance Committee – to assist the Board, the Treasurer, and the Association's managing agent, if any, in preparing the Association's budget.

(b) Physical Maintenance Committee – to assist the Board with maintenance of the Common Maintenance Areas.

(c) Dispute Resolution Committee – to assist in the mediation of disputes concerning the interpretation of Use Restrictions, rules, and other Governing Document provisions and advise the Board on initiating litigation involving the Association (as provided in the Declaration); provided, however, that the Dispute Resolution Committee shall not preside over matters relating to the collection of assessments or other fees and charges. Each member of the Dispute Resolution Committee shall attend a Board-approved course on dispute resolution, if the Board so requires.

The Board may establish by resolution the specific scope and limitations on the authority of the above committees.

Article VI. Miscellaneous

6.1. Fiscal Year.

The Association's fiscal year shall be the calendar year unless otherwise established by Board resolution.

6.2. Parliamentary Rules.

Except as may be modified by Board resolution, *Robert's Rules of Order* (the edition published on the date closest to the meeting) shall govern the conduct of Association proceedings when not in conflict with applicable law or the Governing Documents.

6.3. Conflicts.

Conflicts between or among the Governing Documents and applicable law shall be resolved as directed in the Declaration.

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 Lot, any Member, or the duly appointed representative of any of the foregoing at reasonable times: the Governing Documents, the membership register, books of account, and the minutes of meetings of the Members, the Board, and committees. The Board shall provide for such inspection to take place at the Association's office or at such other place within the Community as the Board shall designate.

(b) Rules for Inspection. The Board may establish reasonable 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; (iii) payment of the cost of reproducing documents requested; and (iv) such other matters as the Board deems appropriate. Records shall be made available within 5 business days of the receipt of a written request by an Owner or his or her authorized agent, or as otherwise required by law.

(c) Inspection by Directors. Every director shall have the absolute right at any reasonable time to inspect all Association books, records, and documents and the physical properties the Association owns or controls. The director's right of inspection includes the right to make a copy of relevant documents at the Association's expense. The Board shall provide for such inspection to take place at the Association's office, the managing agent's office, or at a place within the Community as the Board shall designate.

6.5. Notices.

(a) Form of Notice and Method of Delivery. Except as otherwise provided in the Declaration or these By-Laws or by applicable law, all notices, demands, bills, statements, or other communications under the Declaration or these By-Laws shall be in writing and may be delivered in person, by United States mail, by private carrier, by facsimile, electronic mail or other electronic communication device with written confirmation of transmission.

(b) Delivery Address. Notices shall be delivered or sent to the intended recipient as follows:

(i) if to a Member, at the address, facsimile number, or e-mail 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 Lot of such Member;

(ii) if to the Association, the Board, or a committee of either, at the address, facsimile number, or e-mail address of the principal office of the Association or its managing agent, or at such other address as the Association shall designate by notice in writing to the Members pursuant to this Section; or

(iii) if to the Declarant, at the principal address of the Declarant as it appears on the Secretary of State's records, or at such other address as the Declarant shall designate by notice in writing to the Association pursuant to this Section.

(c) Effective Date. Notice sent in accordance with subsections (a) and (b) shall be deemed to have been duly given and effective:

(i) if sent by United States mail, when deposited with the U. S. Postal Service, correctly addressed, with first class or higher priority postage prepaid;

(ii) if delivered personally or by private carrier, when actually delivered to the address of the intended recipient, as evidenced by the signature of the person at such address who accepts such delivery; however, if such delivery is refused or if the intended recipient has contracted with the private carrier to leave any deliveries without obtaining a signature evidencing receipt, the notice shall be deemed duly given and effective if the attempt to deliver was timely made;

(iii) if sent by facsimile or electronic mail, upon transmission, as evidenced by a printed confirmation of transmission.

6.6. Amendment.

(a) By Class "B" Member. During the Class "B" Control Period, the Class "B" Member may amend these By-Laws unilaterally.

(b) By the Membership. Except as provided above, these By-Laws may be amended only by the affirmative vote or written consent of Members representing at least 67% of the total Class "A" votes in the Association, and the consent of the Declarant during the Development and Sale Period. 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 of Amendments. Amendments to these By-Laws shall become effective upon recordation unless a later effective date is specified therein. In no event shall a change of conditions or circumstances operate to amend any provisions of these By-Laws.

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



Upon recording, please return to:
Todd Nelson
Centex Destination Properties
1064 Greenwood Blvd., Suite 200
Lake Mary, Florida 32746

Doc ID: 003355040005 Type: CRP
Recorded: 10/03/2005 at 12:28:07 PM
Fee Amt: \$51.00 Page 1 of 5
Jackson County, NC
Joe Hamilton Register of Deeds
BK **1535** PG **446-450**

Cross-Reference to:
Book 1196, Page 331,
Real Estate Index for
Jackson County, North
Carolina

FIRST AMENDMENT
TO AMENDED AND RESTATED SUPPLEMENTAL DECLARATION
OF COVENANTS, CONDITIONS, AND RESTRICTIONS FOR BEAR LAKE RESERVESM

(Shared Docks)

THIS FIRST AMENDMENT TO AMENDED AND RESTATED SUPPLEMENTAL DECLARATION ("First Amendment") is made this 30th day of September, 2005, by Centex Homes, a Nevada general partnership, d/b/a Centex Destination Properties (hereinafter referred to as "Declarant").

WITNESSETH:

WHEREAS, that certain Declaration of Covenants, Conditions, and Restrictions for Bear Lake ReserveSM was filed of record on August 26, 2003, in Book 1196, Page 331, *et seq.*, in the Real Estate Index for Jackson County, North Carolina (such instrument as amended and supplemented is herein referred to as the "Declaration");

WHEREAS, that certain Supplemental Declaration of Covenants, Conditions, and Restrictions for Bear Lake ReserveSM was filed of record on August 20, 2004, in Book 1444, Page 359, *et seq.*, in the Real Estate Index for Jackson County, North Carolina ("Initial Supplemental Declaration");

WHEREAS, that certain Amended and Restated Supplemental Declaration of Covenants, Conditions, and Restrictions for Bear Lake ReserveSM was filed of record on June 8, 2005, in Book 1505, Page 790, *et seq.*, in the Real Estate Index for Jackson County, North Carolina ("Amended and Restated Supplemental Declaration");

WHEREAS, pursuant to the terms of Article 5, Section 5.1 of the Amended and Restated Supplemental Declaration, the Declarant may unilaterally amend the Amended and Restated Supplemental Declaration in accordance with Article XXI, Section 21.1 of the Declaration;

WHEREAS, the Declarant desires to amend and restate only Exhibit "A" and Exhibit "B" attached to the Amended and Restated Supplemental Declaration for the purpose of adding certain lots and also amending the plat information in Exhibit "A" and amending the Shared Dock Groups in Exhibit "B";

WHEREAS, amendment of the Amended and Restated Supplemental Declaration pursuant to this First Amendment is in accordance with Article XXI, Section 21.1 of the Declaration;

WHEREAS, pursuant to the terms of Article IX, Section 9.3 of the Declaration, Declarant may impose additional covenants, restrictions and easements on portions of the Community as Declarant deems appropriate, in Declarant's discretion, by filing a Supplemental Declaration in the aforesaid index;

NOW, THEREFORE, pursuant to the powers retained by Declarant under the Declaration, Declarant hereby amends and restates Exhibit "A" and Exhibit "B" attached to the Amended and Restated Supplemental Declaration by replacing each of them respectively with the Exhibit "A" and the Exhibit "B" attached to this First Amendment.

ARTICLE 1

Definitions

The definitions set forth in Article II, Section 2.1 of the Declaration are incorporated herein by reference.

ARTICLE 2

Declaration

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

[SIGNATURES ON NEXT PAGE]

EXHIBIT "A"

Description of Dock Lots

ALL THOSE TRACTS OR PARCELS OF LAND located in the Bear Lake Reserve Subdivision, which is a subdivision of a portion of Parcel 7586-73-5277, River and Canada Townships, Jackson County, North Carolina, and being more particularly described as the following lots on certain plats recorded in the plat records of Jackson County, North Carolina on the dates indicated:

1. Lots 99, 100, 101, 102, 103, 104, 105, 106, 107, 108 and 109 as shown on the Plat recorded in Plat Cabinet 12, Slide 962, on May 14, 2004;
2. Lots 110, 111, 112, 115, 116, and 117 as shown on the Plat recorded in Plat Cabinet 12, Slide 508, on October 31, 2003;
3. Lot 144 as shown on the Plat recorded in Plat Cabinet 13, Slide 768, on March 23, 2005;
4. Lots 145, 146, 147, 148, 149, 150, 151, 152, and 153 as shown on the Plat recorded in Plat Cabinet 12, Slide 791, on March 8, 2004; and
5. Lots 154, 155, 156, 158, 159, 160 as shown on the Plat recorded in Plat Cabinet 13, Slide 328, on September 30, 2004.

EXHIBIT "B"

Shared Dock Groups

The Shared Dock Groups shall be as follows:

Lots

99, 100
101, 102
103, 104
105, 106
107, 108
109, 110
111, 112
115, 116, 117
144, 145
146, 147
148, 149
150, 151
152, 153
154, 155
156, 158
159, 160

NOTE:

On the date of recordation, this First Amendment does not encumber or affect any of Lots 101, 102, 107 or 111 until such time as the owner of such lot(s) executes and causes to be recorded a Consent to Recording Agreement that adopts and confirms that this First Amendment shall encumber and run with title of such lot(s).



Doc ID: 003444400004 Type: CRP
 Recorded: 03/21/2006 at 10:15:48 AM
 Fee Amt: \$23.00 Page 1 of 4
 Jackson County, NC
 Joe Hamilton Register of Deeds
 BK 1575 PG 653-656

Upon recording return to:
 Todd Nelson
 Centex Destination Properties
 1064 Greenwood Blvd., Suite 200
 Lake Mary, Florida 32746

Cross Reference:
 Book 1196, Page 331,
 Jackson County, North Carolina records

**SUPPLEMENTAL DECLARATION OF COVENANTS, CONDITIONS
 AND RESTRICTIONS FOR BEAR LAKE RESERVESM**

THIS SUPPLEMENTAL DECLARATION is made this 15th day of MARCH, 2006, by CENTEX HOMES, a Nevada general partnership, d/b/a Centex Destination Properties (the "Declarant").

WITNESSETH:

WHEREAS, Declarant prepared and filed of record that certain Declaration of Covenants, Conditions, and Restrictions for Bear Lake ReserveSM at Book 1196, Page 331, *et seq.* in the public land records of Jackson County, North Carolina (the "Declaration");

WHEREAS, pursuant to the terms of Article IX, Section 9.1 of the Declaration, the Declarant may submit certain additional property described on Exhibit "B" of the Declaration to the terms of the Declaration;

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

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

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

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 Additional Property in addition to the provisions of the Declaration. Such Additional 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 Additional Property and shall be binding upon all persons having any right, title or any interest in such Additional Property, their respective heirs, legal representatives, successors, successors-in-title and assigns. The provisions of this Supplemental Declaration shall be binding upon Bear Lake Reserve Owners Association, Inc. in accordance with the terms of the Declaration.

ARTICLE 1

Definitions

The definitions set forth in Article II, Section 2.1 of the Declaration are incorporated herein by reference.

ARTICLE 2

Amendment to Supplemental Declaration

This Supplemental Declaration may be amended in accordance with Article XXI of the Declaration.

ARTICLE 3

Declaration

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

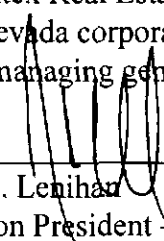
[SIGNATURE APPEARS ON FOLLOWING PAGE]

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

DECLARANT:

CENTEX HOMES,
a Nevada general partnership,
d/b/a Centex Destination Properties

By: Centex Real Estate Corporation,
a Nevada corporation,
its managing general partner

By: 


John P. Lenihan
Division President – East Division

[CORPORATE SEAL]

STATE OF FLORIDA)
)
COUNTY OF SEMINOLE)

ACKNOWLEDGMENT

The foregoing instrument was acknowledged before me on this 15th day of March, 2006, by John P. Lenihan, Division President – East Division of Centex Real Estate Corporation, the managing general partner of Centex Homes, a Nevada general partnership, on behalf of said partnership.



Notary Public

Print Name: Shawna M. Hopkins

Notary Public in and for the State of Florida

My Commission Expires: April 20, 2008

[Notary Seal]



EXHIBIT "A"

Additional Property

ALL THAT TRACT or parcel of land lying and being in a subdivision of a portion of Parcel 7586-73-5277, River and Canada Townships, Jackson County, North Carolina, and being more particularly described on that certain plat of Bear Lake Reserve Subdivision, Lots 154-164, 200, 203-206 & 209-210, recorded in Plat Cabinet 14, Slide 289, Jackson County, North Carolina records, which plat is incorporated herein by reference thereto.



Doc ID: 003457780005 Type: CRP
 Recorded: 04/18/2006 at 04:38:20 PM
 Fee Amt: \$26.00 Page 1 of 5
 Jackson County, NC
 Joe Hamilton Register of Deeds

BK 1582 PG 90-94

Upon recording return to:
 Todd Nelson, Esq.
 1064 Greenwood Blvd., Suite 200
 Lake Mary, Florida 75201

Cross Reference:
 Deed Book 1196, Page 331,
 Real Estate Index for
 Jackson County, North Carolina

**SUPPLEMENT TO THE
 SUPPLEMENTAL DECLARATION OF COVENANTS, CONDITIONS,
 AND RESTRICTIONS FOR BEAR LAKE RESERVESM**

(Cottages Service Area)

THIS SUPPLEMENTAL DECLARATION is made this 14 day of April, 2006, by Centex Homes, a Nevada general partnership, d/b/a Centex Destination Properties (hereinafter referred to as "Declarant").

WITNESSETH:

WHEREAS, that certain Declaration of Covenants, Conditions, and Restrictions for Bear Lake Reserve was filed of record on August 26, 2003, in Book 1196, Page 331, *et seq.*, in the Real Estate Index for Jackson County, North Carolina (such instrument as amended and supplemented is herein referred to as the "Declaration");

WHEREAS, pursuant to the terms of Article VII, Section 7.11 of the Declaration, the Declarant may assign the submitted property described on Exhibit "A" to the Declaration to one or more Service Areas as Declarant deems appropriate, in Declarant's discretion, by filing a Supplemental Declaration in the aforesaid records;

WHEREAS, that certain Supplemental Declaration of Covenants, Conditions, and Restrictions for Bear Lake Reserve (Cottages Service Area) was filed of record on June 16, 2004, in Book 1429, Page 88, *et seq.*, in the Real Estate Index for Jackson County, North Carolina (such instrument as amended and supplemented is herein referred to as the "Supplemental Declaration");

WHEREAS, to the terms of Article 2 of the Supplemental Declaration, the Declarant may assign additional submitted property described on Exhibit "A" to the Declaration to the Cottages Service Area;

WHEREAS, Declarant is the owner of the Lots described on **Exhibit "A"** attached hereto, which are part of the submitted property, and Declarant desires to designate these Lots as part of the Cottages Service Area created pursuant to the Supplemental Declaration; and

WHEREAS, upon such designation, the Association shall be required to provide those certain benefits or services to these Lots within the Cottages Service Area as described in the Supplemental Declaration in addition to those which the Association generally provides to all Lots, and the costs of such benefits or services shall be assessed against the Lots in the Cottages Service Area as a Service Area Assessment;

NOW, THEREFORE, pursuant to the powers retained by Declarant under the Declaration, Declarant hereby subjects the Lots described on Exhibit "A" hereto to the provisions of the 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, 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 Bear Lake Reserve Owners Association, Inc. in accordance with the terms of the Declaration.

ARTICLE 1

Definitions

The definitions set forth in Article II, Section 2.1 of the Declaration are incorporated herein by reference.

ARTICLE 2

Service Area Designation

The Lots described on Exhibit "A" shall be designated as part of a Service Area which shall be added to and become a part of the "Cottages Service Area" created pursuant to the Supplemental Declaration. Declarant hereby reserves the right, without any obligation, to add other property described on Exhibit "A" to the Declaration to the Cottages Services Area by the recording of a supplemental declaration in the aforesaid index.

ARTICLE 3

Service Area Maintenance Obligations

3.1 In addition to the maintenance responsibilities of the Association set forth in the Declaration, the Association shall be responsible for performing the service area maintenance obligations set forth in Article 3 of the Supplemental Declaration with respect to the Lots within the Cottages Service Area, inclusive of the Lots described on Exhibit "A."

3.2 All maintenance and repair responsibilities described in this Supplemental Declaration shall be performed by the Association in accordance with the Community-Wide Standard. The Board shall determine in its discretion the manner and the frequency of performing such maintenance and repair responsibilities and may establish a rotation or schedule for repairs, as deemed appropriate by the Board.

3.3 All other portions of the Lot (and the improvements located thereon) shall be the responsibility of the respective Owners, including, without limitation, maintenance, repair, and

replacement, as necessary, of all pipes, lines, wires, conduits, or other apparatus (including all utility lines and associated pipes serving only the Lot). Each Owner and Occupant acknowledges that the architectural design and selected color scheme of the exterior of the dwellings have been carefully chosen and that in order to preserve the appearance of the Lots, all repainting and repair of the exterior of a dwelling by Owner shall be consistent with the original architectural design and color scheme unless approved by the Association and the Declarant during the Development and Sale Period.

3.4 Costs for the maintenance items set forth herein shall be assessed to the Cottages Service Area as a Service Area Assessment. In the event a Lot requires excessive maintenance or repairs due to the negligence or misconduct of the Owner, as determined in the sole discretion of the Board of Directors, such costs shall be assessed to such Lot as a Benefited Assessment.

ARTICLE 4

Shared Septic Systems

Certain Lots may contain septic fields, as shown on a recorded plat of such Lots, which benefit an adjacent Lot. The Owner of a Lot containing such a septic field shall be restricted from disturbing the area containing the septic field and shall only undertake improvements, if permissible, after obtaining prior approval from the ARB.

ARTICLE 5

Amendment to Supplemental Declaration

5.1 By Declarant. This Supplemental Declaration may be unilaterally amended by the Declarant in accordance with Article XXI, Section 21.1 of the Declaration.

5.2 By Members. Article 3 of this Supplemental Declaration may be amended by the Board with the written consent or affirmative vote, or any combination thereof, of Members representing at least sixty-seven percent (67%) of the Class "A" votes allocated to the Lots within the Cottages Service Area and, during the Development and Sale Period, with the written consent of the Declarant. Any other amendment to this Supplemental Declaration shall be subject to the requirements of Article XXI, Section 21.2 of the Declaration with respect to amendment by Members and shall also require the written consent or affirmative vote, or any combination thereof, of Members representing at least sixty-seven percent (67%) of the Class "A" votes allocated to the Lots within the Cottages Service Area.

ARTICLE 6

Declaration

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

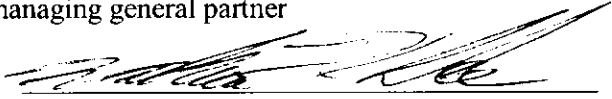
[SIGNATURES ON NEXT PAGE]

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

DECLARANT:

CENTEX HOMES, a Nevada general partnership, d/b/a
Centex Destination Properties

By: Centex Real Estate Corporation, a Nevada corporation,
its managing general partner

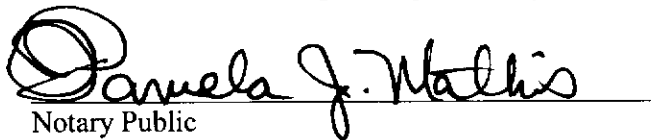
By: 
Bill Clark, Division Vice President
Centex Destination Properties-East Division

Address: Centex Destination Properties
572 Bear Lake Road
P.O. Box 130
Tuckasegee, North Carolina 28783

STATE OF NORTH CAROLINA)
)
COUNTY OF Jackson)

ACKNOWLEDGMENT

The foregoing instrument was acknowledged before me on this 14 day of April, 2006, by Bill Clark, Division Vice President (Centex Destination Properties-East Division) of Centex Real Estate Corporation, the managing general partner of Centex Homes, a Nevada general partnership, on behalf of said partnership.


Notary Public

Print Name: Pamela J. Mathis

Notary Public in and for the State of Florida

My Commission Expires: 4-29-2009

[Notary Seal]

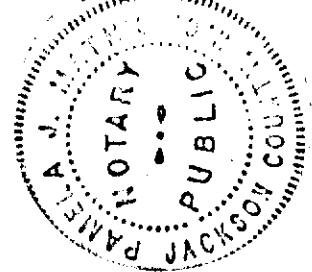


EXHIBIT "A"

ALL THOSE TRACTS OR PARCELS OF LAND located in the Bear Lake Reserve Subdivision, which is a subdivision of a portion of Parcel 7586-73-5277, River and Canada Townships, Jackson County, North Carolina, and being more particularly described as follows:

1. Lots 1, 2, 4, 19-21, 23-27, and 37-41 as depicted on that certain Plat recorded in Plat Cabinet 14, Slide 834 in the plat records of Jackson County, North Carolina;
2. Lots 3, 5-18, and 22 as depicted on that certain Plat recorded in Plat Cabinet 14, Slide 103 of the aforesaid records;
3. Lots 28-35 as depicted on that certain Plat recorded in Plat Cabinet 14, Slide 749 of the aforesaid records;
4. Lots 78-79, 87, 119, 246-247, 256-257, 259, 263-264, and 469-474 as depicted on that certain Plat recorded in Plat Cabinet 14, Slide 717 of the aforesaid records;
5. Lots 71-77 as depicted on that certain Plat recorded in Plat Cabinet 14, Slide 833 of the aforesaid records;
6. Lots 176-179, and 458-459 as depicted on that certain Plat recorded in Plat Cabinet 14, Slide 677 of the aforesaid records;
7. Lots 180-190, 283-284, 289, 291, 460-465, and 483 as depicted on that certain Plat recorded in Plat Cabinet 14, Slide 676 of the aforesaid records; and
8. Lots 285-288, 466, and 468 as depicted on that certain Plat recorded in Plat Cabinet 14, Slide 760 of the aforesaid records.



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 Recorded: 06/13/2006 at 04:37:15 PM
 Fee Amt: \$23.00 Page 1 of 4
 Jackson County, NC
 Joe Hamilton Register of Deeds
 BK 1594 PG 528-531



Doc ID: 003484150005 Type: CRP
 Recorded: 06/15/2006 at 04:25:41 PM
 Fee Amt: \$24.00 Page 1 of 5
 Jackson County, NC
 Joe Hamilton Register of Deeds
 BK 1595 PG 184-188

Upon recording return to:

Todd Nelson, Esq.
 1064 Greenwood Blvd., Suite 200
 Lake Mary, Florida 75201

Cross Reference:

Deed Book 1196, Page 331,
 Real Estate Index for
 Jackson County, North Carolina

**SUPPLEMENTAL DECLARATION OF COVENANTS, CONDITIONS
 AND RESTRICTIONS FOR BEAR LAKE RESERVESM**

(Phase 2)

THIS SUPPLEMENTAL DECLARATION is made this 9th day of June, 2006, by CENTEX HOMES, a Nevada general partnership, d/b/a Centex Destination Properties (the "Declarant").

WITNESSETH:

WHEREAS, that certain Declaration of Covenants, Conditions, and Restrictions for Bear Lake Reserve was filed of record on August 26, 2003, in Book 1196, Page 331, *et seq.*, in the Real Estate Index for Jackson County, North Carolina (such instrument as amended and supplemented is herein referred to as the "Declaration");

WHEREAS, pursuant to the terms of Article IX, Section 9.1 of the Declaration, the Declarant may submit certain additional property described on Exhibit "B" of the Declaration to the terms of the Declaration;

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

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

WHEREAS, the Declarant's right to submit Additional Property to the Declaration pursuant to Section 9.1 of the Declaration has not expired;

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

NOW, THEREFORE, pursuant to the powers retained by Declarant under the Declaration, Declarant hereby subjects the Additional Property to the provisions of the Declaration and this Supplemental Declaration, which shall apply to such Additional Property in addition to the provisions of the Declaration. Such Additional 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 Additional Property and shall be binding upon all persons having any right, title, or any interest in such Additional Property, their respective heirs, legal representatives, successors, successors-in-title and assigns. The provisions of this Supplemental Declaration shall be binding upon Bear Lake Reserve Owners Association, Inc. in accordance with the terms of the Declaration.

ARTICLE 1
Definitions

The definitions set forth in Article II, Section 2.1 of the Declaration are incorporated herein by reference.

ARTICLE 2
Amendment to Supplemental Declaration

This Supplemental Declaration may be unilaterally amended in accordance with Article XXI of the Declaration.

ARTICLE 3
Declaration

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


[SIGNATURES APPEAR ON THE NEXT PAGE]

IN WITNESS WHEREOF, Declarant has caused this instrument to be executed on the day and year written below.

DECLARANT:

CENTEX HOMES, a Nevada general partnership, d/b/a Centex Destination Properties

By: Centex Real Estate Corporation, a Nevada corporation, its managing general partner

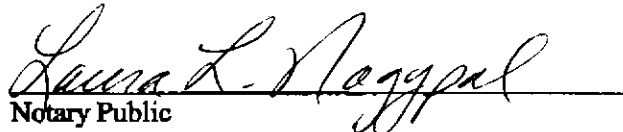
By: 
William Bill Clark, Division Vice President
Centex Destination Properties - East Division

[CORPORATE SEAL]

STATE OF NORTH CAROLINA

COUNTY OF JACKSON

The foregoing instrument was acknowledged before me on this 9th day of JUNE, 2006, ^{William} ~~Bill~~ Clark, Division Vice President (Centex Destination Properties-East Division) of Centex Real Estate Corporation, the managing general partner of Centex Homes, a Nevada general partnership, on behalf of said partnership.


Notary Public

Print Name: LAURA L. NAGYPAL

Notary Public in and for the State of Florida

My Commission Expires: March 12, 2011

[Notary Seal]

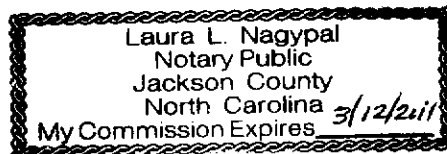



EXHIBIT "A"

Additional Property

ALL THOSE TRACTS OR PARCELS OF LAND located in the Bear Lake Reserve Subdivision, which is a subdivision of a portion of Parcel 7586-73-5277, River and Canada Townships, Jackson County, North Carolina, and being more particularly described as follows:

1. Lots 220-223 and 285-290 as depicted on that certain Plat recorded in Plat Cabinet 14, Slide 836 in the plat records of Jackson County, North Carolina;
2. Lots 224-230, 250 and 277-284 as depicted on that certain Plat recorded in Plat Cabinet 14, Slide 949 of the aforesaid records;
3. Lots 231-235 and 248-249 as depicted on that certain Plat recorded in Plat Cabinet 15, Slide 73 of the aforesaid records; Lot 234 as depicted on that certain plat recorded in Plat Cabinet 15, Slide 73 in the Jackson County Registry.
4. Lots 236-240 as depicted on that certain Plat recorded in Plat Cabinet 14, Slide 952 of the aforesaid records;
5. Lots 241-247 as depicted on that certain Plat recorded in Plat Cabinet 14, Slide 950 of the aforesaid records;
6. Lots 510 and 511 as depicted on that certain Plat recorded in Plat Cabinet 14, Slide 745 of the aforesaid records;
7. Lots 610-622 and 625 as depicted on that certain Plat recorded in Plat Cabinet 14, Slide 926 of the aforesaid records; and
8. Lots 626-638 as depicted on that certain Plat recorded in Plat Cabinet 14, Slide 746 of the aforesaid records.

Pursuant to North Carolina General Statutes 47-36.1, this instrument is re-recorded to attach the Exhibit "A" which shows the correct plat references.


_____ (seal)
Kimberly R. Coward



Doc ID: 003549670007 Type: CRP
 Recorded: 11/02/2006 at 01:27:13 PM
 Fee Amt: \$32.00 Page 1 of 7
 Jackson County, NC
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 BK 1628 PG 774-780

Upon recording, please return to:

Ed Milgrim, Esq.
 Centex Destination Properties
 1064 Greenwood Blvd., Suite 200
 Lake Mary, Florida 32746

STATE OF NORTH CAROLINA

 COUNTY OF JACKSON

Cross-Reference to:
 Book 1196, Page 331
 Jackson County, North Carolina Records

**SUPPLEMENTAL DECLARATION OF COVENANTS,
 CONDITIONS, AND RESTRICTIONS FOR BEAR LAKE RESERVE**

(Club Service Area)

THIS SUPPLEMENTAL DECLARATION is made this 17th day of October, 2006, by Centex Homes, a Nevada general partnership, d/b/a Centex Destination Properties (hereinafter referred to as "Declarant").

WITNESSETH:

WHEREAS, Declarant prepared and filed of record that certain Declaration of Covenants, Conditions, and Restrictions for Bear Lake Reserve in the Official Public Records of Jackson County, North Carolina at Book 1196, Page 331 (as amended and supplemented, the "Declaration");

WHEREAS, pursuant to Article VII, Section 7.7 of the Declaration, the Association may provide, or provide for, services and facilities for all or any of the Members and their Lots, and may enter into contracts or agreements with other entities, including, without limitation, Declarant and/or Declarant's Affiliates, to provide such services and facilities;

WHEREAS, pursuant to the terms of Article VII, Section 7.11 of the Declaration, Declarant may assign any portion of the submitted property described on Exhibit "A" to the Declaration to one or more Service Areas as Declarant deems appropriate, in Declarant's discretion, by filing a Supplemental Declaration in the aforesaid records;

CHSE
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WHEREAS, the Lots described on **Exhibit "A"** attached hereto, and made a part hereof by this reference (the "Club Service Area Lots"), are part of the submitted property and Declarant desires to designate those Lots as a Service Area (the "Club Service Area");

WHEREAS, simultaneously herewith, Declarant is recording a recreational easement (the "Recreational Easement") and conveying a perpetual nonexclusive easement for the use and enjoyment of certain Private Amenities, as more particularly described in the Recreational Easement and referred to as the Club Facilities, for the benefit of the Club Service Area Lots; and

WHEREAS, upon the designation of the Club Service Area and the recording of the Recreational Easement, the Association shall be required to provide certain benefits or services to the Lots within the Club Service Area, in addition to those which the Association generally provides to all Lots and the costs of such benefits and/or services shall be assessed against the Lots in the Club Service Area as Service Area Assessments;

NOW, THEREFORE, pursuant to the powers retained by Declarant under the Declaration, Declarant hereby subjects the Lots described on Exhibit "A" hereof to the provisions of this Supplemental Declaration, which shall apply to such property in addition to the provisions of the Declaration. Such property shall be sold, transferred, assigned, occupied, mortgaged or otherwise encumbered pursuant to the provisions of this Supplemental Declaration and the provisions of the Declaration, as amended, which shall run with 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 the Bear Lake Reserve Owners Association, Inc., in accordance with the terms of the Declaration.

ARTICLE 1

Definitions

The definitions set forth in Article II, Section 2.1 of the Declaration, as amended, are incorporated herein by reference.

ARTICLE 2

Club Service Area Designation

The Lots described on Exhibit "A" shall be designated as a Service Area which shall be known as the "Club Service Area." Declarant hereby reserves the right, without any obligation, to add other property within the Community to the Club Service Area by the recording of a Supplemental Declaration in the aforesaid records.

ARTICLE 3

Social Membership and Easement to Use Club Facilities

3.1 Simultaneously herewith, Declarant is recording the Recreational Easement granting a Social Membership to each Club Service Area Lot and conveying a perpetual nonexclusive easement for the use and enjoyment of the Club Facilities pursuant to such Social Membership, subject to the Recreational Easement and the Club Documents, for the benefit of the Club Service Area Lots, which Recreational Easement creates,

for the benefit of the Owners of the Club Service Area Lots ("Club Service Area Lot Owners"), and all family members, domestic partners, tenants, renters and guests (collectively, the "Permittees") of such Owner, unless specifically stated otherwise, a non-exclusive, perpetual easement for the use and enjoyment of the Club Facilities. The easements granted pursuant to the Recreational Easement shall be subject to the terms and conditions of the Club Documents and the provisions of the Declaration.

3.2 Declarant intends to protect and preserve the rights of the Club Service Area Lots as set forth under the Recreational Easement. Declarant incorporates herein by this reference the rights and obligations set forth under the Recreational Easement, as may be amended from time to time, to run with title to the Club Service Area Lots. The Club Facilities have been designated as Private Amenities; provided however, nothing herein is intended to, or shall, subject any portion of the real property or the improvements thereon comprising the Club Facilities to the provisions of the Declaration. Nothing in this Supplemental Declaration is intended to or shall be deemed to be a representation or warranty that the Club Facilities, or any portion thereof, shall be Common Areas or Lots.

ARTICLE 4

Club Service Area Assessments and Other Fees

4.1 As consideration for the Social Memberships and the easement rights granted therein, the Recreational Easement requires the payment of certain dues, fees and other charges, which expenses shall be assessed to the Association and the Club Service Area Lots.

The Association covenants and agrees to pay all amounts levied against the Association by the Club in accordance with this Supplemental Declaration and the Recreational Easement, interest, at a rate to be set by the Club (subject to the maximum interest rate limitations of North Carolina law), a one and one-half percent (1½%) service charge per month, computed from the date of the statement, costs of collection and reasonable attorneys' fees. If the Association fails to pay all amounts owed by the Association to the Club when such amounts are due and payable, the Club reserves the right to suspend the use privileges of any Club Service Area Lot Owner on whose behalf amounts are not paid until such time as all amounts owed, including interest and service charges, have been paid to the Club in full. The Club shall not be responsible or have any duty to determine or investigate whether the Club Service Area Lot Owner has paid such amounts to the Association.

Except as otherwise provided in the Recreational Easement, the Association shall assess all expenses assessed to the Association by the Club pursuant to this Supplemental Declaration and the Recreational Easement to the Club Service Area as a Service Area Assessment.

4.2 Each Club Service Area Lot Owner shall be liable for the payment of any fees or other charges not otherwise provided hereunder, and incurred by an Owner, or such Owner's Permittees including but not limited to charges for food, beverage, merchandise, services and other items incurred by the Owner, or such Owner's Permittees. As set forth in the Recreational Easement, each Club Service Area Lot Owner shall also be responsible for charges incurred by the Club as a result of negligence, misconduct, theft or other act by an Owner or Owner's Permittees, as determined in the sole discretion of the Club, which charges and expenses shall be assessed by the Club to the Club Service Area Lot Owner.

4.3 If a Club Service Area Lot Owner fails to pay all amounts owed by the Owner to the Club when such amounts are due and payable, the Club reserves the right to recover such amounts from the Association. The Association shall promptly remit all such amounts to the Club and it shall be the Association's responsibility to recover such expenses from the Owner pursuant to the Declaration. The Association shall assess any such charges against the applicable Owner's Lot as a Benefited Assessment

pursuant to Section 8.4 of the Declaration. If a Club Service Area Lot Owner fails to pay all amounts owed by the Owner to the Association under this Supplemental Declaration when such amounts are due, the Club or, pursuant to Section 7.5 of the Declaration, the Association may suspend the delinquent Club Service Area Lot Owner's use of the Club Facilities for any period during which any assessment or other charge against the Owner's Lot remains delinquent and for a period not to exceed thirty (30) days for a single violation, or for a longer period in the case of any continuing violation.

4.4 For the purpose of facilitating operations, the Association, pursuant to Section 7.7 of the Declaration, may enter into an agreement with the Club to assess dues, fees and/or other charges directly owed by the Association on behalf of the Club Service Area Lot Owners directly to the Club Service Area Lot Owners. Any granting of permission by the Association to the Club to directly assess any dues, fees and/or other charges directly to the Owners of the Lots in the Club Service Area shall in no way excuse the Association from liability for the full payment of all amounts owed to the Club. If an Owner of a Lot in the Club Service Area fails to pay all amounts owed by the Association on behalf of the Owner when such amounts are due and payable, the Club reserves the right to recover such amounts from the Association and it shall be the Association's responsibility to recover such expenses from the Owner pursuant to the Declaration. The Association shall assess any such charges against the applicable Owner's Lot as a Benefited Assessment pursuant to Section 8.4 of the Declaration. Declarant and the Association hereby grant the Club a power-of-attorney, coupled with an interest, so as to provide the Club with the right, at no expense to Declarant or the Association, to collect any amounts owed to the Club and enforce the provisions of this Supplemental Declaration and the Recreational Easement against any Club Service Area Lot Owner including, but not limited to, the right to seek collection of any amounts owed to the Club as well as the right to assess a Benefited Assessment (as provided in Article 8) against a Club Service Area Lot. In addition, the Club may collect its reasonable attorneys' fees and court costs in enforcing the provisions of this Supplemental Declaration and the Recreational Easement.

ARTICLE 5

Club Membership Agreement

The Club Owner may require Club Service Area Owners to sign a membership agreement prior to using the Club Facilities. An Owner's failure to sign a membership agreement shall not excuse the obligations imposed upon the Association and each Owner of a Lot in the Club Service Area pursuant to the Recreational Easement. Notwithstanding the foregoing, use of the Club Facilities pursuant to the Recreational Easement shall be subject to the Club Documents.

ARTICLE 6

Amendment to Supplemental Declaration

6.1 **By Declarant.** This Supplemental Declaration may be unilaterally amended by Declarant in accordance with Article XXI, Section 21.1 of the Declaration.

6.2 **By Members.** In addition to the requirements of Article XXI, Section 21.2 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 Lots in the Club Service Area. 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 Lots in the Club Service Area. This Supplemental Declaration shall inure to the benefit of the Club and its successors and assigns and

shall not be amended by the Association or its Members without the prior written consent of the Club, which may be given or withheld in the Club's sole discretion.

ARTICLE 7

Declaration

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

[SIGNATURES APPEAR ON FOLLOWING PAGE]

EXHIBIT "A"

CLUB SERVICE AREA LOTS

ALL THOSE TRACTS OR PARCELS OF LAND containing 769.2 acres and designated as "Parcel A" as shown on that certain plat prepared by Lindsey & Associates, Inc. dated August 2002, last revised April 14, 2003, and recorded in Plat Cabinet 12, Slide 137, Jackson County, North Carolina records;

TOGETHER WITH:

ALL THAT TRACT OR PARCEL OF LAND lying and being in a subdivision of a portion of Parcel 7586-73-5277, River and Canada Townships, Jackson County, North Carolina, and being more particularly described on that certain plat of Bear Lake Reserve Subdivision, Lots 154-164, 200, 203-206 & 209-210, recorded in Plat Cabinet 14, Slide 289, Jackson County, North Carolina records, which plat is incorporated herein by reference thereto.



Doc ID: 003549690004 Type: CRP
 Recorded: 11/02/2006 at 01:29:41 PM
 Fee Amt: \$23.00 Page 1 of 4
 Jackson County, NC
 Joe Hamilton Register of Deeds
 BK **1628** PG **792-795**

Upon recording, please return to:
 Ed Milgrim, Esq.
 Centex Destination Properties
 1064 Greenwood Blvd., Suite 200
 Lake Mary, Florida 32746

STATE OF NORTH CAROLINA
 COUNTY OF JACKSON

Cross-Reference to:
 Book 1196, Page 331
 Jackson County, North Carolina Records

**AMENDMENT TO THE DECLARATION OF COVENANTS,
 CONDITIONS AND RESTRICTIONS FOR BEAR LAKE RESERVE
 (Withdrawal of Property)**

THIS AMENDMENT is made this 17th day of October, 2006, by Centex Homes, a Nevada general partnership, d/b/a Centex Destination Properties ("Declarant").

WITNESSETH:

WHEREAS, Declarant prepared and filed of record that certain Declaration of Covenants, Conditions, and Restrictions for Bear Lake Reserve in the Official Public Records of Jackson County, North Carolina at Book 1196, Page 331 (as amended and supplemented, the "Declaration");

WHEREAS, Section 10.1 of the Declaration provides that until the termination of the Development and Sale Period, Declarant may amend the Declaration to remove from the coverage of the Declaration any property designated as a Private Amenity;

WHEREAS, the Development and Sale Period is still in existence as of the date of this Amendment;

WHEREAS, the land described on Exhibit "A", attached hereto and by this reference made a part hereof, (the "Property") has been designated as a Private Amenity;

WHEREAS, Declarant is the owner of the Property and no other consent is required under the Declaration; and

CHS-C
 (4)

WHEREAS, Declarant desires to remove the Property from the coverage of the Declaration.

NOW, THEREFORE, pursuant to the powers retained by Declarant under the Declaration, Declarant hereby removes the Property described on Exhibit "A" to this Amendment from coverage of the Declaration. Exhibit "A" to the Declaration is hereby amended by deleting and withdrawing the Property described on Exhibit "A" to this Amendment.

The definitions set forth in Article II of the Declaration are incorporated herein by reference. Except as specifically amended hereby, the Declaration and all terms thereof shall remain in full force and effect.

[SIGNATURES APPEAR ON NEXT PAGE]

EXHIBIT "A"

WITHDRAWN PROPERTY

ALL THOSE TRACTS OR PARCELS OF LAND lying and being in a subdivision of a portion of Parcel 7585-25-2364, River Township, Jackson County, North Carolina and designated as "Greeter's Cottage Lot" "Control Panel Lot", and "Gate Lot", on that certain plat of Bear Lake Reserve Greeter's Cottage, recorded in Plat Cabinet 14, Slide 860, Jackson County, North Carolina records.



Doc ID: 003549660007 Type: CRP
 Recorded: 11/02/2006 at 01:25:08 PM
 Fee Amt: \$32.00 Page 1 of 7
 Jackson County, NC
 Joe Hamilton Register of Deeds
 BK 1628 PG 767-773

Upon recording, please return to:
 Ed Milgrim, Esq.
 Centex Destination Properties
 1064 Greenwood Blvd., Suite 200
 Lake Mary, Florida 32746

STATE OF NORTH CAROLINA
 COUNTY OF JACKSON

Cross-Reference to:
 Book 1196, Page 331
 Jackson County, North Carolina records

**AMENDMENT TO THE DECLARATION OF COVENANTS,
 CONDITIONS, AND RESTRICTIONS FOR BEAR LAKE RESERVE
 (Club Membership)**

THIS AMENDMENT is made this 17th day of October, 2006, by Centex Homes, a Nevada general partnership, d/b/a Centex Destination Properties ("Declarant").

WITNESSETH:

WHEREAS, Declarant prepared and filed of record that certain Declaration of Covenants, Conditions, and Restrictions for Bear Lake Reserve in the Official Public Records of Jackson County, North Carolina at Book 1196, Page 331 (as amended and supplemented, the "Declaration");

WHEREAS, Section 21.1 of the Declaration provides that Declarant may, to the fullest extent permitted by law, unilaterally amend the Declaration for any purpose during the Class "B" Control Period;

WHEREAS, the Class "B" Control Period is still in existence as of the date of this Amendment;

WHEREAS, Declarant desires to impose a mandatory club membership obligation on the real property within Bear Lake Reserve, except as provided herein;

WHEREAS, it is the intent of the Declarant to create a covenant that touches and concerns the land, that runs with title to the land and that shall be binding on all future owners of the land subject to the Declaration subject to the terms herein; and

WHEREAS, this Amendment is permitted by law;

CHS-C
 ①

NOW, THEREFORE, pursuant to the powers retained by the Declarant under the Declaration, Declarant hereby amends the Declaration as follows:

ARTICLE 1

Definitions

Except as set forth herein, the definitions set forth in Article II, Section 2.1 of the Declaration are incorporated herein by reference and supplemented by adding the following definitions to Article II of the Declaration:

(xx) "Club": Bear Lake Reserve Club as defined by the Club Documents.

(yy) "Club Documents": The Bear Lake Reserve Social Membership Agreement, the Membership Plan for the Bear Lake Reserve Club, the rules and regulations promulgated by the Club Owner and all of the instruments and documents referred to therein, as each may be supplemented and amended from time to time.

(zz) "Club Facilities": Certain real property and any improvements and amenities thereon which are located adjacent to or in the vicinity of the Community and which may be owned by the Club Owner or its successors or assigns and are operated by the Club Owner pursuant to the Club Documents. The Club Facilities are hereby designated by Declarant as Private Amenities.

(aaa) "Club Owner": Any entity, which may be Declarant, an Affiliate of Declarant, and/or such other third party determined by Declarant, which owns or operates all or any portion of the Club or the Club Facilities. The Club Owner, initially, shall be Centex Hospitality Group, LLC, a Delaware limited liability company.

ARTICLE 2

Club Membership

A new Article XXII shall be added to the Declaration, which Article shall read as follows:

ARTICLE XXII CLUB MEMBERSHIP

22.1 Club Membership and Other Club Matters.

(a) Applicability. This Article shall apply to all Lots other than the Lots listed on Exhibit "A" to this Amendment to the Declaration of Covenants, Conditions, and Restrictions for Bear Lake Reserve (the "Club Service Area Lots"), which exhibit is attached hereto and by this reference made a part hereof. The term "Lot" as hereinafter used in this Article shall have the same meaning as set forth in the Declaration, less and except the Club Service Area Lots.

(b) Mandatory Social Membership. Except as provided above, every Owner of a Lot, other than Declarant, shall maintain, at a minimum, a Social Membership (as defined by the Club Documents) in the Club. Should the Club amend the Club Documents to rename the Social Membership, then the renamed category of membership in the Club Documents shall be deemed to be the Social Membership for

purposes of this Declaration without the need to amend this Declaration to identify the renamed category. Pursuant to the terms hereof and in accordance with the Club Documents, the Club shall issue one (1) Social Membership for each Lot. If a Lot is owned by more than one (1) Person, the Club may issue additional memberships as provided in the Club Documents; however, only one (1) Social Membership may be transferred upon the sale or conveyance of a Lot. Upon the closing of a Lot and in accordance with the Club Documents, the Social Membership shall entitle the Owner of a Lot and all family members, domestic partners, tenants, renters and guests (collectively, the "Permittees") of such Owner to membership privileges in the Club in accordance with the Club Documents. All Owners of a Lot and their Permittees shall be subject to the usage requirements established by the Club in the Club's sole discretion. Every Owner of a Lot shall be subject to the Club Documents. The Social Membership includes, without limitation, use of the lake club and use of the golf course located within the Community, subject to greens fees and other use fees as may be established by the Club from time to time. The Social Membership does not include any privileges to use any marina that Declarant may develop in or adjacent to Bear Lake Reserve. Owners shall have no right of reimbursement or refund for fees or deposits related to the Social Membership, and the Social Membership is non-transferable except in connection with the sale of the Lot relating to such Social Membership.

(c) Mandatory Social Membership Dues. Every Owner shall be responsible for the payment of any and all dues, fees and other charges established or allocated by the Club presently or in the future in accordance with the Club Documents, including but not limited to annual dues for a Social Membership (collectively "Social Dues and Charges"). The obligation to pay the Social Dues and Charges shall be enforceable pursuant to the terms of the Club Documents and the Declaration. The Club shall be entitled to directly charge and collect Social Dues and Charges from each Owner of a Lot in accordance with the Club Documents. Social Dues and Charges shall be payable by each Lot Owner to the Club without offset, diminution or abatement for any reason. By accepting a deed or entering into a contract of sale for a Lot, each Owner is deemed to have notice of liability for the Social Dues and Charges and to covenant and agree to pay the Social Dues and Charges as established by the Club.

Unless paid in full when due, Social Dues and Charges shall be subject to interest, at a rate to be set by the Club (computed from the due date of the Social Dues and Charges and subject to the maximum interest rate limitations of North Carolina law), and a monthly service charge of one and one-half percent (1½%), computed from the date of the statement. All Social Dues and Charges, together with any interest, applicable service charges, and Legal Costs of collection shall be the personal obligation of the Owner of such Lot at the time the Social Dues and Charges arose. Upon a transfer of title to a Lot, the grantee shall be jointly and severally liable for any Social Dues and Charges due to the Club at the time of conveyance. No Owner of a Lot shall be exempt from liability for Social Dues and Charges by non-use of the Club Facilities, suspension of such Owners use privileges at the Club, abandonment of such Owner's Lot or any other means, except as may be provided in the Club Documents. The obligation to pay Social Dues and Charges is a separate and independent covenant on the part of each Lot Owner, which covenant touches and concerns each Lot and runs with title to each Lot.

(d) Lien for Social Membership Dues. The Club shall have a lien against each Lot to secure payment of delinquent Social Dues and Charges, as well as interest at a rate to be set by the Club (subject to the maximum interest rate limitations of

North Carolina law), service charges, costs of collection and reasonable attorneys' fees. Such lien shall be superior to all other liens, except (i) the liens of all taxes, bonds, assessments and other levies which by law would be superior, (ii) 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 and (iii) the lien(s) of the Association pursuant to Section 8.7 of the Declaration, regardless of the date of recording of such lien(s). The Club's lien may be enforced by suit, judgment and judicial or non-judicial foreclosure as permitted under North Carolina law.

The sale or transfer of any Lot shall not affect the Club's assessment lien or relieve such Lot from the lien for any subsequent Club assessments. No first Mortgagee who obtains title to a Lot by exercising the remedies provided in its Mortgage shall be liable for unpaid Social Dues and Charges or other charges which accrued prior to such acquisition of title. Such Mortgagee shall have no right to exercise the Club membership rights appurtenant to the Lot.

22.2 Club Membership Agreement. The Club Owner may require Lot Owners to sign a membership agreement prior to using the Club Facilities. An Owner's failure to sign a membership agreement shall not excuse the Owner from any obligations set forth in the Declaration, as amended, including but not limited to the Owner's obligation to pay the Social Dues and Charges and such other fees or charges established by the Club and assessed against the Owner's Lot. Use of the Club Facilities shall at all times be subject to the Club Documents.

22.3 Upgraded Membership. The Club may offer a variety of membership levels over and above the mandatory Social Membership. If offered, each Lot Owner may be provided the opportunity to upgrade such Owner's Social Membership, subject to availability and the Club Documents. Any Owner upgrading such Owner's Social Membership shall receive a credit against the required Social Membership Dues upon the payment of dues related to the upgraded membership category, but shall not be excused from paying Social Membership Dues. If a Lot Owner terminates such upgraded membership, the Social Membership and the obligation to pay Social Dues and Charges shall continue and shall not be terminated.

22.4 Conveyance to Association and Assumption of Maintenance Responsibilities. The Association is obligated to accept any and all conveyances to it by the Club Owner of fee simple title, easements or leases to all or portions of the Club Facilities. The Association is further obligated to assume any and all permits related to such conveyed Club Facilities issued by a government or quasi-governmental authority and the related responsibilities thereunder to the extent such permits apply to the conveyed Club Facilities. Following such conveyance, the portion of the costs of operating, maintaining, repairing, replacing and insuring the conveyed property that is allocated to the Owners shall be assessed as a Common Expense in accordance with this Declaration. Any conveyance of Club Facilities, or a portion thereof, to the Association will be subject to any rights of Club members and to the Club Documents, including without limitation, any membership agreements entered into by Developer or Club Owner prior to, or subsequent to, conveyance of such Club Facilities, or portion thereof, to the Association.

ARTICLE 3

Common Maintenance Area

Section 7.2 of Article VII of the Declaration is hereby amended to delete the words "greeter's cottage" in the second sentence (fourth line) of such Section. The greeter's cottage shall not be within the Common Maintenance Area of the Association.

ARTICLE 4

Withdrawal of Property

Section 10.1 of Article X of the Declaration is hereby amended to add the following:

Notwithstanding anything herein to the contrary, Declarant reserves the right to unilaterally amend, without the consent of any Owners or Association, the Declaration, until termination of the Development and Sale Period, to remove from the coverage of the Declaration any property designated as a Private Amenity, including without limitation Club Facilities.

ARTICLE 5

Severability

If any provision of this Amendment is held invalid, the validity of the remainder of this Amendment shall not be affected. If any Lot is determined not to be bound by this Amendment for any reason, including but not limited to as a result of any provision of this Amendment being held invalid, then each such Lot shall automatically become a part of the Club Service Area and shall be subject to all of the provisions to which the Club Service Area Lots are subject, including but not limited to the Supplemental Declaration being recorded simultaneously herewith for the purpose of creating the Club Service Area.

ARTICLE 6

Declaration

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

[SIGNATURES APPEAR ON FOLLOWING PAGE]

EXHIBIT "A"

CLUB SERVICE AREA LOTS

ALL THOSE TRACTS OR PARCELS OF LAND containing 769.2 acres and designated as "Parcel A" as shown on that certain plat prepared by Lindsey & Associates, Inc. dated August 2002, last revised April 14, 2003, and recorded in Plat Cabinet 12, Slide 137, Jackson County, North Carolina records;

TOGETHER WITH:

ALL THAT TRACT OR PARCEL OF LAND lying and being in a subdivision of a portion of Parcel 7586-73-5277, River and Canada Townships, Jackson County, North Carolina, and being more particularly described on that certain plat of Bear Lake Reserve Subdivision, Lots 154-164, 200, 203-206 & 209-210, recorded in Plat Cabinet 14, Slide 289, Jackson County, North Carolina records, which plat is incorporated herein by reference thereto.



Doc ID: 003616170004 Type: CRP
Recorded: 03/01/2007 at 04:29:36 PM
Fee Amt: \$23.00 Page 1 of 4
Jackson County, NC
Joe Hamilton Register of Deeds
BK **1656** PG **785-788**

Upon recording return to:
Legal Department
Centex Destination Properties
1064 Greenwood Blvd., Suite 200
Lake Mary, Florida 32746

Cross Reference:
Deed Book 1196, Page 331,
Real Estate Index for
Jackson County, North Carolina

**SUPPLEMENTAL DECLARATION OF COVENANTS, CONDITIONS
AND RESTRICTIONS FOR BEAR LAKE RESERVESM**

(Phase 2 Lots)

THIS SUPPLEMENTAL DECLARATION is made this 28th day of February 2007, by CENTEX HOMES, a Nevada general partnership, d/b/a Centex Destination Properties (the "Declarant").

WITNESSETH:

WHEREAS, that certain Declaration of Covenants, Conditions, and Restrictions for Bear Lake Reserve was filed of record on August 26, 2003, in Book 1196, Page 331, *et seq.*, in the Real Estate Index for Jackson County, North Carolina (such instrument as amended and supplemented is herein referred to as the "Declaration");

WHEREAS, pursuant to the terms of Article IX, Section 9.1 of the Declaration, the Declarant may submit certain additional property described on Exhibit "B" of the Declaration to the terms of the Declaration;

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

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

WHEREAS, the Declarant's right to submit Additional Property to the Declaration pursuant to Section 9.1 of the Declaration has not expired;

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

NOW, THEREFORE, pursuant to the powers retained by Declarant under the Declaration, Declarant hereby subjects the Additional Property to the provisions of the Declaration and this Supplemental Declaration, which shall apply to such Additional Property in addition to the provisions of the Declaration. Such Additional 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 Additional Property and shall be binding upon all persons having any right, title, or any interest in such Additional Property, their respective heirs, legal representatives, successors, successors-in-title and assigns. The provisions of this Supplemental Declaration shall be binding upon Bear Lake Reserve Owners Association, Inc. in accordance with the terms of the Declaration.

ARTICLE 1
Definitions

The definitions set forth in Article II, Section 2.1 of the Declaration are incorporated herein by reference.

ARTICLE 2
Amendment to Supplemental Declaration

This Supplemental Declaration may be unilaterally amended in accordance with Article XXI of the Declaration.

ARTICLE 3
Declaration

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

[SIGNATURES APPEAR ON THE NEXT PAGE]

IN WITNESS WHEREOF, Declarant has caused this instrument to be executed on the day and year written above.

DECLARANT:

CENTEX HOMES, a Nevada general partnership, d/b/a
Centex Destination Properties

By: Centex Real Estate Corporation, a Nevada
corporation, its managing general partner

By: *[Signature]*
Edward G. Milgrim, Land Acquisition Manager
Centex Destination Properties
Mid-Atlantic Division

[CORPORATE SEAL]

STATE OF Florida
COUNTY OF Seminole

The foregoing instrument was acknowledged before me on this 28 day of February 2007, by David W. Early, Division President (Centex Destination Properties-Mid-Atlantic Division) of Centex Real Estate Corporation, the managing general partner of Centex Homes, a Nevada general partnership, on behalf of said partnership.

Shawna M. Hopkins
Notary Public

Print Name: *Shawna M. Hopkins*

Notary Public in and for the State of Florida

My Commission Expires: *4/20/08*

[Notary Seal]

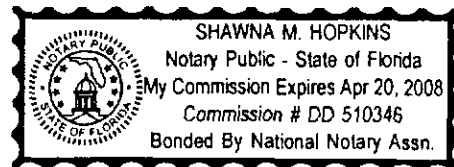


EXHIBIT "A"

Additional Property

ALL THOSE TRACTS OR PARCELS OF LAND located in the Bear Lake Reserve Subdivision, which is a subdivision of a portion of Parcel 7586-91-6291, River and Canada Townships, Jackson County, North Carolina, and being more particularly described as follows:

1. Lots 450-455 as depicted on that certain Plat recorded in Plat Cabinet 15, Slide 834 and re-recorded at Plat Cabinet 15, Slide 923 of the aforesaid records;
2. Lots 660-662 as depicted on that certain Plat recorded in Plat Cabinet 15, Slide 833 of the aforesaid records; and
3. Lots 664, 665, and 667-672 as depicted on that certain Plat recorded in Plat Cabinet 15, Slide 832 and re-recorded at Plat Cabinet 15, Slide 924 of the aforesaid records.



Doc ID: 003631620004 Type: CRP
 Recorded: 04/04/2007 at 12:21:49 PM
 Fee Amt: \$23.00 Page 1 of 4
 Jackson County, NC
 Joe Hamilton Register of Deeds

BK **1665** PG **100-103**

Upon recording return to:
 Legal Department
 Centex Destination Properties
 1064 Greenwood Blvd., Suite 200
 Lake Mary, Florida 32746

Cross Reference:
 Deed Book 1196, Page 331,
 Real Estate Index for
 Jackson County, North Carolina

**SUPPLEMENTAL DECLARATION OF
 DECLARATION OF COVENANTS, CONDITIONS
 AND RESTRICTIONS FOR BEAR LAKE RESERVESM
 (Mountain Lodges Buildings D1-D4)**

THIS SUPPLEMENTAL DECLARATION is made this 29th day of March, 2007, by CENTEX HOMES, a Nevada general partnership, d/b/a Centex Destination Properties (the "Declarant").

WITNESSETH:

WHEREAS, that certain Declaration of Covenants, Conditions, and Restrictions for Bear Lake Reserve was filed of record on August 26, 2003, in Book 1196, Page 331, *et seq.*, in the Real Estate Index for Jackson County, North Carolina (such instrument, as amended and supplemented from time-to-time) is herein referred to as the "Declaration");

WHEREAS, pursuant to the terms of Article IX, Section 9.1 of the Declaration, the Declarant may submit certain additional property described on Exhibit "B" of the Declaration to the terms of the Declaration;

WHEREAS, the real property described on Exhibit "A" attached hereto (the "Additional Property") is a portion of that property described on Exhibit "B" to the Declaration;

WHEREAS, the Delcarant is the owner of the Additional Property;

WHEREAS, Declarant desires to subject the Additional Property to the Declaration and this Supplemental Declaration; and

①

WHEREAS, the Declarant's right to submit Additional Property to the Declaration pursuant to Section 9.1 of the Declaration has not expired.

NOW, THEREFORE, pursuant to the powers retained by Declarant under the Declaration, Declarant hereby subjects the Additional Property to the provisions of the Declaration and this Supplemental Declaration, which shall apply to such Additional Property in addition to the provisions of the Declaration. Such Additional 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 Additional Property and shall be binding upon all persons having any right, title, or any interest in such Additional Property, their respective heirs, legal representatives, successors, successors-in-title and assigns. The provisions of this Supplemental Declaration shall be binding upon Bear Lake Reserve Owners Association, Inc. in accordance with the terms of the Declaration.

ARTICLE 1
Definitions

The definitions set forth in Article II, Section 2.1 of the Declaration are incorporated herein by reference.

ARTICLE 2
Amendment to Supplemental Declaration

This Supplemental Declaration may be unilaterally amended in accordance with Article XXI of the Declaration.

ARTICLE 3
Declaration

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

[SIGNATURES APPEAR ON THE NEXT PAGE]

IN WITNESS WHEREOF, Declarant and Seller have caused this instrument to be executed on the day and year first written above.

DECLARANT:

CENTEX HOMES, a Nevada general partnership,
d/b/a Centex Destination Properties

By: Centex Real Estate Corporation, a Nevada
corporation, its managing general partner

By: *David W. Easley*
Name: *David W. Easley*
Title: *Division President*

[CORPORATE SEAL]

STATE OF SC

COUNTY OF Greenville

This instrument was acknowledged before me on the ___ day of March, 2007, by _____, _____ (Centex Destination Properties -- Mid-Atlantic Division) of Centex Real Estate Corporation, a Nevada corporation, the managing general partner of Centex Homes, a Nevada general partnership, on behalf of said partnership.

Roxie Kimbrell
Notary Public, State of SC

Commission Expiration Date: _____ My Commission Expires
October 23, 2010

[Notary Seal]

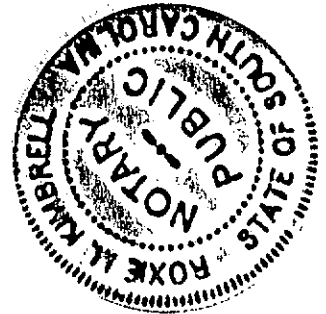


EXHIBIT "A"

Additional Property

ALL OF THAT CERTAIN TRACT OR PARCEL OF LAND containing 9.51 acres as shown on that certain plat recorded in Plat Cabinet 16, Slide 240 Jackson County, North Carolina Registry.



Doc ID: 003645510003 Type: CRP
 Recorded: 05/07/2007 at 04:31:16 PM
 Fee Amt: \$20.00 Page 1 of 3
 Jackson County, NC
 Joe Hamilton Register of Deeds

BK **1672** PG **306-308**

Upon recording, please return to:

Legal Department
 Centex Destination Properties
 1064 Greenwood Blvd., Suite 200
 Lake Mary, Florida 32746

STATE OF NORTH CAROLINA

 COUNTY OF JACKSON

Cross-Reference to:
 Book 1196, Page 331
 Jackson County, North Carolina records

**AMENDMENT TO THE DECLARATION OF COVENANTS,
 CONDITIONS, AND RESTRICTIONS FOR BEAR LAKE RESERVE
 (Trails and Paths)**

THIS AMENDMENT is made this 3rd day of May, 2007, by Centex Homes, a Nevada general partnership, d/b/a Centex Destination Properties ("Declarant").

WITNESSETH:

WHEREAS, Declarant prepared and filed of record that certain Declaration of Covenants, Conditions, and Restrictions for Bear Lake Reserve in the Official Public Records of Jackson County, North Carolina at Book 1196, Page 331 (as amended and supplemented, the "Declaration");

WHEREAS, Section 21.1 of the Declaration provides that Declarant may, to the fullest extent permitted by law, unilaterally amend the Declaration for any purpose during the Class "B" Control Period;

WHEREAS, the Class "B" Control Period is still in existence as of the date of this Amendment; and

WHEREAS, this Amendment is permitted by law;

NOW, THEREFORE, pursuant to the powers retained by the Declarant under the Declaration, Declarant hereby amends the Declaration as follows:

ARTICLE 1

Definitions

Except as set forth herein, the definitions set forth in Article II, Section 2.1 of the Declaration are incorporated herein by reference.

ARTICLE 2

Walking Trails and Pathways

2.1 Article XI, Section 11.7 is stricken in its entirety and replaced with the following:

Subject to the right to designate Limited Common Areas pursuant to Article XIII, Declarant hereby grants to the Owners and Occupants, a perpetual, non-exclusive easement for enjoyment, use and access over and across any areas designated as "walking trails" or "paths" on any recorded subdivision plat of the Community or as otherwise designated by Declarant as walking trails or paths. Use of such walking trails and paths shall be governed by reasonable rules and regulations promulgated by the Association.

2.2 Article XI, Section 11.17 is stricken in its entirety and replaced with the following:

Declarant reserves for itself, its successors or assigns, a blanket easement throughout the entire Community, to allow it to take whatever action it determines is necessary or beneficial to the construction, development or operation of the Community. This blanket easement is to allow Declarant to construct all of its improvements in the Community, whether on Common Area or on Lots, in the manner that it deems necessary. This means that Declarant has access and use of any Lot or Common Area as is necessary to construct any improvement within the Community (including, without limitation, Common Area walking trails and/or paths, which trails and/or paths, or portion thereof, may be located on any Lot and/or Common Area) or any Private Amenity. It also is reserved for the purpose of allowing Declarant, if it deems necessary, to repair, relocate, construct, or maintain any of the improvements installed in the Community.

ARTICLE 3

Declaration

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

[SIGNATURES APPEAR ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, Declarant has caused this instrument to be executed on the day and year written below.

DECLARANT:

CENTEX HOMES,
a Nevada general partnership,
d/b/a Centex Destination Properties

By: Centex Real Estate Corporation,
a Nevada corporation,
its managing general partner

By: *David W. Earley*
David W. Earley, Division President
Centex Destination Properties
Mid-Atlantic Division

[CORPORATE SEAL]

STATE OF FLORIDA

COUNTY OF SEMINOLE

This instrument was acknowledged before me on the 3rd day of May, 2007, by David W. Earley, Division President, Centex Destination Properties, Mid-Atlantic Division.

Ena M. Carrello
Notary Public, State of FLORIDA

Commission Expiration Date: 12-2-2010

[Notary Seal]




Doc ID: 003645520013 Type: CRP
Recorded: 05/07/2007 at 04:33:00 PM
Fee Amt: \$50.00 Page 1 of 13
Jackson County, NC
Joe Hamilton Register of Deeds
BK 1672 PG 309-321

Upon recording, please return to:
Centex Destination Properties
Legal Department
1064 Greenwood Blvd., Suite 200
Lake Mary, Florida 32746

STATE OF NORTH CAROLINA
COUNTY OF JACKSON

Cross-Reference to:
Book 1196, Page 331
Jackson County, North Carolina records

**AMENDMENT TO THE DECLARATION OF COVENANTS,
CONDITIONS, AND RESTRICTIONS FOR BEAR LAKE RESERVE**

(Preservation Map)

THIS AMENDMENT is made this 3rd day of May, 2007, by Centex Homes, a Nevada general partnership, d/b/a Centex Destination Properties ("Declarant").

WITNESSETH:

WHEREAS, Declarant prepared and filed of record that certain Declaration of Covenants, Conditions, and Restrictions for Bear Lake Reserve in the Official Public Records of Jackson County, North Carolina at Book 1196, Page 331 (as amended and supplemented, the "Declaration");

WHEREAS, Section 21.1 of the Declaration provides that Declarant may, to the fullest extent permitted by law, unilaterally amend the Declaration for any purpose during the Class "B" Control Period;

WHEREAS, the Class "B" Control Period is still in existence as of the date of this Amendment;

WHEREAS, this Amendment is permitted by law;

NOW, THEREFORE, pursuant to the powers retained by the Declarant under the Declaration, Declarant hereby amends the Declaration as follows:

ARTICLE 1

Buffer Areas

Article XII, Section 12.2, subsection (c) is stricken in its entirety and replaced with the following:

(c) From time to time, certain portions of the Community may be designated as “**Buffer Areas**” by Declarant, the Board, the County, and other Governmental Authorities. Currently, all property located within 30 feet of a stream or within 30 feet of the Lake is designated as a “**Buffer Area.**” In addition, all those areas noted as “buffer” on that certain Preservation Map within Bear Lake Reserve Subdivision recorded December 12, 2006 at Plat Cabinet 15, pages 691 through 699, Jackson County, North Carolina records are hereby designated as “**Buffer Area.**” Unless otherwise approved in writing by Declarant or designated by the Board, the County and any other governmental authorities having jurisdiction, including but not limited to the United States Army Corps of Engineers, the Buffer Areas shall be maintained in their natural state in perpetuity. No Owner or Occupant, or any other Person acting, or purporting to act, on behalf of any Owner, or for whom any Owner shall be responsible pursuant to this Declaration, shall disturb the natural environment of the Buffer Areas in any way without first obtaining the written consent of the Board properly approved by the adoption of a resolution describing in detail the exact activities to be conducted within the Buffer Areas, the times and dates when such activities are authorized to occur, and the identities of the Persons who are authorized to so act, together with the written consent of Declarant and any governmental authority having jurisdiction over the proposed activity

This restrictive covenant is intended in the broadest sense, and includes, but is not limited to, trimming, cutting, or mowing grass, shrubs, trees or other plants; placing grass clippings, landscape debris, household trash or other materials; storing materials, equipment, vehicles, boats, motor homes, trailers, or other items; erecting children's playhouses, tree houses, swings, or other permanent or temporary improvements; planting trees, shrubs, grass, or ground cover; releasing birds, snakes, reptiles, insects, or other animals; grading or excavating; cultivating or gardening; or dumping or removing dirt, sand, rocks, gravel, or other inorganic or organic material on any part of a Buffer Area.

Any Owner who violates the foregoing restrictive covenants shall be responsible for the cost of restoring the affected Buffer Area to the satisfaction of the Association, Declarant, and any governmental authority having jurisdiction thereof, and the Association shall have the right to prohibit the offending party from further use or enjoyment of the Buffer Areas after prior notice and hearing before the Board.

ARTICLE 2

Declaration

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

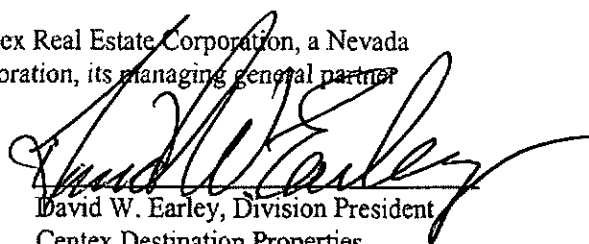
IN WITNESS WHEREOF, Declarant has caused this instrument to be executed on the day and year written below.

DECLARANT:

CENTEX HOMES, a Nevada general partnership,
d/b/a Centex Destination Properties

By: Centex Real Estate Corporation, a Nevada
corporation, its managing general partner

By:

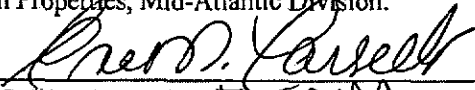

David W. Earley, Division President
Centex Destination Properties
Mid-Atlantic Division

[CORPORATE SEAL]

STATE OF FLORIDA

COUNTY OF SEMINOLE

This instrument was acknowledged before me on the 3rd day of May, 2007, by
David W. Earley, Division President, Centex Destination Properties, Mid-Atlantic Division.


Notary Public, State of FLORIDA

Commission Expiration Date: 12-2-2010

[Notary Seal]

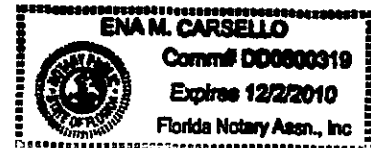


Exhibit "A"

Preservation Map

Attached

NOTES

1. THE PROPERTY IS LOCATED IN THE NORTH QUARTER, SECTION 16, TOWNSHIP 33N, RANGE 10E, JACKSON COUNTY, NORTH CAROLINA. THE PROPERTY IS SHOWN ON THE 1987 AERIAL PHOTOGRAPHIC MAP OF JACKSON COUNTY, NORTH CAROLINA, SHEET NO. 1357A.
2. ALL DISTANCES SHOWN ARE IN FEET AND DECIMALS THEREOF.
3. ALL CORNERS ARE TO BE MARKED WITH IRON PIPES OR CONCRETE PIPES.
4. THE TOTAL AREA OF THE PROPERTY IS 135.76 ACRES.
5. THE PROPERTY IS TO BE DIVIDED INTO 135.76 ACRES OF 1.00 ACRES PER LOT.
6. THE PROPERTY IS TO BE DIVIDED INTO 135.76 ACRES OF 1.00 ACRES PER LOT.
7. THE PROPERTY IS TO BE DIVIDED INTO 135.76 ACRES OF 1.00 ACRES PER LOT.
8. THE PROPERTY IS TO BE DIVIDED INTO 135.76 ACRES OF 1.00 ACRES PER LOT.
9. THE PROPERTY IS TO BE DIVIDED INTO 135.76 ACRES OF 1.00 ACRES PER LOT.
10. THE PROPERTY IS TO BE DIVIDED INTO 135.76 ACRES OF 1.00 ACRES PER LOT.

BUTLER ADZONES
 PHASE I - 68.44 ACRES
 PHASE II - 67.32 ACRES
 TOTAL - 135.76 ACRES

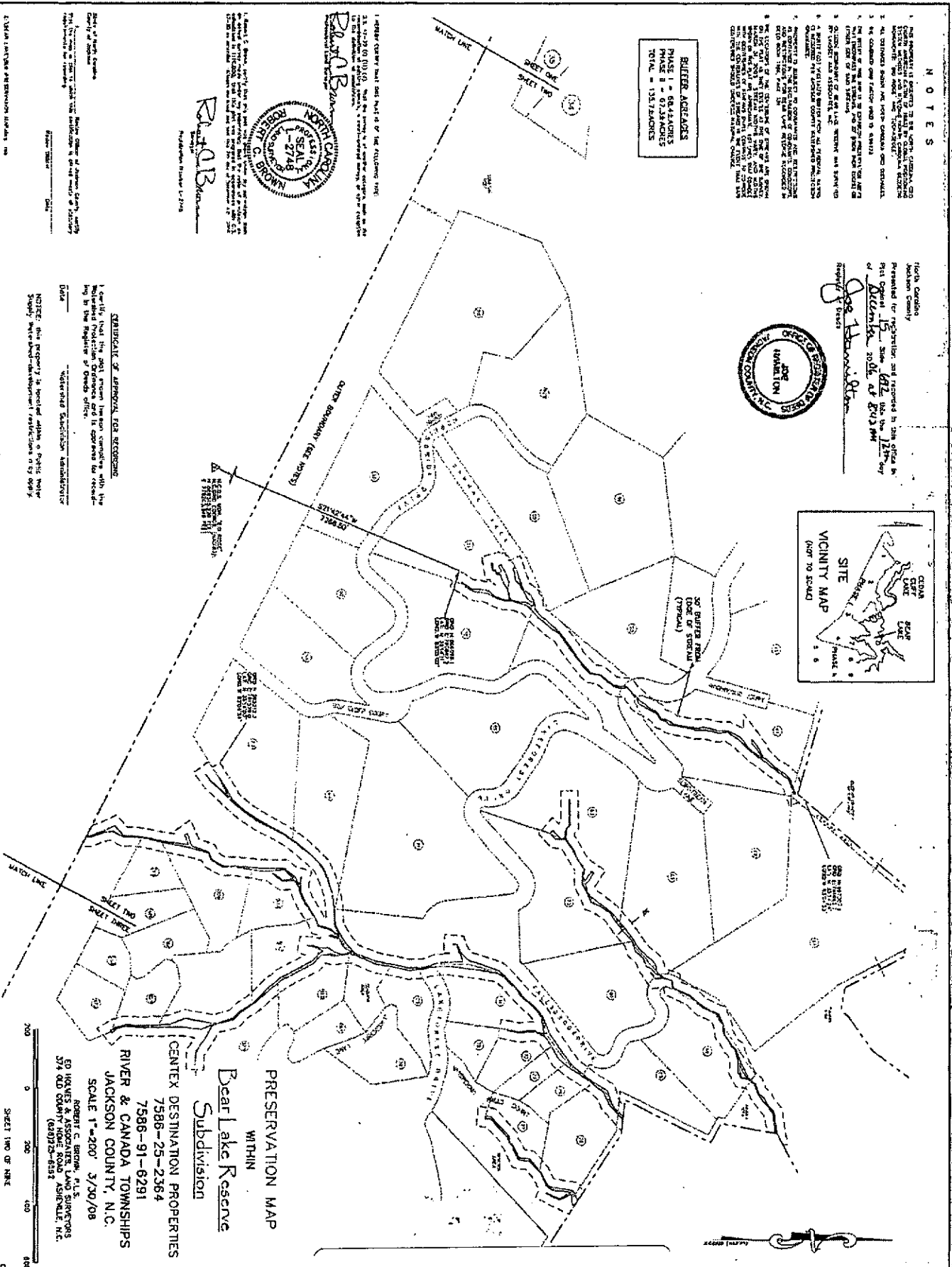
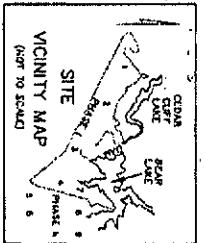
1. THESE CORNERS HAVE BEEN PLACED BY THE FOLLOWING SURVEY:
 T. H. BROWN, JR., CIVIL ENGINEER, 1987, PLAT NO. 1357A, JACKSON COUNTY, NORTH CAROLINA.



R.C.B.
 Robert C. Bertram, P.L.S.
 1000 North Main Street
 Jackson, North Carolina 28540

1. THESE CORNERS HAVE BEEN PLACED BY THE FOLLOWING SURVEY:
 T. H. BROWN, JR., CIVIL ENGINEER, 1987, PLAT NO. 1357A, JACKSON COUNTY, NORTH CAROLINA.

John Gordon
 Jackson County
 Presented for registration and approved in this office on
 this 15th day of June, 2008.
 at Jackson, North Carolina.
 J. Gordon
 Register of Deeds



PRESERVATION MAP
 WITHIN
Bear Lake Rescue
 Subdivision

CENTER DESTINATION PROPERTIES
 7586-25-2364
 7586-91-6291

RIVER & CANADA TOWNSHIPS
 JACKSON COUNTY, N.C.

SCALE 1" = 200' 3/30/08

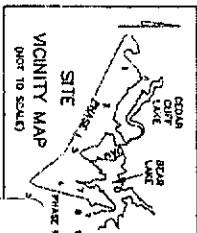
ROBERT C. BERTRAM, P.L.S.
 SURVEYOR & ASSOCIATES, LAND SURVEYORS
 374 OLD COUNTRY ROAD, ASHEVILLE, N.C.
 (800) 255-9882

200 0 200 400 600

SHEET TWO OF NINE

This map is not a certified survey and has not been reviewed by a local government agency for compliance with any applicable land development regulations.

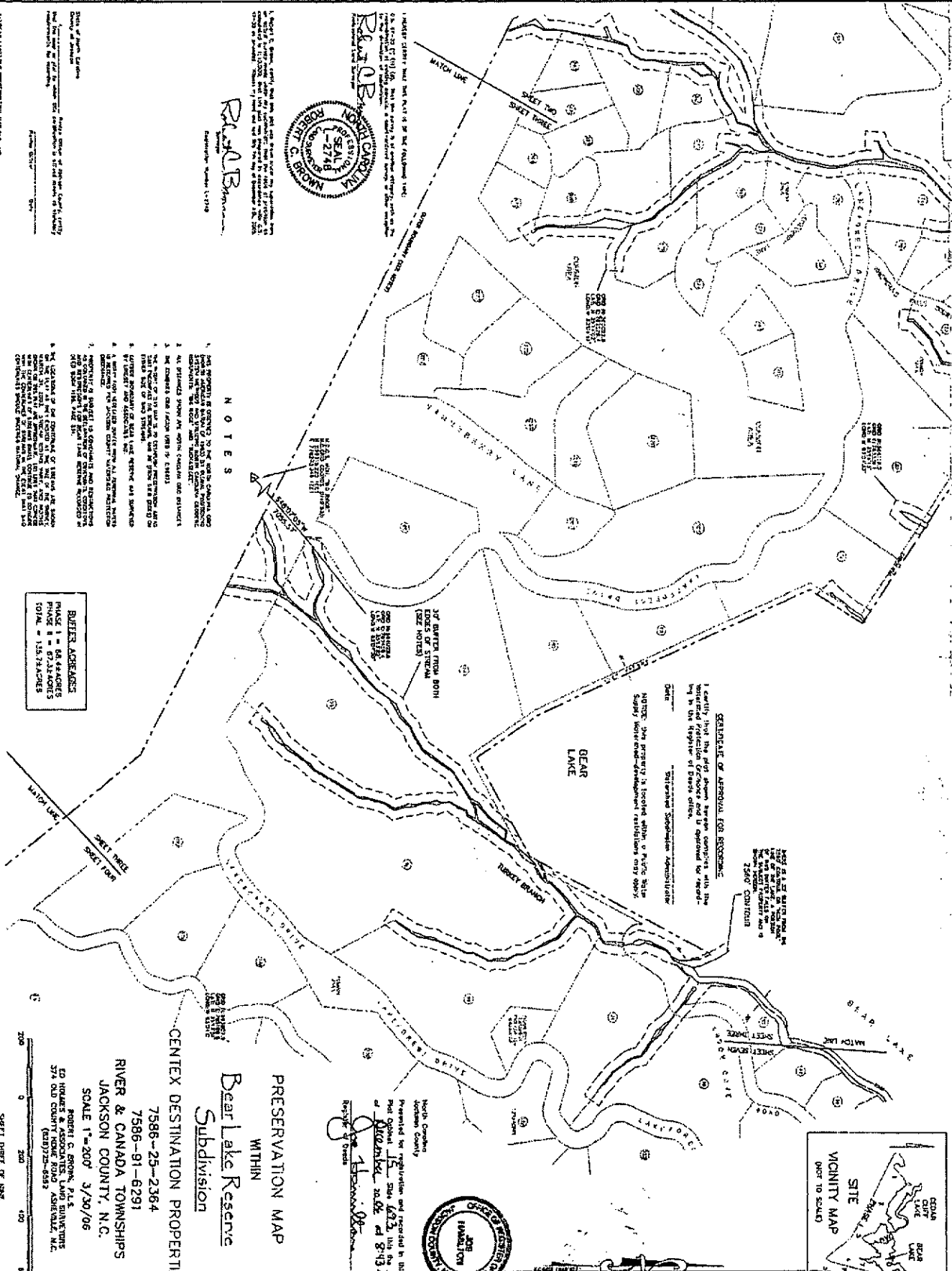
PL-12 SUBU ENV



STATEMENT OF APPROVAL FOR RECORD:
I certify that the map shown herein complies with the
Waterland Practice Ordinance and is approved for record-
ing in the Register of Deeds office.
Notary Public for the State of North Carolina
[Signature]



North Carolina
Notary Public
Prepared by registration and recorded in this office in
Book 673, Page 157
at 10:43 AM on 3/30/06
[Signature]



NOTES

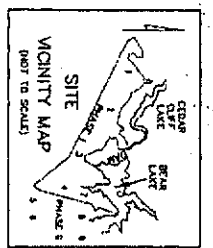
1. THE PROPERTY IS BEING OFFERED TO BE SUBDIVIDED INTO 66 PARCELS AS SHOWN ON THIS MAP. THE TOTAL AREA OF THE PROPERTY IS 1,158.74 ACRES.
2. THE PROPERTY IS BEING OFFERED TO BE SUBDIVIDED INTO 66 PARCELS AS SHOWN ON THIS MAP. THE TOTAL AREA OF THE PROPERTY IS 1,158.74 ACRES.
3. THE PROPERTY IS BEING OFFERED TO BE SUBDIVIDED INTO 66 PARCELS AS SHOWN ON THIS MAP. THE TOTAL AREA OF THE PROPERTY IS 1,158.74 ACRES.
4. THE PROPERTY IS BEING OFFERED TO BE SUBDIVIDED INTO 66 PARCELS AS SHOWN ON THIS MAP. THE TOTAL AREA OF THE PROPERTY IS 1,158.74 ACRES.
5. THE PROPERTY IS BEING OFFERED TO BE SUBDIVIDED INTO 66 PARCELS AS SHOWN ON THIS MAP. THE TOTAL AREA OF THE PROPERTY IS 1,158.74 ACRES.
6. THE PROPERTY IS BEING OFFERED TO BE SUBDIVIDED INTO 66 PARCELS AS SHOWN ON THIS MAP. THE TOTAL AREA OF THE PROPERTY IS 1,158.74 ACRES.
7. THE PROPERTY IS BEING OFFERED TO BE SUBDIVIDED INTO 66 PARCELS AS SHOWN ON THIS MAP. THE TOTAL AREA OF THE PROPERTY IS 1,158.74 ACRES.
8. THE PROPERTY IS BEING OFFERED TO BE SUBDIVIDED INTO 66 PARCELS AS SHOWN ON THIS MAP. THE TOTAL AREA OF THE PROPERTY IS 1,158.74 ACRES.
9. THE PROPERTY IS BEING OFFERED TO BE SUBDIVIDED INTO 66 PARCELS AS SHOWN ON THIS MAP. THE TOTAL AREA OF THE PROPERTY IS 1,158.74 ACRES.
10. THE PROPERTY IS BEING OFFERED TO BE SUBDIVIDED INTO 66 PARCELS AS SHOWN ON THIS MAP. THE TOTAL AREA OF THE PROPERTY IS 1,158.74 ACRES.

REFER ADDRESSES:
PARCEL 1 = 56.44 ACRES
PARCEL 2 = 57.31 ACRES
TOTAL = 115.74 ACRES

PRESERVATION MAP
WITHIN
Bear Lake Reserve
Subdivision
CENTEX DESTINATION PROPERTIES
7586-25-2364
7586-91-6291
RIVER & CANADA TOWNSHIPS
JACKSON COUNTY, N.C.
SCALE 1"=200' 3/30/06
ROBERT C. ENLOW, P.L.S.
ED HOLLAR & ASSOCIATES, LAND SURVEYORS
574 OLD COUNTY ROAD, ASHLAND, N.C.
(813) 725-9533

SHEET 1 OF 11
021-41

P.C. 15 SLIDE WY



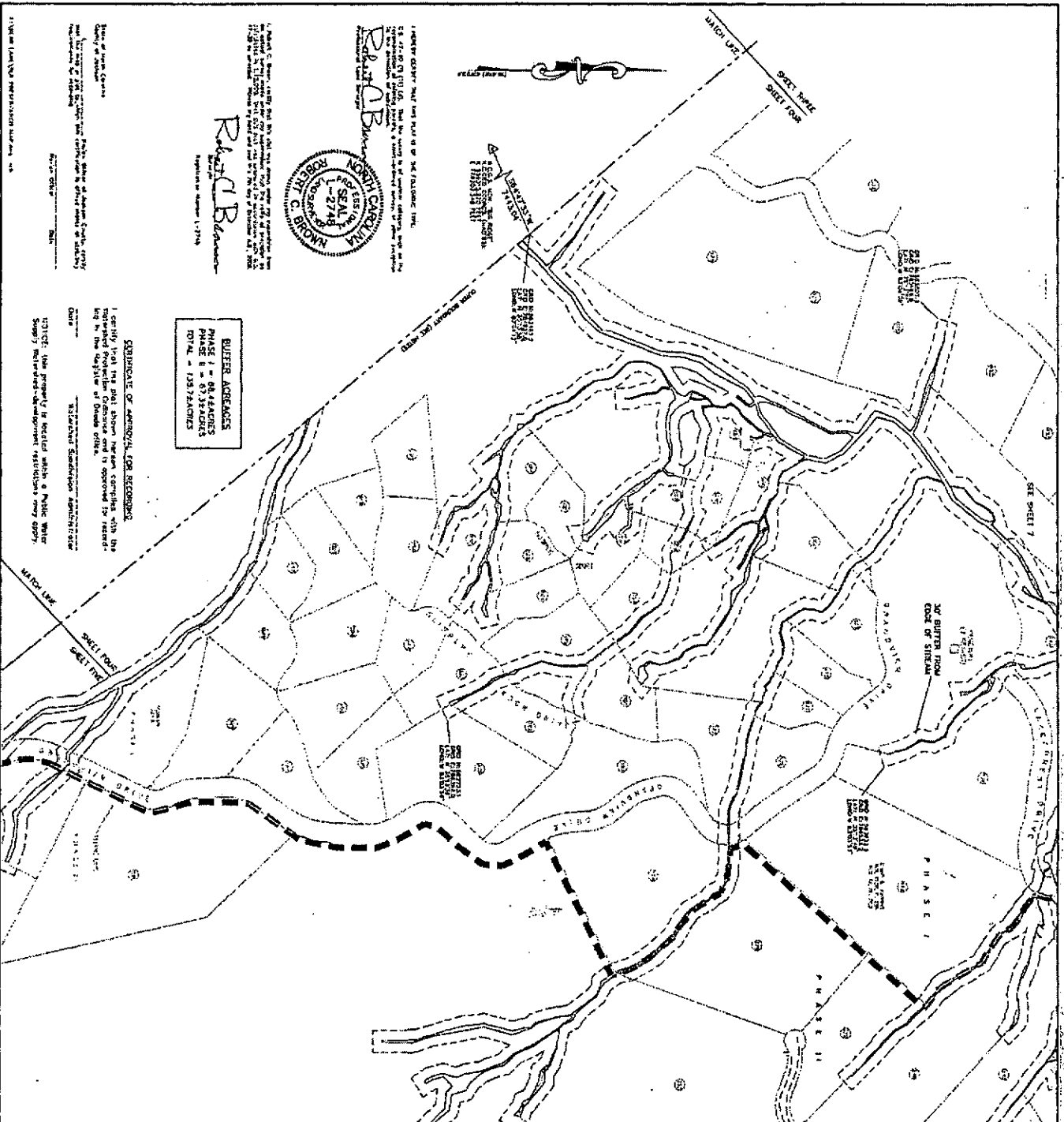
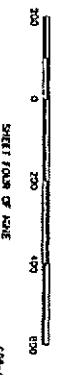
Health Centering
Jackson County
Potential for acquisition and transfer to this office in
Phase 1 of the project. See the 12/15/08
of December 2008 by the
of the
Report
Date



- NOTES**
1. The project is located in the Bear Lake Reserve, one of the four reserves within the Great Smoky Mountains National Park. The project is located in the Bear Lake Reserve, one of the four reserves within the Great Smoky Mountains National Park.
 2. All distances shown are in feet and inches.
 3. The contours are shown in 10-foot intervals.
 4. The project is located in the Bear Lake Reserve, one of the four reserves within the Great Smoky Mountains National Park.
 5. The project is located in the Bear Lake Reserve, one of the four reserves within the Great Smoky Mountains National Park.
 6. The project is located in the Bear Lake Reserve, one of the four reserves within the Great Smoky Mountains National Park.
 7. The project is located in the Bear Lake Reserve, one of the four reserves within the Great Smoky Mountains National Park.
 8. The project is located in the Bear Lake Reserve, one of the four reserves within the Great Smoky Mountains National Park.
 9. The project is located in the Bear Lake Reserve, one of the four reserves within the Great Smoky Mountains National Park.
 10. The project is located in the Bear Lake Reserve, one of the four reserves within the Great Smoky Mountains National Park.

PRESERVATION MAP
WITHIN
Bear Lake Reserve
Subdivision

CENTEX DESTINATION PROPERTIES
7586-25-2364
7586-91-6291
RIVER & CANADA TOWNSHIPS
JACKSON COUNTY, N.C.
SCALE 1"=200' 3/30/08
ROBERT C. BROWN, P.E.
ED HOLMES & ASSOCIATES, LAND SURVEYORS
374 OLD COUNTY HOUSE ROAD ASHEVILLE, N.C.
(800)725-6902



1. Robert C. Brown, License No. 2748, State of North Carolina, is the Professional Engineer responsible for the preparation of this map. He is duly licensed and qualified to perform the duties of a Professional Engineer in the State of North Carolina.

2. This map was prepared by Ed Holmes & Associates, Land Surveyors, under the supervision of Robert C. Brown, P.E.

3. The map was prepared on the basis of a survey conducted by Ed Holmes & Associates, Land Surveyors, on or about the date of the survey.

4. The map was prepared on the basis of a survey conducted by Ed Holmes & Associates, Land Surveyors, on or about the date of the survey.

5. The map was prepared on the basis of a survey conducted by Ed Holmes & Associates, Land Surveyors, on or about the date of the survey.

6. The map was prepared on the basis of a survey conducted by Ed Holmes & Associates, Land Surveyors, on or about the date of the survey.

7. The map was prepared on the basis of a survey conducted by Ed Holmes & Associates, Land Surveyors, on or about the date of the survey.

8. The map was prepared on the basis of a survey conducted by Ed Holmes & Associates, Land Surveyors, on or about the date of the survey.

9. The map was prepared on the basis of a survey conducted by Ed Holmes & Associates, Land Surveyors, on or about the date of the survey.

10. The map was prepared on the basis of a survey conducted by Ed Holmes & Associates, Land Surveyors, on or about the date of the survey.

BLUESIDE ADVERTISEMENTS
PHASE 1 - 80,000 SQ. FT.
PHASE 2 - 80,000 SQ. FT.
PHASE 3 - 80,000 SQ. FT.
PHASE 4 - 80,000 SQ. FT.

STATEMENT OF ADMINISTRATIVE RECORDING
I certify that the plat shown herein, conforming with the requirements of the State of North Carolina, and is approved for recording in the Register of Deeds Office.

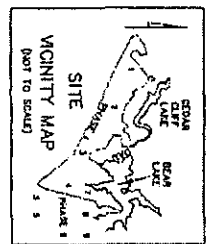
Date: _____

Ed Holmes & Associates, Land Surveyors

NOTICE: Use property is located within a public water supply watershed. All development restrictions may apply.

1. This map was prepared by Ed Holmes & Associates, Land Surveyors, on or about the date of the survey.

PC 15 SUBD 415



North Carolina
Jackson County
Presented for registration and recorded in this office in
Book 15, page 415, this 12th day
of November, 2008, at 8:45 AM
Joe H. Harrison
Professional Engineer
No. 12345

SUBJECT AREAS
PHASE I - 68,440 SQ. FT.
PHASE II - 57,330 SQ. FT.
TOTAL - 125,770 SQ. FT.

STATEMENT OF AMENDMENT RECORDING
I, the undersigned, being duly sworn and qualified to record, do hereby certify that the foregoing is a true and correct copy of the original as recorded in the Register of Deeds office.
Notary Public for North Carolina
Notary No. 12345



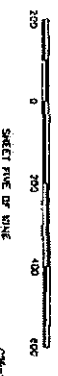
I, the undersigned, being duly sworn and qualified to record, do hereby certify that the foregoing is a true and correct copy of the original as recorded in the Register of Deeds office.
Notary Public for North Carolina
Notary No. 12345

NOTES

1. All improvements shown on this map are shown as existing and are not to be construed as a warranty of their condition or location.
2. All easements shown on this map are shown as existing and are not to be construed as a warranty of their condition or location.
3. All utility lines shown on this map are shown as existing and are not to be construed as a warranty of their condition or location.
4. All other lines shown on this map are shown as existing and are not to be construed as a warranty of their condition or location.
5. All other lines shown on this map are shown as existing and are not to be construed as a warranty of their condition or location.
6. All other lines shown on this map are shown as existing and are not to be construed as a warranty of their condition or location.
7. All other lines shown on this map are shown as existing and are not to be construed as a warranty of their condition or location.
8. All other lines shown on this map are shown as existing and are not to be construed as a warranty of their condition or location.
9. All other lines shown on this map are shown as existing and are not to be construed as a warranty of their condition or location.
10. All other lines shown on this map are shown as existing and are not to be construed as a warranty of their condition or location.

State of North Carolina
County of Jackson
Robert C. Brown
Professional Engineer
No. 12345

Bear Lake Reserve
Subdivision
PRESERVATION MAP
WITHIN
CENTEX DESTINATION PROPERTIES
7586-25-2364
7586-91-6291
RIVER & CANADA TOWNSHIPS
JACKSON COUNTY, N.C.
SCALE 1"=200' 3/30/08
ROBERT C. BROWN, P.E.
10 HIGHLAND & ASSOCIATES, LAND SURVEYORS
319 OLD SOUTH (830)722-0000

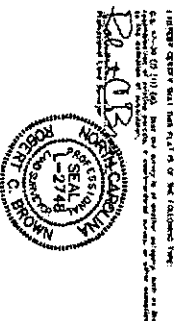


This map is not a certified survey and has not been reviewed by a local government agency for compliance with any applicable land development regulations.

NOTES

1. THE PROJECT IS SUBJECT TO THE NORTH CAROLINA AND FEDERAL GOVERNMENT REGULATIONS AND REQUIREMENTS FOR THE PROTECTION OF WETLANDS AND OTHER NATURAL RESOURCES.
2. ALL DISTURBED AREAS SHALL BE RESTORED TO ORIGINAL OR BETTER CONDITION AND SHALL BE MONITORED PER 15A NCAC 2B.0101.
3. ALL DISTURBED AREAS SHALL BE RESTORED TO ORIGINAL OR BETTER CONDITION AND SHALL BE MONITORED PER 15A NCAC 2B.0101.
4. ALL DISTURBED AREAS SHALL BE RESTORED TO ORIGINAL OR BETTER CONDITION AND SHALL BE MONITORED PER 15A NCAC 2B.0101.
5. ALL DISTURBED AREAS SHALL BE RESTORED TO ORIGINAL OR BETTER CONDITION AND SHALL BE MONITORED PER 15A NCAC 2B.0101.
6. ALL DISTURBED AREAS SHALL BE RESTORED TO ORIGINAL OR BETTER CONDITION AND SHALL BE MONITORED PER 15A NCAC 2B.0101.
7. ALL DISTURBED AREAS SHALL BE RESTORED TO ORIGINAL OR BETTER CONDITION AND SHALL BE MONITORED PER 15A NCAC 2B.0101.
8. ALL DISTURBED AREAS SHALL BE RESTORED TO ORIGINAL OR BETTER CONDITION AND SHALL BE MONITORED PER 15A NCAC 2B.0101.
9. ALL DISTURBED AREAS SHALL BE RESTORED TO ORIGINAL OR BETTER CONDITION AND SHALL BE MONITORED PER 15A NCAC 2B.0101.
10. ALL DISTURBED AREAS SHALL BE RESTORED TO ORIGINAL OR BETTER CONDITION AND SHALL BE MONITORED PER 15A NCAC 2B.0101.

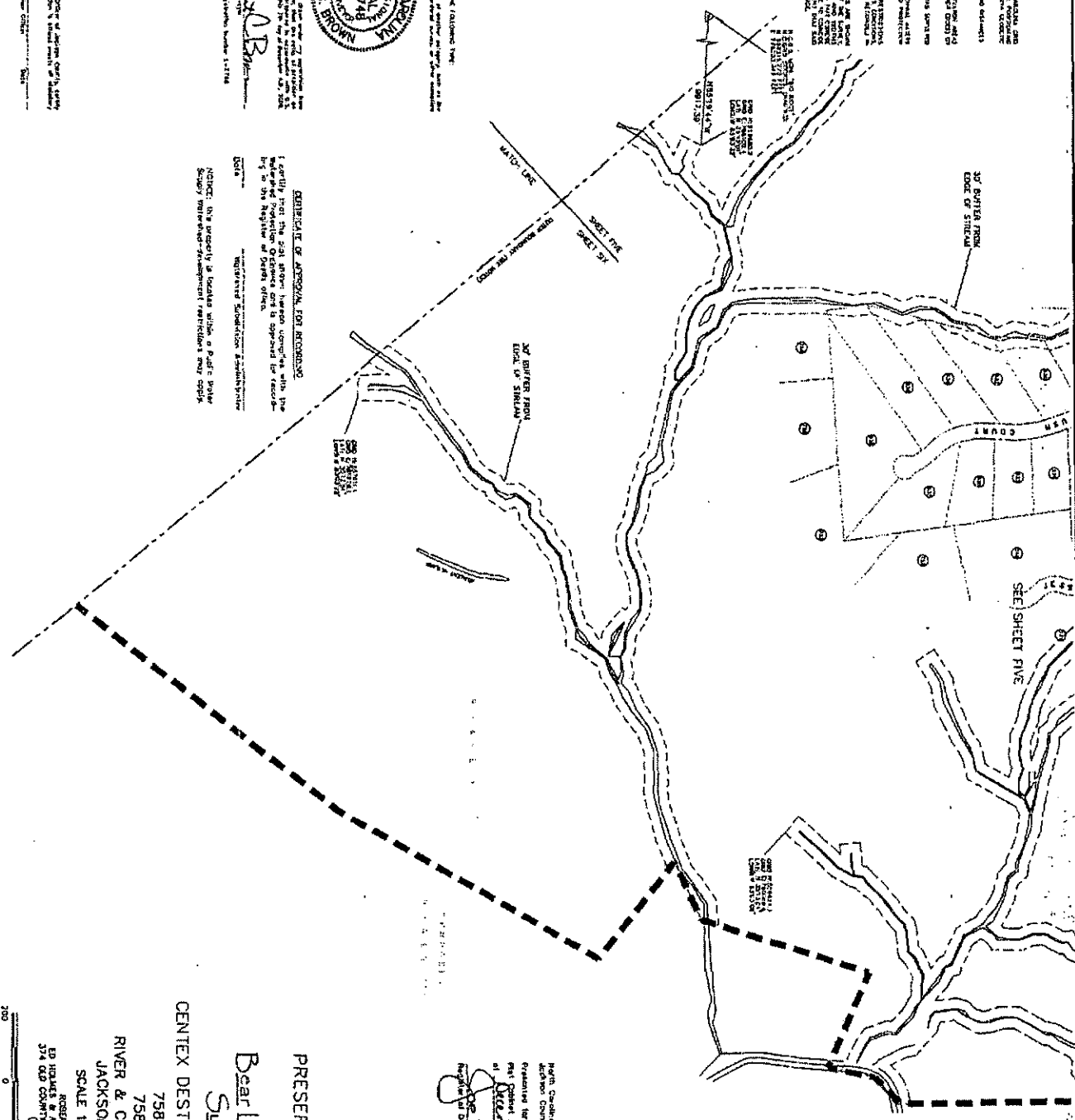
DUTCH APPLICANTS
 PHASE I - 48 ACRES
 PHASE II - 87 ACRES
 TOTAL = 135 ACRES



1. Robert C. Brown, P.L.S., has prepared this map and the accompanying notes in accordance with the provisions of the North Carolina Professional Land Surveyor Act, Chapter 89, and the Rules and Regulations of the Board of Professional Land Surveyors, Chapter 15A, of the North Carolina General Statutes.

State of North Carolina
 Board of Professional Land Surveyors
 100 North Salisbury Street, Raleigh, NC 27601
 Telephone: (919) 733-2200

ENCLOSURE - PROFESSIONAL SURVEYING MAP

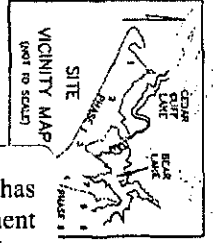


GENERAL NOTE OF APPROVAL FOR RECORDING
 I, Robert C. Brown, P.L.S., do hereby certify that this map and the accompanying notes were prepared by me or under my direct supervision and that I am a duly licensed Professional Land Surveyor in the State of North Carolina.

PRESERVATION MAP
 WITHIN
 Bear Lake Reserve
 Subdivision
 CENTER DESTINATION PROPERTIES
 7586-25-2364
 7586-91-6291
 RIVER & CANADA TOWNSHIPS
 JACKSON COUNTY, N.C.
 SCALE 1"=200' 3/30/08
 ROBERT C. BROWN, P.L.S.
 ED HOLLAND & ASSOCIATES, LAND SURVEYORS
 314 OLD COUNTY ROAD, MARSHALL, NC
 (843) 253-1582



North Carolina
 Anderson County
 Examination for registration was reported in the
 first quarter of 1988. The date of registration
 is December 30, 1988. 8:16 AM
 Robert C. Brown
 Registered Professional Land Surveyor



This map is not a certified survey and has not been reviewed by a local government agency for compliance with any applicable land development regulations.

PC 15 SLIDE 694

NOTES

1. THIS MAP IS A PRELIMINARY DESIGN AND IS NOT A CERTIFIED SURVEY. IT IS NOT TO BE USED FOR ANY PURPOSES OTHER THAN AS A GUIDE TO THE GENERAL LAYOUT OF THE PROPOSED DEVELOPMENT.
2. THE PROPERTY IS LOCATED WITHIN THE BEAR LAKE RESERVE SUBDIVISION, JACKSON COUNTY, NORTH CAROLINA.
3. THE PROPERTY IS LOCATED WITHIN THE BEAR LAKE RESERVE SUBDIVISION, JACKSON COUNTY, NORTH CAROLINA.
4. THE PROPERTY IS LOCATED WITHIN THE BEAR LAKE RESERVE SUBDIVISION, JACKSON COUNTY, NORTH CAROLINA.
5. THE PROPERTY IS LOCATED WITHIN THE BEAR LAKE RESERVE SUBDIVISION, JACKSON COUNTY, NORTH CAROLINA.
6. THE PROPERTY IS LOCATED WITHIN THE BEAR LAKE RESERVE SUBDIVISION, JACKSON COUNTY, NORTH CAROLINA.
7. THE PROPERTY IS LOCATED WITHIN THE BEAR LAKE RESERVE SUBDIVISION, JACKSON COUNTY, NORTH CAROLINA.
8. THE PROPERTY IS LOCATED WITHIN THE BEAR LAKE RESERVE SUBDIVISION, JACKSON COUNTY, NORTH CAROLINA.
9. THE PROPERTY IS LOCATED WITHIN THE BEAR LAKE RESERVE SUBDIVISION, JACKSON COUNTY, NORTH CAROLINA.
10. THE PROPERTY IS LOCATED WITHIN THE BEAR LAKE RESERVE SUBDIVISION, JACKSON COUNTY, NORTH CAROLINA.

BUTLER ADVERTISEMENTS
 PHASE I - 68,448 ACRES
 PHASE II - 82,348 ACRES
 TOTAL - 150,796 ACRES

OFFICE OF AGRICULTURE (FOR RECORDS)
 I certify that the plot shown herein complies with the requirements of the Agricultural Conservation Easement Act of 1964 as amended and the rules and regulations thereunder.

DATE: _____
 WALTER S. BARNETT, JR., Director



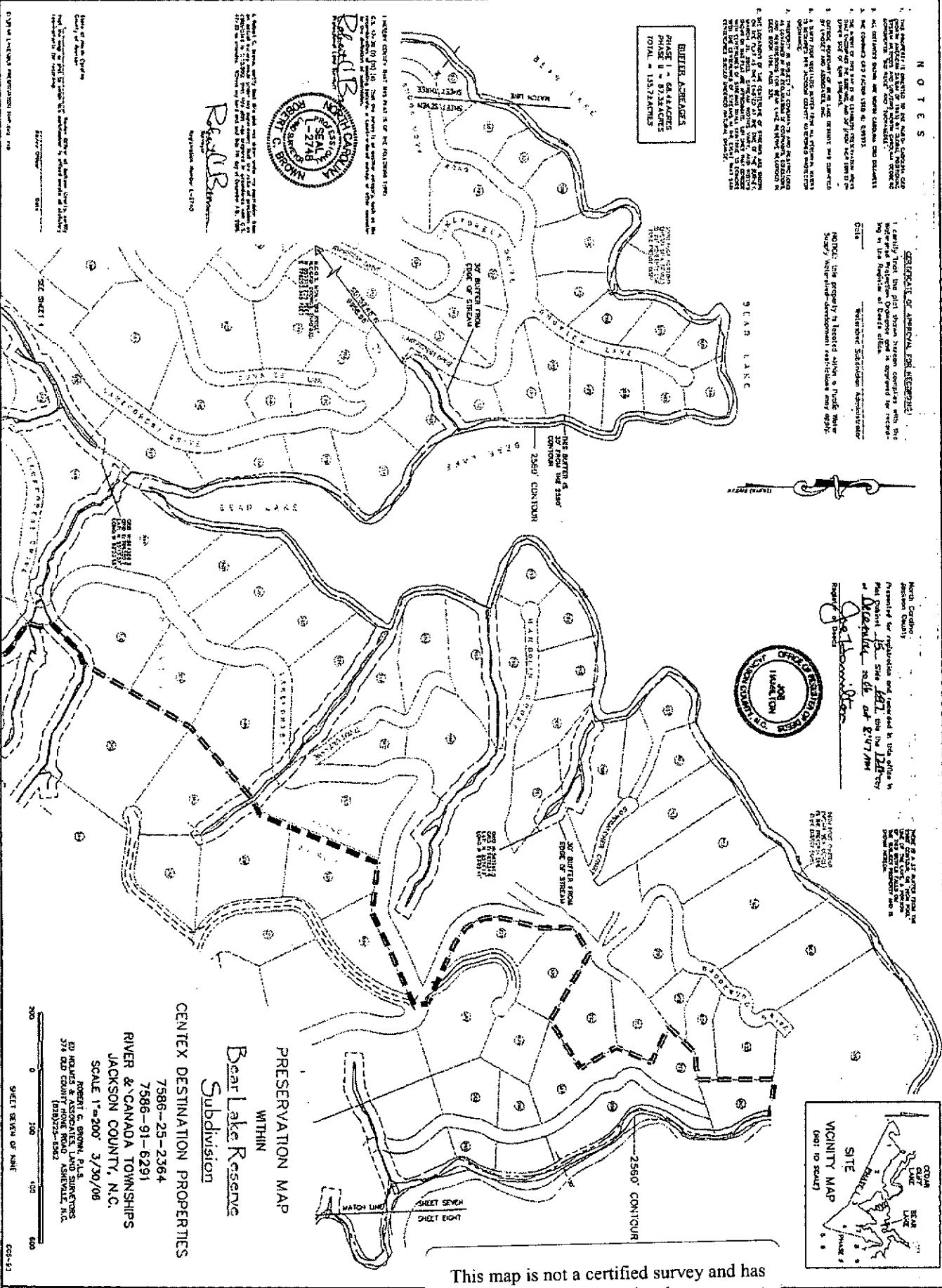
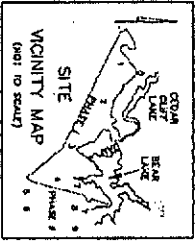
OFFICE OF RECORDS
 FOR
 JACKSON COUNTY, NORTH CAROLINA

North Carolina
 I certify that the plot shown herein complies with the requirements of the Agricultural Conservation Easement Act of 1964 as amended and the rules and regulations thereunder.

DATE: _____
 WALTER S. BARNETT, JR., Director



THIS MAP IS A PRELIMINARY DESIGN AND IS NOT A CERTIFIED SURVEY. IT IS NOT TO BE USED FOR ANY PURPOSES OTHER THAN AS A GUIDE TO THE GENERAL LAYOUT OF THE PROPOSED DEVELOPMENT.



PRESERVATION MAP WITHIN Bear Lake Reserve Subdivision

CENTEX DESTINATION PROPERTIES
 7586-25-2364
 7586-91-6291
 RIVER & CANADA TOWNSHIPS
 JACKSON COUNTY, N.C.
 SCALE 1"=200' 3/30/06

ROBERT C. GRIFFIN, P.L.S.
 23 HERRARD ROAD, SUITE 100
 374 OLD COURSE ROAD, ASHEVILLE, N.C.
 (818)275-1552

0 100 200 300
 SHEET SEVEN OF NINE
 025-13

This map is not a certified survey and has not been reviewed by a local government agency for compliance with any applicable land development regulations.

Resolution of Declarant

Bear Lake Reserve Owners Association Inc.

Change in ARB Board Members

Grantor: MDR Bear Lake , LLC

Grantee: Bear Lake Reserve Owners Association

**RESOLUTION OF DECLARANT
BEAR LAKE RESERVE OWNERS ASSOCIATION, INC.**

WHEREAS, MDR Bear Lake, LLC is the Declarant and the Class B Member under that certain Declaration of Covenants, Conditions and Restrictions for Bear Lake Reserve recorded in the Official Public Records of Jackson County, North Carolina at Book 1196, Page 33 (as amended and supplemented, the "Declaration");

WHEREAS, Section 4.2 of the Declaration authorizes Declarant to appoint all members of the Architectural Review Board ("ARB") until 5 years after termination of the Development and Sale Period, as defined in the Declaration;

WHEREAS, such rights of Declarant have not expired under the terms of the Declaration and have not been relinquished by Declarant;

NOW, THEREFORE, Declarant makes the following resolutions:

RESOLVED, Declarant hereby removes Mickey Luker, Matt Fusco and Chuck Louisell from the ARB.

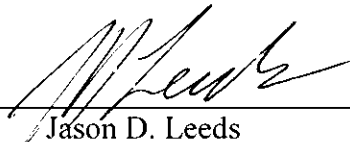
RESOLVED, that Declarant hereby appoints Wick Ashburn and Larry Sartin both members and Timothy Laughridge as president of the ARB with full authority to conduct the business of the ARB in accordance with the terms of the Declaration, Bylaws and the Articles of Incorporation of the Association as such documents may have been or may hereafter be amended. Accordingly, effective as of the date herein, the following shall serve as members of the ARB:

Larry Sartin
Hutch Kerns
Wick Ashburn
Timothy Laughridge , President

IN WITNESS WHEREOF, the undersigned Declarant has set its hand and seal as of the 13th day of October, 2011.

DECLARANT:

MDR Bear Lake, LLC

BY: 
NAME: Jason D. Leeds
ITS: President

State of Texas County of Dallas

Before me, Jason D. Leeds, on this 13th day of October, 2011, personally appeared before me, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed. Given under my hand and seal of office this 13th day of October, 2011

(Personalized)




Notary Public's Signature

Resolution of Declarant

Bear Lake Reserve Owners Association Inc.

Change in BLROA Board of Directors Members

Grantor: MDR Bear Lake , LLC

Grantee: Bear Lake Reserve Owners Association

**RESOLUTION OF DECLARANT
BEAR LAKE RESERVE OWNERS ASSOCIATION, INC.**

WHEREAS, MDR Bear Lake, LLC is the Declarant and the Class B Member under that certain Declaration of Covenants, Conditions and Restrictions for Bear Lake Reserve recorded in the Official Public Records of Jackson County, North Carolina at Book 1196, Page 33 (as amended and supplemented, the "Declaration");

WHEREAS, Section 3.4 of the Bylaws of Bear Lake Reserve Owners Association, Inc. (the "Bylaws") authorizes Declarant, as Class B Member, to appoint, remove and replace the directors during the Class B Control Period, as defined in the Declaration, until such right automatically expires in accordance with the terms of the Declaration or is surrendered by Declarant; and

WHEREAS, such rights of Declarant have not expired under the terms of the Declaration and have not been relinquished by Declarant.

NOW, THEREFORE, Declarant makes the following resolutions:

RESOLVED, Declarant hereby removes Mickey Luker from the Board of Directors of the Bear Lake Reserve Owners Association, Inc. (the "Association").

RESOLVED, that Declarant hereby appoints Wick Ashburn as a member and Timothy Laughridge as president to the Board of Directors of the Association with full authority to conduct the business of the Association in accordance with the terms of the Declaration, Bylaws and the Articles of Incorporation of the Association as such documents may have been or may hereafter be amended. Accordingly, effective as of the date herein, the following shall serve as members of the Board of Directors of the Association:

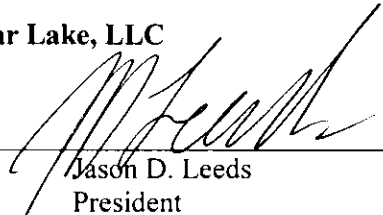
Kim Caudle
Jason Leeds
Wick Ashburn
Ginger Childs
Timothy Laughridge, President

IN WITNESS WHEREOF, the undersigned Declarant has set its hand and seal as of the 13th day of October, 2011.

DECLARANT:

MDR Bear Lake, LLC

BY: _____
NAME: Jason D. Leeds
ITS: President



State of Texas County of Dallas

Before me, Jason D. Leeds, on this 13th day of October, 2011, personally appeared before me, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this 13th day of October, 2011

(Personalized Seal)



Jessica Lovato
Notary Public's Signature



Doc ID: 004618780003 Type: CRP
 Recorded: 03/28/2013 at 09:17:56 AM
 Fee Amt: \$26.00 Page 1 of 3
 Jackson County, NC
 Joe Hamilton Register of Deeds
 BK 1982 PG 527-529

**RESOLUTION OF DECLARANT
 BEAR LAKE RESERVE OWNERS ASSOCIATION, INC.**

*Return:
 Roberts + Sterne*

WHEREAS, on even date herewith, MDR Bear Lake, LLC, a Texas limited liability company ("MDR"), as "Assignor", and MAG Bear Lake, LLC, a Texas limited liability company ("MAG" or "Declarant"), as "Assignee", executed that certain Assignment and Assumption of Declarant's Rights and Obligations (the "Assignment"), which Assignment is being recorded in the Official Public Records of Jackson County, North Carolina ("Official Records");

WHEREAS, MAG is now the "Declarant" under that certain Declaration of Covenants, Conditions, and Restrictions for Bear Lake Reserve, dated August 25, 2003, recorded in Book 1196, Page 331, in the Real Estate Index of Jackson County, North Carolina (the "Official Records") (as amended and supplemented from time to time and more particularly described in the Assignment as of the date hereof, the "Declaration");

WHEREAS, MAG is the sole Class B Member of Bear Lake Reserve Owners Association, Inc. (the "Association");

WHEREAS, Section 3.4 of the Bylaws of the Association authorize Declarant, as Class B Member, to appoint, remove and replace the Directors of the Association during the Class B Control Period (as defined in the Declaration) until such right automatically expires in accordance with the terms of the Declaration or is surrendered by Declarant;

WHEREAS, such rights of Declarant have not expired under the terms of the Declaration and have not been relinquished by Declarant; and

WHEREAS, Jason Leeds, Larry Sartin and Kim Caudle resigned as Directors of the Association effective as of the date hereof.

NOW, THEREFORE, Declarant resolves as follows:

RESOLVED, effective as of the date hereof, Declarant hereby appoints Wyatt Henderson, Allen Jones and John Marlin as members of the Board of Directors of the Association with full authority to conduct the business of the Association in accordance with the terms of the Declaration, Bylaws of the Association, Articles of Incorporation and other governing documents of the Association (as such may have been or may hereafter be amended or supplemented from time to time, collectively, "Governing Documents"). Accordingly, effective as of the date hereof, the following shall serve as the members of the Board of Directors of the Association: (1) Wyatt Henderson, (2) Allen Jones, (3) David Howell, (4) Ginger Childs and Joey Laughridge.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

EXECUTED effective as of March 26, 2013

DECLARANT:

MAG BEAR LAKE, LLC,
a Texas limited liability company

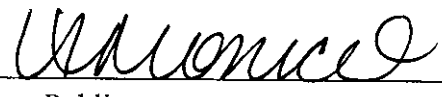
By: CapRock Dev, LLC,
A Delaware limited liability company,
Its Manager

By: 
John D. Marlin, Executive Manager

STATE OF TEXAS)
)
COUNTY OF DALLAS)

I, the undersigned, a Notary Public of the County and State aforesaid, certify that John D. Marlin personally came before me this day and acknowledged that he is the Executive Manager of CapRock Dev, LLC, a Delaware limited liability company, the Manager of MAG BEAR LAKE, LLC, a Texas limited liability company, and that he being authorized to do so, voluntarily executed the foregoing on behalf of said limited liability company for the purposes stated therein.

Witness my hand and notarial seal, this 26th day of March, 2013.


Notary Public

My commission expires: 11-16-2015

(NOTARIAL SEAL)



Doc ID: 004879620005 Type: CRP
Recorded: 05/27/2015 at 11:15:48 AM
Fee Amt: \$26.00 Page 1 of 5
Jackson County, NC
Joe Hamilton Register of Deeds
BK **2079** PG **652-656**

Upon recording, please return to:
MAG Bear Lake, LLC
15443 Knoll Trail Drive
Suite 130
Dallas, Texas 75248

Cross-References:
Book 1196, Page 331
Book 1982, Page 517
Jackson County, North Carolina Records

**AMENDMENT TO THE DECLARATION OF COVENANTS,
CONDITIONS, AND RESTRICTIONS FOR BEAR LAKE RESERVE**

THIS AMENDMENT TO THE DECLARATION OF COVENANTS,
CONDITIONS, AND RESTRICTIONS FOR BEAR LAKE RESERVE is made this 19th day of
May, 2015, by MAG Bear Lake, LLC, a Texas limited liability company ("Declarant").

WITNESSETH:

WHEREAS, that certain Declaration of Covenants, Conditions, and Restrictions for Bear Lake Reserve was filed of record at Book 1196, Page 331 in the Official Public Records of Jackson County, North Carolina (such instrument as amended and supplemented, the "Declaration");

WHEREAS, pursuant to that certain Assignment and Assumption of Declarant's Rights and Obligations recorded at Book 1982, Page 517 in the Official Public Records of Jackson County, North Carolina MAG Bear Lake, LLC acquired the rights of the "Declarant" pursuant to the Declaration;

WHEREAS, Declarant simultaneously acquired certain Lots within the Community as well as portions of the additional property that may be subjected to the Declaration;

WHEREAS, as a result of the economic downturn, development of the Community has taken significantly longer than anticipated and the timetable for development of the remainder of the Community has been extended;

WHEREAS, Declarant recognizes the benefits of developing the Community in a cohesive manner, rather than recording new covenants and establishing a separate owners association for the governance of the remaining phases of the Community, and believes that the interests of the existing and future Owners within the Community will be better served by extending certain of the special rights granted to the Declarant in order to facilitate the future development of the Community;

WHEREAS, Article XXI, Section 21.1 of the Declaration provides that, until the termination of the Class "B" Control Period, Declarant may unilaterally amend the Declaration for any purpose;

WHEREAS, the Class "B" Control Period is still in existence as of the date of this Amendment; and

WHEREAS, Declarant deems it appropriate to amend the Declaration for the purposes set forth herein;

NOW, THEREFORE, pursuant to the powers retained by Declarant under the Declaration, Declarant hereby amends the Declaration as follows:

ARTICLE 1
Definitions

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

ARTICLE 2
Class "B" Control Period

Article II, Section 2.1 of the Declaration is hereby amended by deleting the definition of Class "B" Control Period and substituting therefor the following:

"Class "B" Control Period": The time period during which the Class "B" Member may appoint a majority of the Board members. The Class "B" Control Period shall end when any one of the following occurs:

- (a) when 90% of the Lots proposed under the Development Plan have been issued certificates of occupancy and have been deeded to Class "A" Members;
- (b) December 31, 2025; or
- (c) earlier, when, in its discretion, the Class "B" Member so determines.

ARTICLE 3
Service Area Assessments

Article VIII, Section 8.1(b) of the Declaration is hereby amended by deleting the first paragraph thereof and substituting therefor the following:

(b) Calculation of Service Area Assessments. Before the beginning of each fiscal year, the Board shall prepare a separate budget for each Service Area of the estimated Limited Common Expenses which it expects to incur on behalf of such Service Area for the coming year, including any contributions to be made to a reserve fund

pursuant to Section 8.2 for periodic major maintenance, repair and replacement of items that the Association maintains on behalf of the Service Area as a Limited Common Expense. The budget shall separately reflect the anticipated sources and estimated amounts of funds to cover the Limited Common Expenses, including any surplus or deficit to be applied from prior years, assessment income, any fees charged for use of recreational amenities maintained on behalf of the Service Area, and any other non-assessment income.

ARTICLE 4
Annexation

Article IX, Section 9.1 of the Declaration is hereby amended by deleting the second paragraph thereof and substituting therefor the following:

Declarant's right to annex property pursuant to this Section expires when all property described in Exhibit "B" has been subjected to this Declaration or 25 years after this Declaration is recorded, whichever is earlier. Until then, Declarant may transfer or assign this right, in whole or in part, to any Person who is the developer of at least a portion of the real property described in Exhibit "A" or "B." Any such transfer shall be memorialized in a recorded instrument executed by Declarant.

ARTICLE 5
Number of Directors

The By-Laws of Bear Lake Reserve Owners Association, Inc., attached as Exhibit "F" to the Declaration, are hereby by deleting Section 3.2 thereof and substituting therefor the following:

Section 3.2 Number of Directors. The initial Board shall consist of the three directors identified in the Articles of Incorporation. Thereafter, the Board shall consist of three to five directors, as provided in Section 3.4 below. After the termination of the Development and Sale Period, the Board may, by resolution, increase or decrease the number of directors.

ARTICLE 6
Phased Transition

The By-Laws of Bear Lake Reserve Owners Association, Inc., attached as Exhibit "F" to the Declaration, are hereby by deleting Section 3.4 thereof and substituting therefor the following:

Section 3.4 Election and Term of Office. Subject to the subsections below, the Class "B" Member shall have complete discretion in appointing, removing, and replacing directors during the Class "B" Control Period.

(a) Upon and after three years from the date of recording of this Amendment, the President shall call for an election at which the Class "A" Members shall be entitled to elect one of the three directors, who shall serve a term of two years or until the occurrence of the event described in subsection (b), whichever is shorter. The two remaining directors shall be appointed by the Class "B" Member.

(b) Upon and after five years from the date of recording of this Amendment, the Board shall be increased to five directors, and the President shall call for an election at which the Class "A" Members shall be entitled to elect two of the five directors, who shall serve a term of two years or until the occurrence of the event described in subsection (c), whichever is shorter. The three remaining directors shall be appointed by the Class "B" Member.

(c) Upon termination of the Class "B" Control Period, the President shall call for an election at which the Class "A" Members shall be entitled to elect four of the five directors. The remaining director shall be appointed by the Class "B" Member. The two directors receiving the largest number of Class "A" votes shall be elected for a term of two years and the remaining two directors shall be elected for a term of one year. If Voting Groups have been established, one director shall be elected by the Members representing each Voting Group and any remaining directorships filled at large by the vote of all Members.

(d) Until termination of the Development and Sale Period, the Declarant shall be entitled to appoint one director. Upon termination of the Development and Sale Period, the director elected by the Declarant shall resign and the remaining directors shall be entitled to appoint a director to serve until the next annual meeting, at which the Class "A" Members shall be entitled to elect a director to fill such position. Such director shall be elected for a term of two years.

Notwithstanding the stated length of any term, directors shall hold office until their respective successors have been elected. Directors elected by the Class "A" Members are hereafter referred to as the "Class "A" Directors."

Upon expiration of the term of each Class "A" Director elected pursuant to this subsection and thereafter, a successor shall be elected for a term of two years.

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

[SIGNATURES APPEAR ON NEXT PAGE]

IN WITNESS WHEREOF, Declarant has caused this instrument to be executed on the day and year written below.

DECLARANT:

MAG BEAR LAKE, LLC, a Texas limited liability company

By: CapRock Dev, LLC, a Delaware limited liability company, its Manager

By: *[Signature]*
Print Name: John D. Marlin
Title: Executive Manager

STATE OF TEXAS)
)
COUNTY OF DALLAS) ACKNOWLEDGMENT

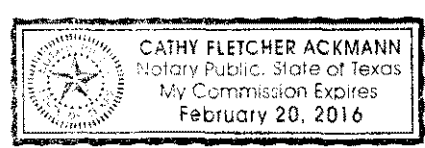
I, the undersigned, a Notary Public of the County and State aforesaid, certify that John D. Marlin personally came before me this day and acknowledged that he is the Executive Manager of CapRock Dev, LLC, a Delaware limited liability company, the Manager of MAG BEAR LAKE, LLC, a Texas limited liability company, and that he being authorized to do so, voluntarily executed the foregoing on behalf of said limited liability company for the purposes stated therein.

Witness my hand and notarial seal, this 19 day of May, 2015.

Cathy Fletcher Ackmann
Notary Public

My Commission Expires: February 20, 2016

[Notary Seal]





Doc ID: 005387990002 Type: DECLAR
Recorded: 10/03/2017 at 09:59:47 AM
Fee Amt: \$26.00 Page 1 of 2
Jackson County, NC
Joe Hamilton Register of Deeds

BK **2198** PG **249-250**

**RESOLUTION OF DECLARANT
BEAR LAKE RESERVE OWNERS ASSOCIATION, INC.**

WHEREAS, MAG Bear Lake, LLC is the Declarant and the Class B Member under that certain Declaration of Covenants, Conditions and Restrictions for Bear Lake Reserve recorded in the Official Public Records of Jackson County, North Carolina at Book 1196, Page 33 (as amended and supplemented, the "Declaration");

WHEREAS, Section 3.4 of the Bylaws of Bear Lake Reserve Owners Association, Inc. (the "Bylaws") authorizes Declarant, as Class B Member, to appoint, remove and replace the directors during the Class B Control Period, as defined in the Declaration, until such right automatically expires in accordance with the terms of the Declaration or is surrendered by Declarant; and

WHEREAS, such rights of Declarant have not expired under the terms of the Declaration and have not been relinquished by Declarant.

NOW, THEREFORE, Declarant makes the following resolutions:

RESOLVED, Declarant hereby removes Joey Laughridge and Ginger Childs from the Board of Directors of the Bear Lake Reserve Owners Association, Inc. (the "Association").

RESOLVED, that Declarant hereby appoints Brandon Luethye and Michele Harrison as member of the Board of Directors of the Association with full authority to conduct the business of the Association in accordance with the terms of the Declaration, Bylaws, and the Articles of Incorporation of the Association as such documents may have been or may hereafter be amended. Accordingly, effective as of the date herein, the following shall serve as members of the Board of Directors of the Association:

Craig Smith, President
Allen Jones, Vice President
David Howell, Treasurer
Brandon Luethye, Secretary
Michele Harrison, Member-at-Large

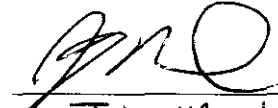
IN WITNESS WHEREOF, the undersigned Declarant has set its hand and seal as of the 25th day of

September, 2017.

DECLARANT:

MAG Bear Lake, LLC
a Texas Limited Liability Company

BY:
NAME:
ITS:



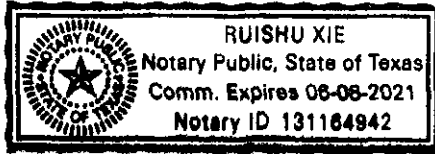
John Marlin

Manager

~~North Carolina~~ Texas
Dallas County

I, RUI SHU XIE, a Notary Public for said County and State, do hereby certify that JOHN MARLIN personally appeared before me this day and acknowledged the due execution of the foregoing instrument.

Witness my hand and official seal, this the 25 day of September, 20 17.



Notary Public



Doc ID: 005524690002 Type: DECLAR
Recorded: 08/10/2018 at 02:15:57 PM
Fee Amt: \$26.00 Page 1 of 2
Jackson County, NC
Joe Hamilton Register of Deeds

BK 2219 PG 674-675

**RESOLUTION OF DECLARANT
BEAR LAKE RESERVE OWNERS ASSOCIATION, INC.**

WHEREAS, MAG Bear Lake, LLC is the Declarant and the Class B Member under that certain Declaration of Covenants, Conditions and Restrictions for Bear Lake Reserve recorded in the Official Public Records of Jackson County, North Carolina at Book 1196, Page 33 (as amended and supplemented, the "Declaration");

WHEREAS, Section 3.4 of the Bylaws of Bear Lake Reserve Owners Association, Inc. (the "Bylaws") authorizes Declarant, as Class B Member, to appoint, remove and replace the directors during the Class B Control Period, as defined in the Declaration, until such right automatically expires in accordance with the terms of the Declaration or is surrendered by Declarant; and

WHEREAS, such rights of Declarant have not expired under the terms of the Declaration and have not been relinquished by Declarant.

NOW, THEREFORE, Declarant makes the following resolutions:

RESOLVED, Declarant hereby removes Michele Harrison from the Board of Directors of the Bear Lake Reserve Owners Association, Inc. (the "Association").

RESOLVED, that Declarant hereby appoints Charlie White as member of the Board of Directors of the Association with full authority to conduct the business of the Association in accordance with the terms of the Declaration, Bylaws, and the Articles of Incorporation of the Association as such documents may have been or may hereafter be amended. Accordingly, effective as of the date herein, the following shall serve as members of the Board of Directors of the Association:

Craig Smith, President
Allen Jones, Vice President
David Howell, Treasurer
Brandon Luethye, Secretary
Charlie White, Member-at-Large

IN WITNESS WHEREOF, the undersigned Declarant has set its hand and seal as of the 9th day of August, 2018.

DECLARANT:

MAG Bear Lake, LLC

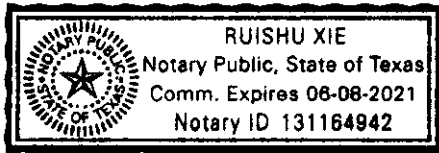
BY:
NAME:
ITS:

[Signature]
John Marlin
Manager


~~North Carolina~~ Texas
Dallas County

I, Ruishu Xie, a Notary Public for said County and State, do hereby certify that John Marlin personally appeared before me this day and acknowledged the due execution of the foregoing instrument.

Witness my hand and official seal, this the 9th day of August, 20 18.



Notary Public
My commission expires June 8th, 20 21.


Doc ID: 005758040002 Type: DECLAR
Recorded: 07/26/2019 at 12:31:51 PM
Fee Amt: \$26.00 Page 1 of 2
Jackson County, NC
Joe Hamilton Register of Deeds
BK **2243** PG **854-855**

**RESOLUTION OF DECLARANT
BEAR LAKE RESERVE OWNERS ASSOCIATION, INC.**

WHEREAS, BOTO NC Properties, LLC is the Declarant and the Class B Member under that certain Declaration of Covenants, Conditions and Restrictions for Bear Lake Reserve recorded in the Official Public Records of Jackson County, North Carolina at Book 1196, Page 33 (as amended and supplemented, the "Declaration");

WHEREAS, Section 3.4 of the Bylaws of Bear Lake Reserve Owners Association, Inc. (the "Bylaws") authorizes Declarant, as Class B Member, to appoint, remove and replace the directors during the Class B Control Period, as defined in the Declaration, until such right automatically expires in accordance with the terms of the Declaration or is surrendered by Declarant; and

WHEREAS, such rights of Declarant have not expired under the terms of the Declaration and have not been relinquished by Declarant.

NOW, THEREFORE, Declarant makes the following resolutions:

RESOLVED, Declarant hereby removes Allen Jones, Brandon Luethye, Craig Smith, David Howell, and Charles White from the Board of Directors of the Bear Lake Reserve Owners Association, Inc. (the "Association").

RESOLVED, that Declarant hereby appoints the following parties as members of the Board of Directors of the Association with full authority to conduct the business of the Association in accordance with the terms of the Declaration, Bylaws, and the Articles of Incorporation of the Association as such documents may have been or may hereafter be amended. Accordingly, effective as of the date herein, the following shall serve as members of the Board of Directors of the Association:

Clifton Hill, President
Rhonda Clark, Vice President
Zach Bush, Secretary/Treasurer
Thomas Hur, Member-at-large

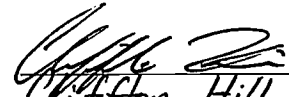
IN WITNESS WHEREOF, the undersigned Declarant has set its hand and seal as of the 19 th day of

July, 2019.

DECLARANT:

BOTO NC Properties, LLC

BY:
NAME:
ITS:

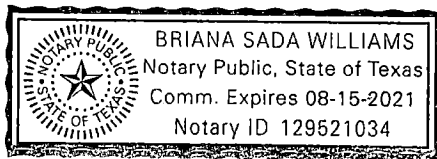


Cliffon Hill
Authorized Representative

Texas Dallas County

I, Briana Sada Williams, a Notary Public for said County and State, do hereby certify that Cliffon Hill personally appeared before me this day and acknowledged the due execution of the foregoing instrument.

Witness my hand and official seal, this the 19th day of July, 20 19.



Notary Public
My commission expires August 15, 20 21.

**RESOLUTION OF DECLARANT
BEAR LAKE RESERVE OWNERS ASSOCIATION, INC.**

WHEREAS, BOTO NC Properties, LLC is the Declarant and the Class B Member under that certain Declaration of Covenants, Conditions and Restrictions for Bear Lake Reserve recorded in the Official Public Records of Jackson County, North Carolina at Book 1196, Page 33 (as amended and supplemented, the “Declaration”);

WHEREAS, Section 3.4 of the Bylaws of Bear Lake Reserve Owners Association, Inc. (the “Bylaws”) authorizes Declarant, as Class B Member, to appoint, remove and replace the directors during the Class B Control Period, as defined in the Declaration, until such right automatically expires in accordance with the terms of the Declaration or is surrendered by Declarant; and

WHEREAS, such rights of Declarant have not expired under the terms of the Declaration and have not been relinquished by Declarant.

NOW, THEREFORE, Declarant makes the following resolutions:

RESOLVED, Declarant hereby removes Thomas Hur from the Board of Directors of the Bear Lake Reserve Owners Association, Inc. (the “Association”).

RESOLVED, that Declarant hereby appoints the following parties as members of the Board of Directors of the Association with full authority to conduct the business of the Association in accordance with the terms of the Declaration, Bylaws, and the Articles of Incorporation of the Association as such documents may have been or may hereafter be amended. Accordingly, effective as of the date herein, the following shall serve as members of the Board of Directors of the Association:

Cliffton Hill, President
Rhonda Clark, Vice President
Zach Bush, Secretary/Treasurer
Peggy Taylor, Member-at-large

IN WITNESS WHEREOF, the undersigned Declarant has set its hand and seal as of the ____th day of _____, 2019.

DECLARANT:

BOTO NC Properties, LLC

BY: _____
NAME: _____
ITS: _____

Texas
_____ **County**

I, _____, a Notary Public for said County and State, do hereby certify that _____ personally appeared before me this day and acknowledged the due execution of the foregoing instrument.

Witness my hand and official seal, this the _____ day of _____, 20 _____.

Notary Public
My commission expires _____, 20 _____.

BK 1196

421

EXHIBIT "F"

**BY-LAWS
OF
BEAR LAKE RESERVE OWNERS ASSOCIATION, INC.**

Unofficial

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**BY-LAWS
OF
BEAR LAKE RESERVE OWNERS ASSOCIATION, INC.**

**Article I.
Name, Principal Office, and Definitions**

1.1. Name

The name of the nonprofit corporation is Bear Lake Reserve Owners Association, Inc. (the "Association").

1.2. Principal Office

The Association's principal office shall be located in the State of North Carolina in such location as the Board of Directors (the "Board"), determines or as the Association's affairs require.

1.3. Definitions

The words used in these By-Laws shall have their normal, commonly understood definitions. Capitalized terms shall have the same meaning as set forth in the Declaration of Covenants, Conditions, and Restrictions for Bear Lake Reserve as it may be amended, or amended and restated, from time to time ("Declaration"), unless the context indicates otherwise. The interpretation of certain references, as set forth in Section 2.2 of the Declaration, shall also apply to the words used in these By-Laws.

**Article II.
Membership: Meetings, Quorum, Voting, Proxies**

2.1. Membership

The Association initially shall have three classes of membership, Class "A," Class "B," and Class "C," as more fully set forth in the Declaration. The Declarant may establish additional classes of membership as set forth in the Declaration. Provisions of the Declaration pertaining to membership are incorporated herein by this reference.

2.2. Change of Membership

Change of membership in the Association shall be established by recording a deed or other instrument conveying record fee title to any Lot. The grantee named in such instrument shall, by acceptance of such instrument, become a Member of the Association, and the membership of the prior Owner shall terminate. The new Owner shall deliver a copy of the conveyance instrument to the Association within 14 days after the conveyance and the new Owner shall not be entitled to voting privileges until the same has been received by the Association. The foregoing shall not, however, limit the Association's powers or privileges and the new Owner shall be liable for accrued and unpaid fees and assessments attributable to the Lot acquired.

2.3. Place of Meetings

The Association shall hold meetings at its principal office or at such other place as the Board may designate. Meetings may be conducted electronically (*i.e.*, via the Internet, intranet, or teleconference) if

and to the extent permitted by law. If Voting Delegates have been elected, meetings shall be of Voting Delegates.

2.4. Annual Meetings.

The Association shall hold its first meeting, whether a regular or special meeting, within one year after the date of the Association's incorporation. The Board shall set the date and time of subsequent regular annual meetings to occur during the first quarter of each year thereafter.

2.5. Special Meetings.

The President may call a special meeting of the Association. It also shall be the President's duty to call a special meeting if so directed by Board resolution or upon written petition of Members representing at least 10% of the total Class "A" votes in the Association describing the purpose or purposes for which the special meeting is to be held. If the President does not call a special meeting pursuant to this Section within 30 days after the date such written petition is delivered to the Association's Secretary, any Member signing the petition may set the time and place of the special meeting and give the Association notice pursuant to Section 2.6.

2.6. Notice of Meetings.

The Association's Secretary shall cause written notice stating the place, day, and hour of any Association meeting to be given in any manner permitted by applicable law. If permitted by law, notice may be published in a newspaper, or by radio, television, or other form of public broadcast communication in the County, delivered by hand delivery, or sent by facsimile, electronic mail, or other electronic communication device, or such other manner which is reasonably calculated, as the Board determines in its discretion, to provide personal notice to Members. Notice shall be given at least 30 and, in any event, not more than 60, days before the date of the meeting, by or at the direction of the President, the Secretary, or the officers or Persons calling the meeting.

The notice of any meeting shall also state the items on the agenda, including, without limitation, the general nature of any proposed amendment to the Governing Documents, any budget changes, and any proposal to remove a director or officer. No other business shall be transacted at a special meeting except as stated in the notice for the special meeting. Unless one-third (1/3) or more of the votes entitled to be cast in the election of directors are represented in person or by proxy, the only matters that may be voted upon at an annual or regular meeting of Members are those matters that are described in the meeting notice.

If mailed, the notice of a meeting shall be deemed given when deposited in the United States mail addressed to the Member at his or her address as it appears on the Association's records, with postage prepaid. If sent by facsimile, electronic mail, or other electronic communication device, notice shall be deemed delivered when transmitted to the Member at his or her address, e-mail address, or telephone or fax number as it appears on the Association's records. Failure to receive actual notice of an Association meeting shall not affect the validity of any action taken at such meeting.

2.7. Waiver of Notice.

Waiver of lack of proper notice of an Association meeting shall be the equivalent of proper notice. Any Member may waive, in writing, lack of proper notice of any Association meeting, either before or after such meeting. A Member's attendance at a meeting shall be deemed a waiver by such Member of lack of proper notice of the meeting, unless the 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 a waiver of lack of proper notice of all business transacted at the meeting, unless an objection on the basis of lack of proper notice is raised before the business is put to a vote.

2.8. Adjournment of Meetings.

If the Association cannot hold a meeting because a quorum is not present, or if the Members otherwise elect (with the approval of the Declarant during the Development and Sales Period), a majority of the Members who are present may adjourn the meeting to a time at least 5 but not more than 30 days from the date called for the original meeting. 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. At the reconvened meeting, if a quorum is present, any business may be transacted which might have been transacted at the meeting originally called. If those in attendance at the original meeting do not fix a time and place for reconvening the meeting, or if for any reason a new date is fixed for reconvening the meeting after adjournment, the Association shall give the Members notice of the time and place for reconvening the meeting in the manner prescribed for regular meetings.

2.9. Voting.

Members shall have such voting rights as are set forth in the Declaration, which provisions are incorporated herein 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.

2.10 List for Voting.

After setting 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.

2.11. Proxies.

On any matter as to which a Member is entitled personally to cast the vote for his or her Lot, such vote may be cast in person or by proxy, subject to applicable law. A Voting Delegate entitled to cast the votes for all Lots within such delegates' Service Area may not assign the right to cast such votes by proxy, but may cast such votes only in person or through such Voting Delegate's designated alternate.

Every proxy shall be in writing specifying the Lot(s) for which it is given, signed by the Member or his or her duly authorized attorney-in-fact, dated, and filed with the Association's Secretary or person presiding over the meeting prior to or during the roll call for the meeting for which it is to be effective. In accordance with Section 55A-7-24 of the North Carolina Nonprofit Corporation Act, a Member may deliver one or more proxies by an electronic mail message or other form of electronic, wire, or wireless communication that provides a written statement appearing to have been sent by the Member. 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, the later, if the timing of the execution thereof can be determined, shall prevail, otherwise both shall be deemed invalid.

Every proxy shall be revocable and shall automatically cease upon: (a) conveyance of any Lot(s) for which it was given; (b) the receipt of written notice of revocation of the proxy or of the death or

judicially declared incompetence of a Member who is an individual by the Secretary or the person presiding over a meeting of the Association; (c) 90 days from the meeting date for which the proxy was originally given, unless the proxy specifies a shorter period; or (d) 11 months after the date of the proxy, unless the proxy specifies a shorter period.

2.12. Majority.

As used in these By-Laws, the term "majority" shall mean those votes, Owners, or other group as the context may indicate, totaling more than 50% of the total eligible number.

2.13. Quorum.

Except as these By-Laws or the Declaration otherwise provide, Members or their proxies entitled to cast 10% of the total Class "A" votes in the Association and the Class "B" Member, if such Member exists, shall constitute a quorum at all Association meetings. If no quorum is present at a meeting, the meeting may be adjourned and reconvened on a later date by the affirmative vote of a majority of those Members present in person or by proxy. At such reconvened meeting, the quorum requirement shall be 5% of the total Class "A" votes in the Association and the Class "B" Member, if such Member exists. The quorum shall continue to be reduced by 50% from that required at the previous meeting as previously reduced, until such time as a quorum is present and business can be conducted.

2.14. Conduct of Meetings.

The President shall preside over all Association meetings at which he or she is present, and the Secretary shall keep (or cause to be kept) the minutes of the meetings and record in a minute book all resolutions adopted and all other transactions occurring at such meetings.

2.15. Action Without a Meeting.

Without holding a meeting pursuant to Sections 2.4 or 2.5, Members may take any action that applicable law requires or permits the Members to take at a meeting (subject to any limitations in the Governing Documents), if the action is approved by Members representing at least the minimum number of votes in the Association necessary to authorize such action at a meeting, assuming the number of votes cast equals or exceeds the quorum required to be present at a meeting authorizing the action. Such approval shall be evidenced by one or more written consents specifically authorizing the proposed action, dated and signed by Members holding the requisite votes. The Association need not give prior notice before soliciting such consent; provided, however, that the Association must send written consent forms to all Members for action authorized pursuant to this section to be valid. Members shall sign, date, and deliver such consents to the Association within 60 days after the Association's receipt of the earliest dated consent. The Association's Secretary shall file (or cause to be filed) such consents with the Association's minutes and the consents shall have the same force and effect as a vote of the Members at a meeting. Within 10 days after receiving authorization for any action by written consent, the Secretary shall give (or cause to be given) written notice to all Members entitled to vote, fairly summarizing the material features of the authorized action.

2.16. Order of Business.

The order of business at all annual meetings of the Members shall be as follows: (a) roll call to determine whether a quorum is represented; (b) proof of notice of the meeting or waiver of notice; (c) reading of (or waiver of reading) minutes of the preceding annual meeting; (d) reports of officers, if any;

(e) reports of committees, if any; (f) election of inspector(s) of election if an election is to be held; (g) election of Class "A" Directors if applicable; (h) unfinished business, if any; and (i) new business.

**Article III.
Board of Directors: Selection, Meetings, Powers**

A. Composition and Selection.

3.1. Governing Body: Composition.

The Board shall govern the Association's affairs. Each director shall have one vote. Directors must be Members or residents of the Community, except in the case of directors that the Class "B" Member appoints. A director must be at least 18 years old. No more than one representative of any Member which is a legal entity, nor more than one occupant of any Lot, shall serve on the Board at a time, except in the case of directors that the Class "B" Member appoints.

3.2. Number of Directors.

The initial Board shall consist of the three directors identified in the Articles of Incorporation. Upon termination of the Class "B" Control Period, the number of directors shall be increased to five. The Board may, by resolution, increase or decrease the number of directors.

3.3. Nomination and Election Procedures.

(a) **Nominations and Declarations of Candidacy.** Prior to each election of directors, the Board shall prescribe the opening date and the closing date of a reasonable filing period in which every eligible person who has an interest in serving as a director may file as a candidate for any position to be filled by Class "A" votes. Nominations for election to the Board also may be made by a nominating committee. The nominating committee, if any, shall consist of a Chairman, who shall be a Member, and two or more Members or representatives of Members, all appointed by a majority of the Board. The nominating committee, if any, may make as many nominations for election to the Board as it shall in its discretion determine. If Voting Groups have been formed, nominations shall be to separate slates for the directors, if any, to be elected at large by all Members, and for the director(s) to be elected by the votes within each Voting Group. The Board shall also permit nominations from the floor at any election meeting.

The Board shall give each candidate a reasonable, equal opportunity to communicate his or her qualifications to the Members and to solicit votes.

(b) **Election Procedures.** A Member may cast the vote(s) assigned to the Lot(s) which he or she owns for each position to be filled at an election. If Voting Delegates have been elected, each Voting Delegate may cast all votes assigned to the Lots which such Voting Delegate represents for each position to be filled from the slate of candidates on which such Voting Delegate is entitled to vote. Cumulative voting is not allowed. That number of candidates equal to the number of positions to be filled who receive the greatest number of votes shall be elected.

3.4. Election and Term of Office.

(a) The Class "B" Member shall have complete discretion in appointing, removing, and replacing directors during the Class "B" Control Period.

(b) Upon termination of the Class "B" Control Period, the President shall call for an election at which the Class "A" Members shall be entitled to elect four of the five directors. The remaining director shall be appointed by the Class "B" Member. The two directors receiving the largest number of Class "A" votes shall be elected for a term of two years and the remaining two directors shall be elected for a term of one year. If Voting Groups have been established, one director shall be elected by the Members representing each Voting Group and any remaining directorships filled at large by the vote of all Members.

(c) Until termination of the Development and Sale Period, the Declarant shall be entitled to appoint one director. Upon termination of the Development and Sale Period, the director elected by the Declarant shall resign and the remaining directors shall be entitled to appoint a director to serve until the next annual meeting, at which the Class "A" Members shall be entitled to elect a director to fill such position. Such director shall be elected for a term of two years.

Notwithstanding the stated length of any term, directors shall hold office until their respective successors have been elected. Directors elected by the Class "A" Members are hereafter referred to as the "Class "A" Directors."

Upon expiration of the term of each Class "A" Director elected pursuant to this subsection and thereafter, a successor shall be elected for a term of two years.

3.5. Removal of Directors and Vacancies.

Any Class "A" Director may be removed, with or without cause, by the vote of Class "A" Members holding a majority of the votes entitled to be cast for the election of such Class "A" Director. Any Class "A" Director whose removal is sought shall be given notice prior to any meeting called for that purpose. Upon removal of a Class "A" Director, a successor shall be elected by the Class "A" Members entitled to elect the Class "A" Director so removed to fill the vacancy for the remainder of such Class "A" Director's term. Class "A" Directors may not be removed by the Class "B" Member.

Any Class "A" Director who has three consecutive unexcused absences from Board meetings, or who is more than 60 days delinquent (or occupies or represents a Lot for which assessments are so delinquent) in the payment of any assessment or other charge due the Association may be removed by a majority vote of the Board, excluding the Class "A" Director at issue. If the Class "A" Director is removed, the Board may appoint a successor to fill the vacancy 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 entitled to fill such directorship may elect a successor for the remainder of the term. If they fail to do so, the Board may appoint another director to fill the vacancy until filled by election. Any director that the Board appoints shall be selected from among Members and residents within the Voting Group represented by the director who vacated the position.

This Section shall not apply to directors the Class "B" Member appoints nor to any director serving as Declarant's representative. Such directors may be removed and replaced only by the Class "B" Member or Declarant. The Class "B" Member or 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 Declarant.

B. Meetings.

3.6. Organizational Meetings.

Within 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.

3.7. Regular Meetings.

The Board may hold regular meetings at such time and place as the Board shall determine, but the Board shall hold at least one such meeting during each fiscal year.

3.8. Special Meetings.

The Board shall hold special Board meetings when called by written notice signed by the President, Vice President, or any two directors.

3.9. Notice; Waiver of Notice.

(a) Notices of Board meetings 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. The Board shall give notice to each director by: (i) personal delivery; (ii) first class mail, postage prepaid; (iii) telephone (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); or (iv) facsimile, electronic mail, or other electronic communication device, with confirmation of transmission. All such notices shall be given at the director's telephone number, fax number, electronic mail address, or sent to the director's address, each as shown on the Association's records. Notices sent by first class mail shall be deposited into a United States mailbox at least 7 business days before the time set for the meeting, except in the event of an emergency. Notices given by personal delivery, telephone, or other device shall be delivered or transmitted at least 72 hours before the time set for the meeting.

(b) Except for emergency meetings, notice of a Board meeting shall be posted in a conspicuous place within the Community at least 48 hours in advance of the meeting or provided in any other manner reasonably anticipated to provide notice to all Members, including, without limitation, publication in an Association newsletter with Community-wide circulation, posting on a Community cable television channel, or posting on a Community Internet or intranet page. In lieu of notice of each regular Board meeting, the Board may post or publish a schedule of upcoming Board meetings.

(c) Transactions of any Board meeting, 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 (i) a quorum is present, and (ii) either before or after the meeting each director 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 meeting's purpose. Notice of a meeting shall also be deemed given to any director who attends the meeting without protesting before or at its commencement about the lack of adequate notice.

3.10. Telephonic Participation in Meetings.

Members of the Board or any committee designated by the Board may participate in a Board or committee meeting by means of telephone or other electronic means, through which all persons participating in the meeting can converse with each other at the same time. Participation in this manner

shall constitute presence at the meeting for all purposes. Participants attending by electronic means may vote by electronic transmission.

3.11. Quorum of Board.

At all Board meetings, 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 Board's decision, unless these By-Laws or the Declaration specifically provide otherwise. A meeting at which a quorum is initially present may continue, notwithstanding the withdrawal of directors, if at least a majority of the required quorum for that meeting approves any action taken. If the Board cannot hold a meeting 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.

3.12. Conduct of Meetings.

The President shall preside over all Board meetings at which he or she is present, and the Secretary shall keep (or cause to be kept) a minute book of Board meetings, recording all Board resolutions and all transactions and proceedings occurring at such meetings.

3.13. Open Meetings: Executive Session.

Subject to the provisions of Section 3.14, all Board meetings shall be open to all Members. However, attendees other than directors may not participate in any discussion or deliberation unless a director requests that they be granted permission to speak, and the Board concurs. In such case, the President (or other officer conducting the meeting) may limit the time any such individual may speak.

Notwithstanding the above, the President may call a special Board meeting, or adjourn any Board meeting and reconvene in executive session, and may exclude persons other than directors, to discuss with the Association's attorney matters relating to pending or threatened litigation which are protected by the attorney-client privileges, or to discuss among the Board any other matter of a sensitive nature, if applicable law permits. In such cases, no recording will be permitted.

3.14. Action Without a Formal Meeting.

Any action to be taken or which may be taken at a Board meeting may be taken without a meeting if all directors sign a consent in writing, setting forth the action so taken. Such consent shall have the same force and effect as a unanimous vote.

C. Powers and Duties.

3.15. Powers.

The Board shall have all of the powers and duties necessary for administering the Association's affairs and for performing all of the Association's responsibilities and exercising all of the Association's rights as set forth in the Governing Documents, and as provided by law. The Board may do or cause to be done on the Association's behalf all acts and things except those which the Governing Documents or applicable law require to be done and exercised exclusively by the membership generally.

3.16. Duties.

The Board's duties shall include, without limitation:

- (a) those obligations set forth in the Declaration and elsewhere in these By-Laws;
- (b) depositing all funds received on the Association's behalf in a bank depository which it shall approve, and using such funds to operate the Association; provided, however, that any reserve funds may be deposited, in the Board's business judgment, in depositories other than banks;
- (c) 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 if, in the exercise of its business judgment, it deems it prudent to do so;
- (d) keeping books with detailed accounts of the Association's receipts and expenditures; and
- (e) maintaining, and retaining for the time periods required, the "official records" of the Association, as provided in Chapters 47F and 55A, North Carolina General Statutes, or such other applicable law.

3.17. Compensation.

The Association shall not compensate a director for acting as such. The Association may reimburse any director for expenses incurred on the Association's behalf if approved by a majority of the other directors. In addition, nothing herein shall prohibit the Association from compensating a director for services or supplies he or she furnishes to the Association in a capacity other than as a director pursuant to a contract or agreement with the Association. The foregoing also applies to any entity with which a director is affiliated.

3.18. Right of Class "B" Member to Disapprove Actions.

During the period of Class "B" membership, the Class "B" Member shall have a right, to the extent not prohibited by law, to veto any action, policy, or program of the Association, the Board, and/or any committee which, in the Class "B" Member's discretion, would tend to impair rights or interests of Declarant, or any Affiliate of Declarant's, interfere with development or construction of any portion of the Community, or diminish the level of services the Association provides.

(a) Notice. The Association, the Board, and each committee shall give the Class "B" Member written notice of their meetings and proposed actions to be approved at their meetings (or by written consent in lieu of a meeting). The notice shall comply with the requirement for notice to directors under Section 3.9 and 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.

(b) Opportunity to be Heard. The Association, the Board, and each committee shall give the Class "B" Member the opportunity at any meeting to join in, or to have its representatives or agents join in, discussion from the floor concerning any prospective action, policy, or program which would be subject to the veto right described in this Section.

(c) Exercise of Rights. The Class "B" Member may exercise its veto right at any time within 30 days following the meeting at which such action was proposed or, if the action is approved without a meeting, at any time within 30 days following receipt of written notice of the proposed action. 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. This veto right may be used to block proposed actions but shall not include a right to require any action or counteraction by the Association, the Board, or any committee. The Class "B" Member shall not use its veto right to prevent expenditures required to comply with applicable laws.

(d) Condition of Implementation. No action, policy, or program subject to the Class "B" Member's veto right shall become effective or be implemented until and unless the requirements of subsections (a) and (b) above have been met, and then subject to the Class "B" Member's rights under subsection (c).

3.19. Management.

The Board may employ a professional managing agent or agents, at such compensation as the Board may establish, to perform such duties and services as the Board shall authorize and as are otherwise within the scope of the Board's authority. The Board may delegate such powers as are necessary to perform the manager's duties, but shall not delegate policy-making authority or the obligation to adopt a budget. The Board may contract with or employ Declarant or any of its Affiliates as managing agent or manager.

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

The Class "A" Members shall have no right to terminate a management contract during the Class "B" Control Period. Unless the Board otherwise grants such right, or unless the management contract otherwise provides, the Board may act in its discretion with respect to executing and terminating management contracts during the Class "B" Control Period. Any management contract may, among other things, authorize the managing agent to act as the Association's agent with respect to the expenditure of Association funds within the scope of the approved Association budget; however, the managing agent shall not be permitted to spend money in excess of the budget or reallocate greater than 10% of any budget line item without the Board's prior written approval.

3.20. Accounts and Reports.

The following management standards of performance shall be followed unless the Board specifically determines otherwise:

(a) Commencing at the end of the quarter in which the first Lot is sold and closed, the Board may prepare financial reports for the Association at least quarterly containing:

- (i) an income statement reflecting all income and expense activity for the preceding period on a cash or accrual basis;
- (ii) a statement reflecting all cash receipts and disbursements for the preceding period;
- (iii) a variance report reflecting the status of all accounts in an "actual" versus "approved" budget format;
- (iv) a balance sheet as of the last day of the preceding period; and

(v) a delinquency report listing all Owners who are delinquent in paying any assessments at the time of the report and describing the status of any action to collect such assessments which remain delinquent (any assessment or installment thereof shall be considered to be delinquent on the 15th day following the due date unless otherwise specified by Board resolution); and

(b) An annual financial report consisting of at least the following shall be prepared within 60 days (or such longer period as is permitted by law) after the close of the fiscal year: (i) a balance sheet showing actual receipts and expenditures; (ii) an operating (income) statement; and (iii) a statement of changes in financial position for the fiscal year. Such annual report shall be prepared on an audited, reviewed, or compiled basis, as the Board determines, by an independent public accountant.

The Association shall provide each Owner or its authorized agent a copy of the annual financial report within 5 business days following receipt of a written request for same. In addition, if applicable law requires, the Association shall send a copy of the annual financial report to each Member by mail or personal delivery following the close of the fiscal year.

3.21. 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 other owners or residents associations.

3.22. Fines and Sanctions.

The Association may impose fines, in such amounts as permitted by law, for any violation of the Governing Documents except with regard to assessments. To the extent the Declaration or applicable law specifically requires, the Board shall comply with the following procedures prior to imposition of sanctions:

(a) Notice. The Board or its delegate shall serve the alleged violator with written notice describing (i) the nature of the alleged violation; (ii) the proposed sanction to be imposed; (iii) a period of not less than 14 days within which the alleged violator may present a written request for a hearing; and (iv) a statement that the proposed sanction shall be imposed as contained in the notice unless the alleged violator challenges the violation within 14 days of the notice. If a timely request for a hearing is not made, or if otherwise permitted by the Governing Documents and applicable law, the sanction stated in the notice shall be imposed. The Board or Covenants Committee may suspend any proposed sanction if the violation is cured, or if a diligent effort is being made to cure, within the 14-day period. Such suspension shall not constitute a waiver of the right to sanction future violations of the same or other provisions and/or rules by any Person. If a violator repeats the violation, or engages in a similar violation, for which notice was given within 12 months after the date of the first notice, the Board shall have the discretion to impose the proposed sanctions if the alleged violations were one continuous violation without the need to serve the alleged violator with additional notice. The Board may adopt a schedule of sanctions for violations of the Governing Documents; provided, however, that the Board shall not impose a fine that exceeds the limits prescribed by § 47F-3-107.1 of the Act.

(b) Hearing. If the alleged violator requests a hearing within the allotted 14-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. Proof of proper notice shall be placed in the minutes of the meeting. A copy of the notice, together with a

statement of the date and manner of delivery signed by the officer, director, or agent who delivered such notice shall be considered adequate proof of notice. The notice requirement shall be deemed satisfied if the alleged violator or its representative appears at the meeting. A written statement of the results of the hearing and the sanction, if any, imposed shall be filed with the minutes of the Covenants Committee's meetings.

(c) Additional Enforcement Rights. Notwithstanding anything to the contrary in this Article, subject to any limitations set forth in the Declaration, the Board may elect to enforce any provision of the Governing Documents by self-help (specifically including, but not limited to, towing vehicles that violate parking rules) or, following compliance with the Declaration's dispute resolution procedures, if applicable, by suit at law or in equity to enjoin any violation or to recover monetary damages or both. In any such action, to the maximum extent permissible, the Owner or occupant responsible for the violation of which abatement is sought shall pay all costs, including, without limitation, reasonable Legal Costs actually incurred.

3.23. Board Training Seminar.

The Board may provide, or provide for, as a Common Expense, seminars and continuing educational opportunities designed to educate and inform directors of their responsibilities as directors. Such programs may include instruction on applicable corporate and fiduciary law principles, other issues relating to administering the Community's affairs, and upholding and enforcing the Governing Documents. The Board may retain industry professionals, including property managers, attorneys, and accountants, as appropriate or necessary for such purpose. Each newly elected director and each re-elected director may be required to complete a training seminar within the first six months of assuming the director position.

3.24. Board Standards.

In performing their duties directors and officers shall act in accordance with § 55A-8-30 of the North Carolina Nonprofit Corporation Act (the "business judgment rule") and are entitled to insulation from liability as provided for directors and officers of corporations by applicable law and as otherwise provided by the Governing Documents.

A director or officer acting in accordance with the business judgment rule shall not be personally liable to the Association or its Members for errors in judgment made in the director's or officer's capacity as such. Unless the Governing Documents require that specific action be taken, the failure to take such specific action shall not, without further showing that the Board acted in violation of the business judgment rule, be deemed a violation of a Board duty.

Board determinations of the meaning, scope, and application of Governing Document provisions shall be upheld and enforced so long as such determinations are reasonable. The Board shall exercise its power in a fair, nondiscriminatory manner and shall adhere to the procedures established in the Governing Documents.

3.25. Conflicts of Interest; Code of Ethics.

Unless otherwise approved by a majority of the other directors, no Class "A" Director may transact business with the Association or a contractor engaged by the Association during his or her term as director. A Class "A" Director shall promptly disclose in writing to the Board any actual or potential conflict of interest affecting the director relative to his or her performance as a director. A Class "A"

Director's failure to make such disclosure shall be grounds for removal by a majority vote of the other Board members. The Board may void any contract which creates a prohibited conflict of interest.

Notwithstanding the above, the directors appointed by the Class "B" Member may be employed by or otherwise transact business with Declarant or any of its Affiliates, and Declarant and its Affiliates may transact business with the Association or its contractors.

Article IV.
Officers

4.1. Officers.

The Association's officers shall include a President, Vice President, Secretary, and Treasurer. The officers may, but need not, be Board members, Owners, or residents of the Community; provided, however, that so long as there is a Class "B" membership, the appointment of officers who are not residents of the Community shall require the prior written consent of the Class "B" Member. The Board may appoint such other officers, including, without limitation, one or more Vice Presidents, Assistant Secretaries or 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 Association's officers at the first Board meeting following each Association annual meeting. Officers shall serve until their successors are elected.

4.3. Removal and Vacancies.

Any officer may be removed with or without cause by a vote of at least a majority of the directors. The Board shall appoint a replacement to fill any vacancy in any office for the unexpired portion of the term.

4.4. Powers and Duties.

The Association's officers each shall have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as the Board may specifically confer or impose. The President shall be the Association's chief executive officer. The Treasurer shall supervise the preparation of the Association's budget, but may delegate all or part of the preparation and notification duties to a finance committee, managing agent, or both. The Secretary shall prepare or supervise the preparation of meeting minutes as required by applicable law.

4.5. Resignation.

Any officer may resign at any time by giving written notice to the Board, the President, or the Secretary. 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, 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 Association instruments shall be executed by an officer, unless the Board provides otherwise, or by such other person or persons as the Board may designate by resolution.

4.7. Compensation.

Compensation of officers shall be subject to the same limitations as compensation of directors under Section 3.17.

4.8. President.

The President shall be the chief executive officer of the Association. He or she shall preside at all meetings of the Association and of the Board at which he or she is present. He or she shall have all of the general powers and duties which are usually vested in the office of the President of a corporation, including, but not limited to, the power, subject to the provisions of Article V, to appoint committees from among the Members from time to time as he or she may in his or her discretion decide is appropriate to assist in the conduct of the affairs of the Association. The President shall, subject to the control of the Board, have general supervision, direction, and control of the business of the Association. The President shall be ex-officio a member of all standing committees, and shall have such other powers and duties as may be prescribed by the Board or these By-Laws.

4.9. Vice President.

The Vice President shall take the place of the President and perform his or her duties whenever the President is absent, disabled, or refuses or is unable to act. If neither the President nor the Vice President is able to act, the Board shall appoint some other member of the Board to do so on an interim basis. The Vice President shall also perform such other duties as shall from time to time be conferred upon him or her by the Board or these By-Laws.

4.10. Secretary.

The Secretary shall keep (or cause to be kept) the minutes of all meetings of the Board and the minutes of all meetings of the Association at the Association's principal office or at such other places as the Board may order. The Secretary shall keep (or cause to be kept) the seal of the Association in safe custody and shall have charge of such books and papers as the Board may direct. The Secretary shall, in general, perform (or cause to be performed) all of the duties incident to the office of Secretary. The Secretary shall give, or cause to be given, notice of meetings of the Members of the Association and of the Board required by these By-Laws or by law to be given. The Secretary shall maintain (or cause to be maintained) a book of record Owners, listing the names and addresses of the Owners furnished by the Association, and such books shall be changed only at such time as satisfactory evidence of a change in ownership of a Lot is presented to the Secretary. The Secretary shall perform such other duties as may be prescribed by the Board or these By-Laws. The Secretary may delegate all or a part of such duties to the managing agent.

4.11. Treasurer.

The Treasurer shall have responsibility for Association funds and securities and shall be responsible for keeping, or causing to be kept, full and accurate accounts, tax records, and business transactions of the Association, including accounts of all assets, liabilities, receipts, and disbursements in

books belonging to the Association. The Treasurer shall be responsible for the deposit of all monies and other valuable effects in the name and to the credit of the Association in such depositories as may from time to time be designated by the Board, in accordance with the Declaration and these By-Laws, shall render to the President and the directors, upon request, an account of all of his or her transactions as Treasurer and of the financial conditions of the Association, and shall have such other powers and perform such other duties as may be prescribed by the Board or these By-Laws. The Treasurer may delegate a part of such duties to the managing agent.

**Article V.
Committees**

5.1. General.

The Board may create such committees and appoint its members, as it deems appropriate to perform such tasks and to serve for such periods as the Board may designate by resolution.

Committees shall exercise only such authority as granted by Board resolution; provided, however, that the Board may elect not to follow a committee's advice on any matter. Committees may not act without specific Board authority and may not bind the Association contractually or financially.

5.2. Covenants Committee.

The Board shall, from time to time, appoint a Covenants Committee consisting of three persons to serve as a hearing tribunal pursuant to Section 3.22. The Covenants Committee shall be comprised of Members of the Association who are not directors, officers, or employees of the Association or the spouse, parent, child, brother, or sister of a director, officer, or employee.

5.3. Service Area Committees.

In addition to any other committees appointed as provided above, each Service Area which has no formal organizational structure or Service Area Association may elect a Service Area Committee to determine the nature and extent of services, if any, to be provided to the Service Area by the Association in addition to those provided to all Members of the Association in accordance with the Declaration. A Service Area Committee may advise the Board on any issue but shall not have the authority to bind the Board. Such Service Area Committee, if elected, shall consist of three Members; provided, however, that if approved by the vote of at least a majority of the Owners of Lots within the Service Area, the number may be increased to five.

Service Area Committee members shall be elected for a term of one year or until their successors are elected. Any director elected to the Board from a Service Area shall be an *ex officio* member of the Service Area Committee. The members of the Service Area Committee shall elect a chairperson from among themselves, 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 Service Area Committee shall conduct itself in accordance with the notice, participation, and quorum requirements applicable to the Board under Sections 3.9, 3.10, and 3.11. Meetings of a Service Area Committee shall be open to all Owners of Lots in the Service Area and their representatives. Members of a Service Area Committee may act by unanimous written consent in lieu of a meeting.

5.4. Other Committees.

In addition to the above, the Board may create additional committees, as it deems necessary and useful. The following are examples of types of committees, along with their purpose, which the Board may create:

- (a) Finance Committee - to assist the Board, the Treasurer, and the Association's managing agent, if any, in preparing the Association's budget.
- (b) Physical Maintenance Committee - to assist the Board with maintenance of the Common Maintenance Areas.
- (c) Dispute Resolution Committee - to assist in the mediation of disputes concerning the interpretation of Use Restrictions, rules, and other Governing Document provisions and advise the Board on initiating litigation involving the Association (as provided in the Declaration); provided, however, that the Dispute Resolution Committee shall not preside over matters relating to the collection of assessments or other fees and charges. Each member of the Dispute Resolution Committee shall attend a Board-approved course on dispute resolution, if the Board so requires.

The Board may establish by resolution the specific scope and limitations on the authority of the above committees.

**Article VI.
Miscellaneous**

6.1. Fiscal Year.

The Association's fiscal year shall be the calendar year unless otherwise established by Board resolution.

6.2. Parliamentary Rules.

Except as may be modified by Board resolution, *Robert's Rules of Order* (the edition published on the date closest to the meeting) shall govern the conduct of Association proceedings when not in conflict with applicable law or the Governing Documents.

6.3. Conflicts.

Conflicts between or among the Governing Documents and applicable law shall be resolved as directed in the Declaration.

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 Lot, any Member, or the duly appointed representative of any of the foregoing at reasonable times: the Governing Documents, the membership register, books of account, and the minutes of meetings of the Members, the Board, and committees. The Board shall provide for such inspection to take place at the Association's office or at such other place within the Community as the Board shall designate.

(b) Rules for Inspection. The Board may establish reasonable 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; (iii) payment of the cost of reproducing documents requested; and (iv) such other matters as the Board deems appropriate. Records shall be made available within 5 business days of the receipt of a written request by an Owner or his or her authorized agent, or as otherwise required by law.

(c) Inspection by Directors. Every director shall have the absolute right at any reasonable time to inspect all Association books, records, and documents and the physical properties the Association owns or controls. The director's right of inspection includes the right to make a copy of relevant documents at the Association's expense. The Board shall provide for such inspection to take place at the Association's office, the managing agent's office, or at a place within the Community as the Board shall designate.

6.5. Notices.

(a) Form of Notice and Method of Delivery. Except as otherwise provided in the Declaration or these By-Laws or by applicable law, all notices, demands, bills, statements, or other communications under the Declaration or these By-Laws shall be in writing and may be delivered in person, by United States mail, by private carrier, by facsimile, electronic mail or other electronic communication device with written confirmation of transmission.

(b) Delivery Address. Notices shall be delivered or sent to the intended recipient as follows:

(i) if to a Member, at the address, facsimile number, or e-mail 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 Lot of such Member;

(ii) if to the Association, the Board, or a committee of either, at the address, facsimile number, or e-mail address of the principal office of the Association or its managing agent, or at such other address as the Association shall designate by notice in writing to the Members pursuant to this Section; or

(iii) if to the Declarant, at the principal address of the Declarant as it appears on the Secretary of State's records, or at such other address as the Declarant shall designate by notice in writing to the Association pursuant to this Section.

(c) Effective Date. Notice sent in accordance with subsections (a) and (b) shall be deemed to have been duly given and effective:

(i) if sent by United States mail, when deposited with the U. S. Postal Service, correctly addressed, with first class or higher priority postage prepaid;

(ii) if delivered personally or by private carrier, when actually delivered to the address of the intended recipient, as evidenced by the signature of the person at such address who accepts such delivery; however, if such delivery is refused or if the intended recipient has contracted with the private carrier to leave any deliveries without obtaining a signature evidencing receipt, the notice shall be deemed duly given and effective if the attempt to deliver was timely made;

(iii) if sent by facsimile or electronic mail, upon transmission, as evidenced by a printed confirmation of transmission.

6.6. Amendment.

(a) By Class "B" Member. During the Class "B" Control Period, the Class "B" Member may amend these By-Laws unilaterally.

(b) By the Membership. Except as provided above, these By-Laws may be amended only by the affirmative vote or written consent of Members representing at least 67% of the total Class "A" votes in the Association, and the consent of the Declarant during the Development and Sale Period. 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 of Amendments. Amendments to these By-Laws shall become effective upon recordation unless a later effective date is specified therein. In no event shall a change of conditions or circumstances operate to amend any provisions of these By-Laws.

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

Official

**ARTICLES OF INCORPORATION
OF
BEAR LAKE RESERVE OWNERS ASSOCIATION, INC.**

The undersigned, by these Articles, associate themselves for the purpose of forming a nonprofit corporation under and in accordance with the provisions of Chapter 55A, North Carolina General Statutes, and certify as follows:

Article 1. Name. The name of the nonprofit corporation is Bear Lake Reserve Owners Association, Inc. For convenience, the corporation shall be referred to in this instrument as the “**Association.**”

Article 2. Address. The address of the initial principal office of the Association and the initial mailing address of the Association is 124 Highway 107 South, Cashiers, Jackson County, North Carolina, 28717.

Article 3. Definitions. All capitalized terms used in these Articles of Incorporation which are not defined herein shall have the meaning set forth in the Declaration of Covenants, Conditions, and Restrictions for Bear Lake Reserve, recorded or to be recorded by Centex Homes, a Nevada general partnership (“**Declarant**”), in the public records of Jackson County, North Carolina, as such Declaration may be amended and/or amended and restated from time to time (the “**Declaration**”).

Article 4. Purposes. The Association does not contemplate pecuniary gain or benefit, direct or indirect, to its members. By way of explanation and not of limitation, the purposes for which the Association is organized are:

(a) to be and constitute the Association to which reference is made in the Declaration, to perform all obligations and duties of the Association, and to exercise all rights and powers of the Association, as set forth in the Governing Documents and as provided by law; and

(b) to provide an entity for the furtherance of the interests of the owners of real property now and hereafter made subject to the Declaration (such real property is referred to in these Articles as the “**Community**”).

Article 5. Powers. In furtherance of its purposes, the Association shall have the following powers, which, unless indicated otherwise by the Declaration or By-Laws of the Association, shall, if exercised at all, be exercised by the Board of Directors:

(a) all of the powers conferred upon nonprofit corporations by common law and North Carolina General Statutes in effect from time to time; and

(b) all of the powers necessary or desirable to perform the obligations and to exercise the rights and powers set out in these Articles, the By-Laws, and the Declaration, including, without limitation, the following:

(i) to establish, levy, collect, and enforce payment of all charges or assessments authorized by the Declaration by any lawful means; to pay all expenses in connection therewith and all administrative and other expenses incident to the conduct of the business of the Association including, without limitation, all licenses, taxes, or governmental charges levied or imposed against the property of the Association;

(ii) to manage, control, operate, alter, maintain, repair, improve, and replace the common areas and facilities, and any property acquired by the Association, or any property owned by another for which the Association, by rule, regulation, declaration, or agreement, has a right or duty to provide such services;

(iii) to make rules and regulations and to enforce covenants, conditions, or restrictions affecting any property within the Community to the extent the Association may be authorized to do so under the Declaration or By-Laws;

(iv) to engage in activities which will actively foster, promote, and advance the common interests of all owners of property within the Community subject to the Declaration;

(v) to buy, or otherwise acquire, sell, dedicate for public use, or otherwise dispose of, mortgage, or otherwise encumber, exchange, lease, own, hold, use, operate, grant easements and otherwise deal in and with, real and personal property of all kinds and any right or interest therein for any purpose of the Association;

(vi) to borrow money for any purpose subject to such limitations as may be contained in the Declaration and/or By-Laws;

(vii) to enter into, make, perform, and enforce agreements of every kind and description, and to do all other acts necessary, appropriate, or advisable in carrying out any purpose of the Association, with or in association with any other corporation, or other entity or agency, public or private;

(viii) to act as agent, trustee, or other representative of other corporations, firms, or individuals, and as such to advance the business or ownership interests in such corporations, firms, or individuals; and

(ix) to provide any and all supplemental municipal services to the Community as may be necessary or desirable.

The foregoing enumeration of powers shall not limit or restrict in any manner the exercise of other and further rights and powers which may now or hereafter be allowed or permitted by law; and the powers specified in each of the paragraphs of this Article 5 are independent powers, not to be restricted by reference to or inference from the terms of any other paragraph or provision of this Article 5.

Article 6. Members. The Association shall be a membership corporation without certificates or shares of stock. There initially shall be three classes of membership, as more fully set forth in the Declaration, provided that the Declarant may establish additional classes of membership as set forth in the Declaration. The Owner of each Lot shall be a member of the Association and shall be entitled to vote as provided in the Declaration and the By-Laws. In addition, Declarant shall be a Member for such period as provided in the Declaration, regardless of whether Declarant owns any Lot. Membership in the Association is appurtenant to, and may not be severed from the Lot. The rights and obligations of a Member may not be assigned or delegated except as provided in the Declaration, these Articles of Incorporation, or the By-Laws of the Association, and shall automatically pass to the successor-in-interest of any Owner upon conveyance of such Owner's interest in the Lot.

Change of an Owner's membership in the Association shall be established by recording in the Public Records of the County, a deed or other instrument establishing record title to a Lot. Upon such recordation, the Owner designated by such instrument shall become a member of the Association and the membership of the prior Owner shall terminate.

Article 7. Existence and Duration. Existence of the Association shall commence with the filing of these Articles of Incorporation with the Secretary of State of the State of North Carolina. The Association shall exist in perpetuity.

Article 8. Board of Directors. The Association's business and affairs shall be conducted, managed, and controlled by a Board of Directors ("**Board**"). The Board may delegate its operating authority to such companies, individuals, or committees as it, in its discretion, may determine.

The Board shall initially consist of three members, as provided in the By-Laws. The names and addresses of the initial directors, who shall hold office until their successors are elected and have qualified, or until removed, are as follows:

<u>Name</u>	<u>Address</u>
Chuck Hall	124 Highway 107 South, Cashiers, North Carolina 28717
Lane Wright	445 Douglas Avenue, Suite 1805, Altamonte Springs, Florida 32714
Perry Hariri	445 Douglas Avenue, Suite 1805, Altamonte Springs, Florida 32714

The method of election and removal of directors, filling of vacancies, and the term of office of directors shall be as set forth in the By-Laws.

Article 9. By-Laws. The initial By-Laws shall be adopted by the Board and thereafter may be altered, amended, rescinded or repealed in the manner provided in the By-Laws.

Article 10. Liability of Directors. To the fullest extent that Chapter 55A, North Carolina General Statutes, or other applicable law, exists on the date hereof or as they may hereafter be amended, permits the limitation or elimination of the liability of directors or officers, no director or officer of the Association shall be personally liable to the Association or its members for monetary damages for breach of duty of care or other duty as a director or officer. No amendment to or repeal of this Article shall apply to or have any effect on the liability or alleged liability of any director or officer of the Association for or with respect to any acts or omissions of such director or officer occurring prior to such amendment or repeal.

Article 11. Indemnification.

(a) **Indemnity.** The Association shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative, by reason of the fact that he or she is or was a director, employee, officer, or agent of the Association. Such indemnification shall include indemnification against expenses (including, without limitation, reasonable attorneys' fees and appellate attorneys' fees), judgments, fines, and amounts paid in settlement, actually and reasonably incurred by the indemnified person in connection with such action, suit, or proceeding, if such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interest of the Association, and, with respect to any criminal action or proceedings, such person had no reasonable

cause to believe his or her conduct was unlawful. Notwithstanding the foregoing, no indemnification shall be made in respect of any claim, issue, or matter as to which such person shall have been adjudged to be liable for gross negligence or misfeasance or malfeasance in the performance of his or her duty to the Association, unless, and then only to the extent that, the court in which such action or suit was brought shall determine upon application that despite the adjudication of liability, in view of all of the circumstances of the case, such person is fairly and reasonably entitled to indemnification for such expenses as such court shall deem proper. The termination of any action, suit, or proceeding by judgment, order, settlement, conviction, or upon a plea of *nolo contendere* or its equivalent shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interest of the Association, and with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful. Notwithstanding the foregoing, the Association need not indemnify the managing agent of the Community unless such indemnification is required to do so by the agreement between the Association and such managing agent, approved by the Board or required by law.

(b) Approval. Any indemnification under paragraph (a) above (unless ordered by a court) shall be made by the Association only as authorized in the specific case upon a determination that indemnification is proper under the circumstances because the person requesting indemnification has met the applicable standard of conduct set forth in paragraph (a) above. Such determination shall be made (i) by majority vote of the members of the Board who were not parties to such action, suit, or proceeding, if sufficient to constitute a quorum, or (ii) if a quorum of the Board is not obtainable, or, even if obtainable, if a quorum of disinterested directors so directs, in a written opinion rendered by independent legal counsel engaged by the Association, or (iii) by a majority vote of the Class "A" Members and the consent of the Class "B" Member, during the Development and Sale Period.

(c) Advances. Expenses incurred in defending a civil or criminal action, suit, or proceeding may be paid by the Association in advance of the final disposition of such action, suit, or proceeding as authorized by the Board in any specific case upon receipt of a written agreement by or on behalf of the affected director, officer, employee, or agent to repay such amount if it is ultimately determined that he or she is not entitled to be indemnified by the Association as authorized in this Article.

(d) Miscellaneous. The indemnification provided by this Article shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled by law, under the By-Laws, or pursuant to any agreement, vote of Members, or otherwise, and shall continue as to a person who has ceased to be a director, officer, employee, or agent and shall inure to the benefit of the heirs and personal representatives of such person.

(e) Insurance. The Association shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee, or agent of the Association, including, without limitation, as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise, against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Association would have the power to indemnify him or her against such liability under the provisions of this Article.

Article 12. Interested Directors.

(a) No contract or transaction between the Association and one or more of its directors or officers, or between the Association and any other corporation, partnership, or Association, or other organization in which one or more of its directors or officers are directors or officers or have a financial interest, shall be invalid, void, or voidable solely for such reason, or solely because the director or officer is present at or participates in the meeting of the Board at which such contract or transaction was authorized, or solely because his, her, or their votes are counted for such purpose. No director or officer of the Association shall incur liability by reason of the fact that he or she is or may be interested in any such contract or transaction.

(b) Interested directors may be counted in determining the presence of a quorum at a meeting of the Board at which a contract or transaction with an interested director is to be considered.

(c) The Association may enter into contracts and transactions with Declarant and Declarant's Affiliates.

Article 13. Amendments. The Board may amend these Articles without Member approval (a) for those specific purposes permitted under North Carolina law; (b) for the purpose of bringing any provision into compliance with any applicable governmental statute, rule, regulation, or judicial determination; (c) to enable any reputable title insurance company to issue title insurance coverage on the Lots; (d) to enable any institutional or governmental lender, purchaser, insurer or guarantor of Mortgage loans, including, for example, the U.S. Department of Veterans Affairs, the U.S. Department of Housing and Urban Development, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to make, purchase, insure or guarantee Mortgage loans on the Lots; or (e) to satisfy the requirements of any local, state or federal agency. Such amendments may be adopted by the Board of Directors, with the written consent of the Declarant during the Development and Sale Period. Other amendments to the Articles may be adopted by the Board of Directors with the approval of Members holding at least two-thirds (2/3) of the Class "A" votes in the Association and, during the Development and Sale Period, the written consent of the Declarant; provided, however, that no amendment may be in conflict with the Declaration. No amendment may be in conflict with the Declaration nor be effective to impair or dilute any rights of Members that are governed by the Declaration.

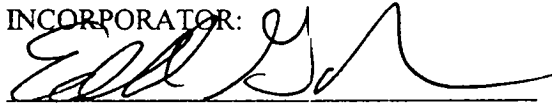
Article 14. Dissolution. The Association may be dissolved only upon (a) a resolution duly adopted by the Board, and (b) the affirmative vote of members who are Owners of not less than two-thirds (2/3) of the Lots, and (c) the consent of Declarant during the Development and Sale Period. Upon dissolution of the Association, if the VA is guaranteeing or HUD is insuring the Mortgage on any Lot, then unless otherwise agreed to in writing by HUD or the VA, any remaining real property of the Association shall be dedicated to an appropriate public agency or conveyed to a nonprofit organization to be used for purposes similar to those for which this Association was created. In the event that acceptance of such dedication is refused, such real property and the Association's remaining assets shall be granted, conveyed and assigned to any nonprofit corporation, association, trust, or other organization to be devoted to such similar purposes. Such requirement shall not apply if the VA is not guaranteeing and HUD is not insuring any Mortgage; provided, if either agency has granted project approval for the Community, then HUD and/or the VA shall be notified of such dissolution.

Article 15. Incorporator. The name of the incorporator of the Association is Edward G. Milgrim and such incorporator's address is Centex Homes, 385 Douglas Avenue, Suite 3100, Altamonte Springs, Florida 32714.

Article 16. Registered Agent and Office. The initial registered office of the Association is located in Jackson County, North Carolina at 211 Cashiers School Road, Cashiers, North Carolina 28717, and the initial registered agent at such address is Kimberly R. Coward.

IN WITNESS WHEREOF, the undersigned Incorporator has executed these Articles of Incorporation this 7th day August, 2003.

INCORPORATOR:

A handwritten signature in black ink, appearing to read "Ed G. Milgrim", written over a horizontal line.

Edward G. Milgrim

EXHIBIT "F"

**BY-LAWS
OF
BEAR LAKE RESERVE OWNERS ASSOCIATION, INC.**

Unofficial

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**BY-LAWS
OF
BEAR LAKE RESERVE OWNERS ASSOCIATION, INC.**

**Article I.
Name, Principal Office, and Definitions**

1.1. Name.

The name of the nonprofit corporation is Bear Lake Reserve Owners Association, Inc. (the "Association").

1.2. Principal Office.

The Association's principal office shall be located in the State of North Carolina in such location as the Board of Directors (the "Board"), determines or as the Association's affairs require.

1.3. Definitions.

The words used in these By-Laws shall have their normal, commonly understood definitions. Capitalized terms shall have the same meaning as set forth in the Declaration of Covenants, Conditions, and Restrictions for Bear Lake Reserve as it may be amended, or amended and restated, from time to time ("Declaration"), unless the context indicates otherwise. The interpretation of certain references, as set forth in Section 2.2 of the Declaration, shall also apply to the words used in these By-Laws.

**Article II.
Membership; Meetings, Quorum, Voting, Proxies**

2.1. Membership.

The Association initially shall have three classes of membership, Class "A," Class "B," and Class "C," as more fully set forth in the Declaration. The Declarant may establish additional classes of membership as set forth in the Declaration. Provisions of the Declaration pertaining to membership are incorporated herein by this reference.

2.2. Change of Membership.

Change of membership in the Association shall be established by recording a deed or other instrument conveying record fee title to any Lot. The grantee named in such instrument shall, by acceptance of such instrument, become a Member of the Association, and the membership of the prior Owner shall terminate. The new Owner shall deliver a copy of the conveyance instrument to the Association within 14 days after the conveyance and the new Owner shall not be entitled to voting privileges until the same has been received by the Association. The foregoing shall not, however, limit the Association's powers or privileges and the new Owner shall be liable for accrued and unpaid fees and assessments attributable to the Lot acquired.

2.3. Place of Meetings.

The Association shall hold meetings at its principal office or at such other place as the Board may designate. Meetings may be conducted electronically (*i.e.*, via the Internet, intranet, or teleconference) if

and to the extent permitted by law. If Voting Delegates have been elected, meetings shall be of Voting Delegates.

2.4. Annual Meetings.

The Association shall hold its first meeting, whether a regular or special meeting, within one year after the date of the Association's incorporation. The Board shall set the date and time of subsequent regular annual meetings to occur during the first quarter of each year thereafter.

2.5. Special Meetings.

The President may call a special meeting of the Association. It also shall be the President's duty to call a special meeting if so directed by Board resolution or upon written petition of Members representing at least 10% of the total Class "A" votes in the Association describing the purpose or purposes for which the special meeting is to be held. If the President does not call a special meeting pursuant to this Section within 30 days after the date such written petition is delivered to the Association's Secretary, any Member signing the petition may set the time and place of the special meeting and give the Association notice pursuant to Section 2.6.

2.6. Notice of Meetings.

The Association's Secretary shall cause written notice stating the place, day, and hour of any Association meeting to be given in any manner permitted by applicable law. If permitted by law, notice may be published in a newspaper, or by radio, television, or other form of public broadcast communication in the County, delivered by hand delivery, or sent by facsimile, electronic mail, or other electronic communication device, or such other manner which is reasonably calculated, as the Board determines in its discretion, to provide personal notice to Members. Notice shall be given at least 30 and, in any event, not more than 60, days before the date of the meeting, by or at the direction of the President, the Secretary, or the officers or Persons calling the meeting.

The notice of any meeting shall also state the items on the agenda, including, without limitation, the general nature of any proposed amendment to the Governing Documents, any budget changes, and any proposal to remove a director or officer. No other business shall be transacted at a special meeting except as stated in the notice for the special meeting. Unless one-third (1/3) or more of the votes entitled to be cast in the election of directors are represented in person or by proxy, the only matters that may be voted upon at an annual or regular meeting of Members are those matters that are described in the meeting notice.

If mailed, the notice of a meeting shall be deemed given when deposited in the United States mail addressed to the Member at his or her address as it appears on the Association's records, with postage prepaid. If sent by facsimile, electronic mail, or other electronic communication device, notice shall be deemed delivered when transmitted to the Member at his or her address, e-mail address, or telephone or fax number as it appears on the Association's records. Failure to receive actual notice of an Association meeting shall not affect the validity of any action taken at such meeting.

2.7. Waiver of Notice.

Waiver of lack of proper notice of an Association meeting shall be the equivalent of proper notice. Any Member may waive, in writing, lack of proper notice of any Association meeting, either before or after such meeting. A Member's attendance at a meeting shall be deemed a waiver by such Member of lack of proper notice of the meeting, unless the 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 a waiver of lack of proper notice of all business transacted at the meeting, unless an objection on the basis of lack of proper notice is raised before the business is put to a vote.

2.8. Adjournment of Meetings.

If the Association cannot hold a meeting because a quorum is not present, or if the Members otherwise elect (with the approval of the Declarant during the Development and Sales Period), a majority of the Members who are present may adjourn the meeting to a time at least 5 but not more than 30 days from the date called for the original meeting. 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. At the reconvened meeting, if a quorum is present, any business may be transacted which might have been transacted at the meeting originally called. If those in attendance at the original meeting do not fix a time and place for reconvening the meeting, or if for any reason a new date is fixed for reconvening the meeting after adjournment, the Association shall give the Members notice of the time and place for reconvening the meeting in the manner prescribed for regular meetings.

2.9. Voting.

Members shall have such voting rights as are set forth in the Declaration, which provisions are incorporated herein 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.

2.10. List for Voting.

After setting 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.

2.11. Proxies.

On any matter as to which a Member is entitled personally to cast the vote for his or her Lot, such vote may be cast in person or by proxy, subject to applicable law. A Voting Delegate entitled to cast the votes for all Lots within such delegates' Service Area may not assign the right to cast such votes by proxy, but may cast such votes only in person or through such Voting Delegate's designated alternate.

Every proxy shall be in writing specifying the Lot(s) for which it is given, signed by the Member or his or her duly authorized attorney-in-fact, dated, and filed with the Association's Secretary or person presiding over the meeting prior to or during the roll call for the meeting for which it is to be effective. In accordance with Section 55A-7-24 of the North Carolina Nonprofit Corporation Act, a Member may deliver one or more proxies by an electronic mail message or other form of electronic, wire, or wireless communication that provides a written statement appearing to have been sent by the Member. 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, the later, if the timing of the execution thereof can be determined, shall prevail, otherwise both shall be deemed invalid.

Every proxy shall be revocable and shall automatically cease upon: (a) conveyance of any Lot(s) for which it was given; (b) the receipt of written notice of revocation of the proxy or of the death or

judicially declared incompetence of a Member who is an individual by the Secretary or the person presiding over a meeting of the Association; (c) 90 days from the meeting date for which the proxy was originally given, unless the proxy specifies a shorter period; or (d) 11 months after the date of the proxy, unless the proxy specifies a shorter period.

2.12. Majority.

As used in these By-Laws, the term "majority" shall mean those votes, Owners, or other group as the context may indicate, totaling more than 50% of the total eligible number.

2.13. Quorum.

Except as these By-Laws or the Declaration otherwise provide, Members or their proxies entitled to cast 10% of the total Class "A" votes in the Association and the Class "B" Member, if such Member exists, shall constitute a quorum at all Association meetings. If no quorum is present at a meeting, the meeting may be adjourned and reconvened on a later date by the affirmative vote of a majority of those Members present in person or by proxy. At such reconvened meeting, the quorum requirement shall be 5% of the total Class "A" votes in the Association and the Class "B" Member, if such Member exists. The quorum shall continue to be reduced by 50% from that required at the previous meeting as previously reduced, until such time as a quorum is present and business can be conducted.

2.14. Conduct of Meetings.

The President shall preside over all Association meetings at which he or she is present, and the Secretary shall keep (or cause to be kept) the minutes of the meetings and record in a minute book all resolutions adopted and all other transactions occurring at such meetings.

2.15. Action Without a Meeting.

Without holding a meeting pursuant to Sections 2.4 or 2.5, Members may take any action that applicable law requires or permits the Members to take at a meeting (subject to any limitations in the Governing Documents), if the action is approved by Members representing at least the minimum number of votes in the Association necessary to authorize such action at a meeting, assuming the number of votes cast equals or exceeds the quorum required to be present at a meeting authorizing the action. Such approval shall be evidenced by one or more written consents specifically authorizing the proposed action, dated and signed by Members holding the requisite votes. The Association need not give prior notice before soliciting such consent; provided, however, that the Association must send written consent forms to all Members for action authorized pursuant to this section to be valid. Members shall sign, date, and deliver such consents to the Association within 60 days after the Association's receipt of the earliest dated consent. The Association's Secretary shall file (or cause to be filed) such consents with the Association's minutes and the consents shall have the same force and effect as a vote of the Members at a meeting. Within 10 days after receiving authorization for any action by written consent, the Secretary shall give (or cause to be given) written notice to all Members entitled to vote, fairly summarizing the material features of the authorized action.

2.16. Order of Business.

The order of business at all annual meetings of the Members shall be as follows: (a) roll call to determine whether a quorum is represented; (b) proof of notice of the meeting or waiver of notice; (c) reading of (or waiver of reading) minutes of the preceding annual meeting; (d) reports of officers, if any;

(e) reports of committees, if any; (f) election of inspector(s) of election if an election is to be held; (g) election of Class "A" Directors if applicable; (h) unfinished business, if any; and (i) new business.

Article III.

Board of Directors: Selection, Meetings, Powers

A. Composition and Selection.

3.1. Governing Body: Composition.

The Board shall govern the Association's affairs. Each director shall have one vote. Directors must be Members or residents of the Community, except in the case of directors that the Class "B" Member appoints. A director must be at least 18 years old. No more than one representative of any Member which is a legal entity, nor more than one occupant of any Lot, shall serve on the Board at a time, except in the case of directors that the Class "B" Member appoints.

3.2. Number of Directors.

The initial Board shall consist of the three directors identified in the Articles of Incorporation. Upon termination of the Class "B" Control Period, the number of directors shall be increased to five. The Board may, by resolution, increase or decrease the number of directors.

3.3. Nomination and Election Procedures.

(a) **Nominations and Declarations of Candidacy.** Prior to each election of directors, the Board shall prescribe the opening date and the closing date of a reasonable filing period in which every eligible person who has an interest in serving as a director may file as a candidate for any position to be filled by Class "A" votes. Nominations for election to the Board also may be made by a nominating committee. The nominating committee, if any, shall consist of a Chairman, who shall be a Member, and two or more Members or representatives of Members, all appointed by a majority of the Board. The nominating committee, if any, may make as many nominations for election to the Board as it shall in its discretion determine. If Voting Groups have been formed, nominations shall be to separate slates for the directors, if any, to be elected at large by all Members, and for the director(s) to be elected by the votes within each Voting Group. The Board shall also permit nominations from the floor at any election meeting.

The Board shall give each candidate a reasonable, equal opportunity to communicate his or her qualifications to the Members and to solicit votes.

(b) **Election Procedures.** A Member may cast the vote(s) assigned to the Lot(s) which he or she owns for each position to be filled at an election. If Voting Delegates have been elected, each Voting Delegate may cast all votes assigned to the Lots which such Voting Delegate represents for each position to be filled from the slate of candidates on which such Voting Delegate is entitled to vote. Cumulative voting is not allowed. That number of candidates equal to the number of positions to be filled who receive the greatest number of votes shall be elected.

3.4. Election and Term of Office.

(a) The Class "B" Member shall have complete discretion in appointing, removing, and replacing directors during the Class "B" Control Period.

(b) Upon termination of the Class "B" Control Period, the President shall call for an election at which the Class "A" Members shall be entitled to elect four of the five directors. The remaining director shall be appointed by the Class "B" Member. The two directors receiving the largest number of Class "A" votes shall be elected for a term of two years and the remaining two directors shall be elected for a term of one year. If Voting Groups have been established, one director shall be elected by the Members representing each Voting Group and any remaining directorships filled at large by the vote of all Members.

(c) Until termination of the Development and Sale Period, the Declarant shall be entitled to appoint one director. Upon termination of the Development and Sale Period, the director elected by the Declarant shall resign and the remaining directors shall be entitled to appoint a director to serve until the next annual meeting, at which the Class "A" Members shall be entitled to elect a director to fill such position. Such director shall be elected for a term of two years.

Notwithstanding the stated length of any term, directors shall hold office until their respective successors have been elected. Directors elected by the Class "A" Members are hereafter referred to as the "Class "A" Directors."

Upon expiration of the term of each Class "A" Director elected pursuant to this subsection and thereafter, a successor shall be elected for a term of two years.

3.5. Removal of Directors and Vacancies.

Any Class "A" Director may be removed, with or without cause, by the vote of Class "A" Members holding a majority of the votes entitled to be cast for the election of such Class "A" Director. Any Class "A" Director whose removal is sought shall be given notice prior to any meeting called for that purpose. Upon removal of a Class "A" Director, a successor shall be elected by the Class "A" Members entitled to elect the Class "A" Director so removed to fill the vacancy for the remainder of such Class "A" Director's term. Class "A" Directors may not be removed by the Class "B" Member.

Any Class "A" Director who has three consecutive unexcused absences from Board meetings, or who is more than 60 days delinquent (or occupies or represents a Lot for which assessments are so delinquent) in the payment of any assessment or other charge due the Association may be removed by a majority vote of the Board, excluding the Class "A" Director at issue. If the Class "A" Director is removed, the Board may appoint a successor to fill the vacancy 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 entitled to fill such directorship may elect a successor for the remainder of the term. If they fail to do so, the Board may appoint another director to fill the vacancy until filled by election. Any director that the Board appoints shall be selected from among Members and residents within the Voting Group represented by the director who vacated the position.

This Section shall not apply to directors the Class "B" Member appoints nor to any director serving as Declarant's representative. Such directors may be removed and replaced only by the Class "B" Member or Declarant. The Class "B" Member or 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 Declarant.

B. Meetings.

3.6. Organizational Meetings.

Within 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.

3.7. Regular Meetings.

The Board may hold regular meetings at such time and place as the Board shall determine, but the Board shall hold at least one such meeting during each fiscal year.

3.8. Special Meetings.

The Board shall hold special Board meetings when called by written notice signed by the President, Vice President, or any two directors.

3.9. Notice: Waiver of Notice.

(a) Notices of Board meetings 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. The Board shall give notice to each director by: (i) personal delivery; (ii) first class mail, postage prepaid; (iii) telephone (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); or (iv) facsimile, electronic mail, or other electronic communication device, with confirmation of transmission. All such notices shall be given at the director's telephone number, fax number, electronic mail address, or sent to the director's address, each as shown on the Association's records. Notices sent by first class mail shall be deposited into a United States mailbox at least 7 business days before the time set for the meeting, except in the event of an emergency. Notices given by personal delivery, telephone, or other device shall be delivered or transmitted at least 72 hours before the time set for the meeting.

(b) Except for emergency meetings, notice of a Board meeting shall be posted in a conspicuous place within the Community at least 48 hours in advance of the meeting or provided in any other manner reasonably anticipated to provide notice to all Members, including, without limitation, publication in an Association newsletter with Community-wide circulation, posting on a Community cable television channel, or posting on a Community Internet or intranet page. In lieu of notice of each regular Board meeting, the Board may post or publish a schedule of upcoming Board meetings.

(c) Transactions of any Board meeting, 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 (i) a quorum is present, and (ii) either before or after the meeting each director 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 meeting's purpose. Notice of a meeting shall also be deemed given to any director who attends the meeting without protesting before or at its commencement about the lack of adequate notice.

3.10. Telephonic Participation in Meetings.

Members of the Board or any committee designated by the Board may participate in a Board or committee meeting by means of telephone or other electronic means, through which all persons participating in the meeting can converse with each other at the same time. Participation in this manner

shall constitute presence at the meeting for all purposes. Participants attending by electronic means may vote by electronic transmission.

3.11. Quorum of Board.

At all Board meetings, 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 Board's decision, unless these By-Laws or the Declaration specifically provide otherwise. A meeting at which a quorum is initially present may continue, notwithstanding the withdrawal of directors, if at least a majority of the required quorum for that meeting approves any action taken. If the Board cannot hold a meeting 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.

3.12. Conduct of Meetings.

The President shall preside over all Board meetings at which he or she is present, and the Secretary shall keep (or cause to be kept) a minute book of Board meetings, recording all Board resolutions and all transactions and proceedings occurring at such meetings.

3.13. Open Meetings; Executive Session.

Subject to the provisions of Section 3.14, all Board meetings shall be open to all Members. However, attendees other than directors may not participate in any discussion or deliberation unless a director requests that they be granted permission to speak, and the Board concurs. In such case, the President (or other officer conducting the meeting) may limit the time any such individual may speak.

Notwithstanding the above, the President may call a special Board meeting, or adjourn any Board meeting and reconvene in executive session, and may exclude persons other than directors, to discuss with the Association's attorney matters relating to pending or threatened litigation which are protected by the attorney-client privileges, or to discuss among the Board any other matter of a sensitive nature, if applicable law permits. In such cases, no recording will be permitted.

3.14. Action Without a Formal Meeting.

Any action to be taken or which may be taken at a Board meeting may be taken without a meeting if all directors sign a consent in writing, setting forth the action so taken. Such consent shall have the same force and effect as a unanimous vote.

C. Powers and Duties.

3.15. Powers.

The Board shall have all of the powers and duties necessary for administering the Association's affairs and for performing all of the Association's responsibilities and exercising all of the Association's rights as set forth in the Governing Documents, and as provided by law. The Board may do or cause to be done on the Association's behalf all acts and things except those which the Governing Documents or applicable law require to be done and exercised exclusively by the membership generally.

3.16. Duties.

The Board's duties shall include, without limitation:

- (a) those obligations set forth in the Declaration and elsewhere in these By-Laws;
- (b) depositing all funds received on the Association's behalf in a bank depository which it shall approve, and using such funds to operate the Association; provided, however, that any reserve funds may be deposited, in the Board's business judgment, in depositories other than banks;
- (c) 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 if, in the exercise of its business judgment, it deems it prudent to do so;
- (d) keeping books with detailed accounts of the Association's receipts and expenditures; and
- (e) maintaining, and retaining for the time periods required, the "official records" of the Association, as provided in Chapters 47F and 55A, North Carolina General Statutes, or such other applicable law.

3.17. Compensation.

The Association shall not compensate a director for acting as such. The Association may reimburse any director for expenses incurred on the Association's behalf if approved by a majority of the other directors. In addition, nothing herein shall prohibit the Association from compensating a director for services or supplies he or she furnishes to the Association in a capacity other than as a director pursuant to a contract or agreement with the Association. The foregoing also applies to any entity with which a director is affiliated.

3.18. Right of Class "B" Member to Disapprove Actions.

During the period of Class "B" membership, the Class "B" Member shall have a right, to the extent not prohibited by law, to veto any action, policy, or program of the Association, the Board, and/or any committee which, in the Class "B" Member's discretion, would tend to impair rights or interests of Declarant, or any Affiliate of Declarant's, interfere with development or construction of any portion of the Community, or diminish the level of services the Association provides.

(a) Notice. The Association, the Board, and each committee shall give the Class "B" Member written notice of their meetings and proposed actions to be approved at their meetings (or by written consent in lieu of a meeting). The notice shall comply with the requirement for notice to directors under Section 3.9 and 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.

(b) Opportunity to be Heard. The Association, the Board, and each committee shall give the Class "B" Member the opportunity at any meeting to join in, or to have its representatives or agents join in, discussion from the floor concerning any prospective action, policy, or program which would be subject to the veto right described in this Section.

(c) Exercise of Rights. The Class "B" Member may exercise its veto right at any time within 30 days following the meeting at which such action was proposed or, if the action is approved without a meeting, at any time within 30 days following receipt of written notice of the proposed action. 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. This veto right may be used to block proposed actions but shall not include a right to require any action or counteraction by the Association, the Board, or any committee. The Class "B" Member shall not use its veto right to prevent expenditures required to comply with applicable laws.

(d) Condition of Implementation. No action, policy, or program subject to the Class "B" Member's veto right shall become effective or be implemented until and unless the requirements of subsections (a) and (b) above have been met, and then subject to the Class "B" Member's rights under subsection (c).

3.19. Management.

The Board may employ a professional managing agent or agents, at such compensation as the Board may establish, to perform such duties and services as the Board shall authorize and as are otherwise within the scope of the Board's authority. The Board may delegate such powers as are necessary to perform the manager's duties, but shall not delegate policy-making authority or the obligation to adopt a budget. The Board may contract with or employ Declarant or any of its Affiliates as managing agent or manager.

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

The Class "A" Members shall have no right to terminate a management contract during the Class "B" Control Period. Unless the Board otherwise grants such right, or unless the management contract otherwise provides, the Board may act in its discretion with respect to executing and terminating management contracts during the Class "B" Control Period. Any management contract may, among other things, authorize the managing agent to act as the Association's agent with respect to the expenditure of Association funds within the scope of the approved Association budget; however, the managing agent shall not be permitted to spend money in excess of the budget or reallocate greater than 10% of any budget line item without the Board's prior written approval.

3.20. Accounts and Reports.

The following management standards of performance shall be followed unless the Board specifically determines otherwise:

(a) Commencing at the end of the quarter in which the first Lot is sold and closed, the Board may prepare financial reports for the Association at least quarterly containing:

- (i) an income statement reflecting all income and expense activity for the preceding period on a cash or accrual basis;
- (ii) a statement reflecting all cash receipts and disbursements for the preceding period;
- (iii) a variance report reflecting the status of all accounts in an "actual" versus "approved" budget format;
- (iv) a balance sheet as of the last day of the preceding period; and

(v) a delinquency report listing all Owners who are delinquent in paying any assessments at the time of the report and describing the status of any action to collect such assessments which remain delinquent (any assessment or installment thereof shall be considered to be delinquent on the 15th day following the due date unless otherwise specified by Board resolution); and

(b) An annual financial report consisting of at least the following shall be prepared within 60 days (or such longer period as is permitted by law) after the close of the fiscal year: (i) a balance sheet showing actual receipts and expenditures; (ii) an operating (income) statement; and (iii) a statement of changes in financial position for the fiscal year. Such annual report shall be prepared on an audited, reviewed, or compiled basis, as the Board determines, by an independent public accountant.

The Association shall provide each Owner or its authorized agent a copy of the annual financial report within 5 business days following receipt of a written request for same. In addition, if applicable law requires, the Association shall send a copy of the annual financial report to each Member by mail or personal delivery following the close of the fiscal year.

3.21. 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 other owners or residents associations.

3.22. Fines and Sanctions.

The Association may impose fines, in such amounts as permitted by law, for any violation of the Governing Documents except with regard to assessments. To the extent the Declaration or applicable law specifically requires, the Board shall comply with the following procedures prior to imposition of sanctions:

(a) Notice. The Board or its delegate shall serve the alleged violator with written notice describing (i) the nature of the alleged violation; (ii) the proposed sanction to be imposed; (iii) a period of not less than 14 days within which the alleged violator may present a written request for a hearing; and (iv) a statement that the proposed sanction shall be imposed as contained in the notice unless the alleged violator challenges the violation within 14 days of the notice. If a timely request for a hearing is not made, or if otherwise permitted by the Governing Documents and applicable law, the sanction stated in the notice shall be imposed. The Board or Covenants Committee may suspend any proposed sanction if the violation is cured, or if a diligent effort is being made to cure, within the 14-day period. Such suspension shall not constitute a waiver of the right to sanction future violations of the same or other provisions and/or rules by any Person. If a violator repeats the violation, or engages in a similar violation, for which notice was given within 12 months after the date of the first notice, the Board shall have the discretion to impose the proposed sanctions if the alleged violations were one continuous violation without the need to serve the alleged violator with additional notice. The Board may adopt a schedule of sanctions for violations of the Governing Documents; provided, however, that the Board shall not impose a fine that exceeds the limits prescribed by § 47F-3-107.1 of the Act.

(b) Hearing. If the alleged violator requests a hearing within the allotted 14-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. Proof of proper notice shall be placed in the minutes of the meeting. A copy of the notice, together with a

statement of the date and manner of delivery signed by the officer, director, or agent who delivered such notice shall be considered adequate proof of notice. The notice requirement shall be deemed satisfied if the alleged violator or its representative appears at the meeting. A written statement of the results of the hearing and the sanction, if any, imposed shall be filed with the minutes of the Covenants Committee's meetings.

(c) Abatement of Easement Rights. Notwithstanding anything to the contrary in this Article, subject to any limitations set forth in the Declaration, the Board may elect to enforce any provision of the Governing Documents by self-help (specifically including, but not limited to, towing vehicles that violate parking rules) or, following compliance with the Declaration's dispute resolution procedures, if applicable, by suit at law or in equity to enjoin any violation or to recover monetary damages or both. In any such action, to the maximum extent permissible, the Owner or occupant responsible for the violation of which abatement is sought shall pay all costs, including, without limitation, reasonable Legal Costs actually incurred.

3.23. Board Training Seminar

The Board may provide or provide for, as a Common Expense, seminars and continuing educational opportunities designed to educate and inform directors of their responsibilities as directors. Such programs may include instruction on applicable corporate and fiduciary law principles, other issues relating to administering the Community's affairs, and upholding and enforcing the Governing Documents. The Board may retain industry professionals, including property managers, attorneys, and accountants, as appropriate or necessary for such purpose. Each newly elected director and each re-elected director may be required to complete a training seminar within the first six months of assuming the director position.

3.24. Board Standards

In performing their duties directors and officers shall act in accordance with § 55A-8-30 of the North Carolina Nonprofit Corporation Act (the "business judgment rule") and are entitled to insulation from liability as provided for directors and officers of corporations by applicable law and as otherwise provided by the Governing Documents.

A director or officer acting in accordance with the business judgment rule shall not be personally liable to the Association or its Members for errors in judgment made in the director's or officer's capacity as such. Unless the Governing Documents require that specific action be taken, the failure to take such specific action shall not, without further showing that the Board acted in violation of the business judgment rule, be deemed a violation of a Board duty.

Board determinations of the meaning, scope, and application of Governing Document provisions shall be upheld and enforced so long as such determinations are reasonable. The Board shall exercise its power in a fair, nondiscriminatory manner and shall adhere to the procedures established in the Governing Documents.

3.25. Conflicts of Interest Code of Ethics

Unless otherwise approved by a majority of the other directors, no Class "A" Director may transact business with the Association or a contractor engaged by the Association during his or her term as director. A Class "A" Director shall promptly disclose in writing to the Board any actual or potential conflict of interest affecting the director relative to his or her performance as a director. A Class "A"

Director's failure to make such disclosure shall be grounds for removal by a majority vote of the other Board members. The Board may void any contract which creates a prohibited conflict of interest.

Notwithstanding the above, the directors appointed by the Class "B" Member may be employed by or otherwise transact business with Declarant or any of its Affiliates, and Declarant and its Affiliates may transact business with the Association or its contractors.

Article IV.
Officers

4.1. Officers.

The Association's officers shall include a President, Vice President, Secretary, and Treasurer. The officers may, but need not, be Board members, Owners, or residents of the Community; provided, however, that so long as there is a Class "B" membership, the appointment of officers who are not residents of the Community shall require the prior written consent of the Class "B" Member. The Board may appoint such other officers, including, without limitation, one or more Vice Presidents, Assistant Secretaries or 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 Association's officers at the first Board meeting following each Association annual meeting. Officers shall serve until their successors are elected.

4.3. Removal and Vacancies.

Any officer may be removed with or without cause by a vote of at least a majority of the directors. The Board shall appoint a replacement to fill any vacancy in any office for the unexpired portion of the term.

4.4. Powers and Duties.

The Association's officers each shall have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as the Board may specifically confer or impose. The President shall be the Association's chief executive officer. The Treasurer shall supervise the preparation of the Association's budget, but may delegate all or part of the preparation and notification duties to a finance committee, managing agent, or both. The Secretary shall prepare or supervise the preparation of meeting minutes as required by applicable law.

4.5. Resignation.

Any officer may resign at any time by giving written notice to the Board, the President, or the Secretary. 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, 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 Association instruments shall be executed by an officer, unless the Board provides otherwise, or by such other person or persons as the Board may designate by resolution.

4.7. Compensation.

Compensation of officers shall be subject to the same limitations as compensation of directors under Section 3.17.

4.8. President.

The President shall be the chief executive officer of the Association. He or she shall preside at all meetings of the Association and of the Board at which he or she is present. He or she shall have all of the general powers and duties which are usually vested in the office of the President of a corporation, including, but not limited to, the power, subject to the provisions of Article V, to appoint committees from among the Members from time to time as he or she may in his or her discretion decide is appropriate to assist in the conduct of the affairs of the Association. The President shall, subject to the control of the Board, have general supervision, direction, and control of the business of the Association. The President shall be ex-officio a member of all standing committees, and shall have such other powers and duties as may be prescribed by the Board or these By-Laws.

4.9. Vice President.

The Vice President shall take the place of the President and perform his or her duties whenever the President is absent, disabled, or refuses or is unable to act. If neither the President nor the Vice President is able to act, the Board shall appoint some other member of the Board to do so on an interim basis. The Vice President shall also perform such other duties as shall from time to time be conferred upon him or her by the Board or these By-Laws.

4.10. Secretary.

The Secretary shall keep (or cause to be kept) the minutes of all meetings of the Board and the minutes of all meetings of the Association at the Association's principal office or at such other places as the Board may order. The Secretary shall keep (or cause to be kept) the seal of the Association in safe custody and shall have charge of such books and papers as the Board may direct. The Secretary shall, in general, perform (or cause to be performed) all of the duties incident to the office of Secretary. The Secretary shall give, or cause to be given, notice of meetings of the Members of the Association and of the Board required by these By-Laws or by law to be given. The Secretary shall maintain (or cause to be maintained) a book of record Owners, listing the names and addresses of the Owners furnished by the Association, and such books shall be changed only at such time as satisfactory evidence of a change in ownership of a Lot is presented to the Secretary. The Secretary shall perform such other duties as may be prescribed by the Board or these By-Laws. The Secretary may delegate all or a part of such duties to the managing agent.

4.11. Treasurer.

The Treasurer shall have responsibility for Association funds and securities and shall be responsible for keeping, or causing to be kept, full and accurate accounts, tax records, and business transactions of the Association, including accounts of all assets, liabilities, receipts, and disbursements in

books belonging to the Association. The Treasurer shall be responsible for the deposit of all monies and other valuable effects in the name and to the credit of the Association in such depositories as may from time to time be designated by the Board, in accordance with the Declaration and these By-Laws, shall render to the President and the directors, upon request, an account of all of his or her transactions as Treasurer and of the financial conditions of the Association, and shall have such other powers and perform such other duties as may be prescribed by the Board or these By-Laws. The Treasurer may delegate a part of such duties to the managing agent.

**Article V.
Committees**

5.1. General.

The Board may create such committees and appoint its members, as it deems appropriate to perform such tasks and to serve for such periods as the Board may designate by resolution.

Committees shall exercise only such authority as granted by Board resolution; provided, however, that the Board may elect not to follow a committee's advice on any matter. Committees may not act without specific Board authority and may not bind the Association contractually or financially.

5.2. Covenants Committee.

The Board shall, from time to time, appoint a Covenants Committee consisting of three persons to serve as a hearing tribunal pursuant to Section 3.22. The Covenants Committee shall be comprised of Members of the Association who are not directors, officers, or employees of the Association or the spouse, parent, child, brother, or sister of a director, officer, or employee.

5.3. Service Area Committees.

In addition to any other committees appointed as provided above, each Service Area which has no formal organizational structure or Service Area Association may elect a Service Area Committee to determine the nature and extent of services, if any, to be provided to the Service Area by the Association in addition to those provided to all Members of the Association in accordance with the Declaration. A Service Area Committee may advise the Board on any issue but shall not have the authority to bind the Board. Such Service Area Committee, if elected, shall consist of three Members; provided, however, that if approved by the vote of at least a majority of the Owners of Lots within the Service Area, the number may be increased to five.

Service Area Committee members shall be elected for a term of one year or until their successors are elected. Any director elected to the Board from a Service Area shall be an *ex officio* member of the Service Area Committee. The members of the Service Area Committee shall elect a chairperson from among themselves, 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 Service Area Committee shall conduct itself in accordance with the notice, participation, and quorum requirements applicable to the Board under Sections 3.9, 3.10, and 3.11. Meetings of a Service Area Committee shall be open to all Owners of Lots in the Service Area and their representatives. Members of a Service Area Committee may act by unanimous written consent in lieu of a meeting.

5.4. Other Committees.

In addition to the above, the Board may create additional committees, as it deems necessary and useful. The following are examples of types of committees, along with their purpose, which the Board may create:

(a) Finance Committee - to assist the Board, the Treasurer, and the Association's managing agent, if any, in preparing the Association's budget.

(b) Physical Maintenance Committee - to assist the Board with maintenance of the Common Maintenance Areas.

(c) Dispute Resolution Committee - to assist in the mediation of disputes concerning the interpretation of Use Restrictions, rules, and other Governing Document provisions and advise the Board on initiating litigation involving the Association (as provided in the Declaration); provided, however, that the Dispute Resolution Committee shall not preside over matters relating to the collection of assessments or other fees and charges. Each member of the Dispute Resolution Committee shall attend a Board-approved course on dispute resolution, if the Board so requires.

The Board may establish by resolution the specific scope and limitations on the authority of the above committees.

**Article VI.
Miscellaneous**

6.1. Fiscal Year.

The Association's fiscal year shall be the calendar year unless otherwise established by Board resolution.

6.2. Parliamentary Rules.

Except as may be modified by Board resolution, *Robert's Rules of Order* (the edition published on the date closest to the meeting) shall govern the conduct of Association proceedings when not in conflict with applicable law or the Governing Documents.

6.3. Conflicts.

Conflicts between or among the Governing Documents and applicable law shall be resolved as directed in the Declaration.

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 Lot, any Member, or the duly appointed representative of any of the foregoing at reasonable times: the Governing Documents, the membership register, books of account, and the minutes of meetings of the Members, the Board, and committees. The Board shall provide for such inspection to take place at the Association's office or at such other place within the Community as the Board shall designate.

(b) Rules for Inspection. The Board may establish reasonable 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; (iii) payment of the cost of reproducing documents requested; and (iv) such other matters as the Board deems appropriate. Records shall be made available within 5 business days of the receipt of a written request by an Owner or his or her authorized agent, or as otherwise required by law.

(c) Inspection by Directors. Every director shall have the absolute right at any reasonable time to inspect all Association books, records, and documents and the physical properties the Association owns or controls. The director's right of inspection includes the right to make a copy of relevant documents at the Association's expense. The Board shall provide for such inspection to take place at the Association's office, the managing agent's office, or at a place within the Community as the Board shall designate.

6.5. Notices.

(a) Form of Notice and Method of Delivery. Except as otherwise provided in the Declaration or these By-Laws or by applicable law, all notices, demands, bills, statements, or other communications under the Declaration or these By-Laws shall be in writing and may be delivered in person, by United States mail, by private carrier, by facsimile, electronic mail or other electronic communication device with written confirmation of transmission.

(b) Delivery Address. Notices shall be delivered or sent to the intended recipient as follows:

(i) if to a Member, at the address, facsimile number, or e-mail 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 Lot of such Member;

(ii) if to the Association, the Board, or a committee of either, at the address, facsimile number, or e-mail address of the principal office of the Association or its managing agent, or at such other address as the Association shall designate by notice in writing to the Members pursuant to this Section; or

(iii) if to the Declarant, at the principal address of the Declarant as it appears on the Secretary of State's records, or at such other address as the Declarant shall designate by notice in writing to the Association pursuant to this Section.

(c) Effective Date. Notice sent in accordance with subsections (a) and (b) shall be deemed to have been duly given and effective:

(i) if sent by United States mail, when deposited with the U. S. Postal Service, correctly addressed, with first class or higher priority postage prepaid;

(ii) if delivered personally or by private carrier, when actually delivered to the address of the intended recipient, as evidenced by the signature of the person at such address who accepts such delivery; however, if such delivery is refused or if the intended recipient has contracted with the private carrier to leave any deliveries without obtaining a signature evidencing receipt, the notice shall be deemed duly given and effective if the attempt to deliver was timely made;

(iii) if sent by facsimile or electronic mail, upon transmission, as evidenced by a printed confirmation of transmission.

6.6. Amendment.

(a) By Class "B" Member. During the Class "B" Control Period, the Class "B" Member may amend these By-Laws unilaterally.

(b) By the Membership. Except as provided above, these By-Laws may be amended only by the affirmative vote or written consent of Members representing at least 67% of the total Class "A" votes in the Association, and the consent of the Declarant during the Development and Sale Period. 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 of Amendments. Amendments to these By-Laws shall become effective upon recordation unless a later effective date is specified therein. In no event shall a change of conditions or circumstances operate to amend any provisions of these By-Laws.

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

Official

Doc ID: 009030780005 Type: CRP
 Recorded: 06/16/2004 at 02:26:29 PM
 Fee Amt: \$51.00 Page 1 of 5
 Jackson County, NC
 Joe Hamilton Register of Deeds
 BK 1429 pg 88-92

Upon recording, please return to:
 W. Russell Toates
 Centex Destination Properties
 2728 N. Harwood
 Dallas, Texas 75201

Cross-Reference to:
 Book 1196, Page 331,
 Real Estate Index for
 Jackson County, North
 Carolina

**SUPPLEMENTAL DECLARATION OF COVENANTS, CONDITIONS,
 AND RESTRICTIONS FOR BEAR LAKE RESERVE^{SS1}**

(Cottages Service Area)

THIS SUPPLEMENTAL DECLARATION is made this 16 day of June, 2004, by Centex Homes, a Nevada general partnership, d/b/a Centex Destination Properties (hereinafter referred to as "Declarant").

WITNESSETH:

WHEREAS, that certain Declaration of Covenants, Conditions, and Restrictions for Bear Lake Reserve was filed of record on August 26, 2003, in Book 1196, Page 331, *et seq.*, in the Real Estate Index for Jackson County, North Carolina (such instrument as amended and supplemented is herein referred to as the "Declaration");

WHEREAS, pursuant to the terms of Article VII, Section 7.11 of the Declaration, the Declarant may assign the submitted property described on Exhibit "A" to the Declaration to one or more Service Areas as Declarant deems appropriate, in Declarant's discretion, by filing a Supplemental Declaration in the aforesaid records;

WHEREAS, Declarant is the owner of the Lots described on Exhibit "A" attached hereto, which are part of the submitted property, and Declarant desires to designate these Lots as a Service Area; and

WHEREAS, upon such designation, the Association shall be required to provide certain benefits or services to these Lots within the Service Area as described herein in addition to those which the Association generally provides to all Lots, and the costs of such benefits or services shall be assessed against these Lots in the Service Area as a Service Area Assessment;

NOW, THEREFORE, pursuant to the powers retained by Declarant under the Declaration, Declarant hereby subjects the Lots described on Exhibit "A" to the provisions of 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, 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 Bear Lake Reserve Owners Association, Inc. in accordance with the terms of the Declaration.

ARTICLE 1

Definitions

The definitions set forth in Article II, Section 2.1 of the Declaration are incorporated herein by reference.

ARTICLE 2

Service Area Designation

The Lots described on Exhibit "A" shall be designated as a Service Area which shall be known as the "Cottages Service Area." Declarant hereby reserves the right, without any obligation, to add other property described on Exhibit "A" to the Declaration to the Cottages Services Area by the recording of a supplemental declaration in the aforesaid index.

ARTICLE 3

Service Area Maintenance Obligations

3.1 In addition to the maintenance responsibilities of the Association set forth in the Declaration, the Association shall be responsible for performing the following with respect to the Lots within the Cottages Service Area:

(a) maintenance (including, mowing, fertilizing, pruning and replacing, and controlling disease and insects), of all lawns and landscaping installed by Declarant within the front, rear and side yards of the Lots, specifically excluding landscaping within any enclosed courtyard, patio, fenced or other area not readily accessible from outside the dwelling and any landscaping installed by an Owner after the conveyance of the Lot by Declarant; and

(b) maintenance, repair and replacement of any septic tank serving any Lot within the Cottages Service Area including internal parts associated with the operation of the septic tank and drain lines from the septic tank to the drain field, but excluding any lines from the dwelling to the septic tank or any plumbing lines or fixtures within the dwelling.

3.2 All maintenance and repair responsibilities described in this Supplemental Declaration shall be performed by the Association in accordance with the Community-Wide Standard. The Board shall determine in its discretion the manner and the frequency of performing such maintenance and repair responsibilities and may establish a rotation or schedule for repairs, as deemed appropriate by the Board.

3.3 All other portions of the Lot (and the improvements located thereon) shall be the responsibility of the respective Owners, including, without limitation, maintenance, repair, and replacement, as necessary, of all pipes, lines, wires, conduits, or other apparatus (including all utility lines and associated pipes serving only the Lot). Each Owner and Occupant acknowledges that the architectural design and selected color scheme of the exterior of the dwellings have been carefully chosen and that in order to preserve the appearance of the Lots, all repainting and repair of the exterior of a dwelling by Owner shall be consistent with the original architectural design and color scheme unless approved by the Association and the Declarant during the Development and Sale Period.

3.4 Costs for the maintenance items set forth herein shall be assessed to the Cottages Service Area as a Service Area Assessment. In the event a Lot requires excessive maintenance or repairs due to the negligence or misconduct of the Owner, as determined in the sole discretion of the Board of Directors, such costs shall be assessed to such Lot as a Benefited Assessment.

ARTICLE 4

Shared Septic Systems

Certain Lots may contain septic fields, as shown on a recorded plat of such Lots, which benefit an adjacent Lot. The Owner of a Lot containing such a septic field shall be restricted from disturbing the area containing the septic field and shall only undertake improvements, if permissible, after obtaining prior approval from the ARB.

ARTICLE 5

Amendment to Supplemental Declaration

5.1 By Declarant. This Supplemental Declaration may be unilaterally amended by the Declarant in accordance with Article XXI, Section 21.1 of the Declaration.

5.2 By Members. Article 3 of this Supplemental Declaration may be amended by the Board with the written consent or affirmative vote, or any combination thereof, of Members representing at least sixty-seven percent (67%) of the Class "A" votes allocated to the Lots within the Cottages Service Area and, during the Development and Sale Period, with the written consent of the Declarant. Any other amendment to this Supplemental Declaration shall be subject to the requirements of Article XXI, Section 21.2 of the Declaration with respect to amendment by Members and shall also require the written consent or affirmative vote, or any combination thereof, of Members representing at least sixty-seven percent (67%) of the Class "A" votes allocated to the Lots within the Cottages Service Area.

ARTICLE 6

Declaration

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

[SIGNATURES ON NEXT PAGE]

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

DECLARANT:

CENTEX HOMES, a Nevada general partnership, d/b/a
Centex Destination Properties

By: Centex Real Estate Corporation, a Nevada corporation,
its managing general partner

By: [Signature]
John Lenihan
Division President

Address: Centex Destination Properties
572 Bear Lake Road
P.O. Box 130
Tuckasegee, North Carolina 28783

STATE OF FLORIDA)
COUNTY OF SEMINOLE)

ACKNOWLEDGMENT

The foregoing instrument was acknowledged before me on this _____ day of June, 2004, by John Lenihan, Division President of Centex Real Estate Corporation, the managing general partner of Centex Homes, a Nevada general partnership, on behalf of said partnership.

Shawna M. Korsmo
Notary Public

Print Name: Shawna M. Korsmo

Notary Public in and for the State of Florida

My Commission Expires: APRIL 20, 2008

[Notary Seal]

**NORTH CAROLINA
JACKSON COUNTY**

THE CERTIFICATE OF:
Shawna M. Korsmo

IS CERTIFIED TO BE CORRECT:
Joe Hamilton
REGISTER OF DEEDS

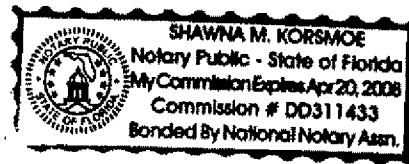


EXHIBIT "A"

ALL THOSE TRACTS OR PARCELS OF LAND located in the Bear Lake Reserve Subdivision, which is a subdivision of a portion of Parcel 7586-73-5277, River and Canada Townships, Jackson County, North Carolina, and being more particularly described on the following plats recorded in the plat records of Jackson County, North Carolina:

1. Plat recorded on June 11, 2004, in Plat Cabinet 13, Slide 29;
2. Plat recorded on October 31, 2003, in Plat Cabinet 12, Slide 501, as revised and re-recorded on June 11, 2004, in Plat Cabinet 13, Slide 27;
3. Plat recorded on October 31, 2003, in Plat Cabinet 12, Slide 500, as revised and re-recorded on June 11, 2004, in Plat Cabinet 13, Slide 28;

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 Recorded: 03/10/2008 at 04:36:19 PM
 Fee Amt: \$41.00 Page 1 of 10
 Jackson County, NC
 Joe Hamilton Register of Deeds
 BK 1732 PG 538-547

Upon recording return to:
 Legal Department
 Centex Destination Properties
 1064 Greenwood Blvd., Suite 200
 Lake Mary, Florida 75201

Cross Reference:
 Deed Book 1196, Page 331 and
 Deed Book 1429, Page 88, and
 Deed Book 1582, Page 90,
 Real Estate Index for
 Jackson County, North Carolina

**AMENDMENT TO
 SUPPLEMENTAL DECLARATION OF COVENANTS, CONDITIONS,
 AND RESTRICTIONS FOR BEAR LAKE RESERVESM**

(Cottages Service Area)

THIS AMENDMENT TO SUPPLEMENTAL DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS FOR BEAR LAKE RESERVE (this "Amendment") is made this ~~22~~²³ day of ~~January~~^{January} 2008, by Centex Homes, a Nevada general partnership, d/b/a Centex Destination Properties (hereinafter referred to as "Declarant").

WITNESSETH:

WHEREAS, that certain Declaration of Covenants, Conditions, and Restrictions for Bear Lake Reserve was filed of record on August 26, 2003, in Book 1196, Page 331, *et seq.*, in the Real Estate Index for Jackson County, North Carolina (such instrument as amended and supplemented is herein referred to as the "Declaration");

WHEREAS, pursuant to the terms of Article VII, Section 7.11 of the Declaration, the Declarant may assign the submitted property described on Exhibit "A" to the Declaration to one or more Service Areas as Declarant deems appropriate, in Declarant's discretion, by filing a Supplemental Declaration in the aforesaid records;

WHEREAS, that certain Supplemental Declaration of Covenants, Conditions, and Restrictions for Bear Lake Reserve (Cottages Service Area) was filed of record on June 16, 2004, in Book 1429, Page 88, *et seq.*, of the aforesaid records, as amended and supplemented by that certain Supplement to the Supplemental Declaration of Covenants, Conditions and Restrictions for Bear Lake Reserve (Cottages Service Area) filed of record on April 18, 2006, in Book 1582, Page 90, *et seq.*, of the aforesaid records (such instrument as amended and supplemented is herein referred to as the "Supplemental Declaration");

WHEREAS, the Supplemental Declaration created the "Cottages Service Area";

WHEREAS, pursuant to the terms of Article VII, Section 7.11 of the Declaration, until termination of the Development and Sale Period, Declarant may unilaterally amend the Declaration or any Supplemental Declaration to designate or redesignate Service Area boundaries;

WHEREAS, the Development and Sale Period has not terminated;

WHEREAS, pursuant to Article 5 of the Supplemental Declaration, Declarant may unilaterally amend the Supplemental Declaration for any purpose, subject to the approval requirements set forth in Article XVI of the Declaration, if applicable, until the termination of the Class "B" Control Period.

WHEREAS, the Class "B" Control Period has not terminated;

WHEREAS, the approval requirements set forth in Article XVI of the Declaration are not applicable;

WHEREAS, Declarant desires to redesignate the boundaries of the Cottages Service Area by removing from the Cottages Service Area the land more particularly described on Exhibit "A" attached hereto and incorporated herein (the "Released Lots");

WHEREAS, Declarant is the owner of the land within the Released Lots identified on Exhibit "A" as Lot 42, and Declarant has obtained consent to this Amendment from the current owners of the land within the Released Lots identified on Exhibit "A" as Lot 46 and Lot 88, which consents are attached as Exhibit "B" and incorporated herein ;

NOW, THEREFORE, pursuant to the powers retained by Declarant under the Declaration, Declarant hereby removes the Released Lots from the provisions of the Supplemental Declaration. The Released Lots shall be sold, transferred, used, conveyed, occupied and mortgaged or otherwise encumbered pursuant to the provisions of this Amendment, 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 Amendment shall be binding upon Bear Lake Reserve Owners Association, Inc. in accordance with the terms of the Declaration. The Released Lots shall remain subject to the provisions of the Declaration.

ARTICLE 1
Definitions

The definitions set forth in Article II, Section 2.1 of the Declaration are incorporated herein by reference.

ARTICLE 2
Amendment to Service Area Designation

The Released Lots described on Exhibit "A" are hereby removed from the Cottages Service Area.

ARTICLE 3
Amendment to Service Area Maintenance Obligations

3.1 The Association shall not be responsible for performing the service area maintenance obligations set forth in Article 3 of the Supplemental Declaration with respect to the Released Lots.

3.2 The Released Lots shall not be assessed any portion of the Service Area Assessment applicable to the Cottages Service Area.

ARTICLE 4

Shared Septic Systems

Certain Lots may contain septic fields, as shown on a recorded plat of such Lots, which benefit an adjacent Lot. If a Released Lot contains such a septic field, the Owner of such Released Lot shall be restricted from disturbing the area containing the septic field and shall only undertake improvements, if permissible, after obtaining prior approval from the ARB.

ARTICLE 5

Declaration

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

[SIGNATURES ON NEXT PAGE]

Unofficial

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

DECLARANT:

CENTEX HOMES, a Nevada general partnership, d/b/a
Centex Destination Properties

By: Centex Real Estate Corporation, a Nevada corporation,
its managing general partner

By: [Signature]
Houston Todd, Division Vice President
Centex Destination Properties

STATE OF FLORIDA)
)
COUNTY OF SEMINOLE)

ACKNOWLEDGMENT

The foregoing instrument was acknowledged before me on this 22nd day of January, 2008, by Houston Todd, Division Vice President (Centex Destination Properties) of Centex Real Estate Corporation, the managing general partner of Centex Homes, a Nevada general partnership, on behalf of said partnership.

[Signature]
Notary Public

Print Name: EVA M. CARSELLO

Notary Public in and for the State of FLORIDA

My Commission Expires: 12-2-2010

[Notary Seal]



EXHIBIT "A"

RELEASED LOTS

ALL THOSE TRACTS OR PARCELS OF LAND located in the Bear Lake Reserve Subdivision, which is a subdivision of a portion of Parcel 7586-73-5277, River and Canada Townships, Jackson County, North Carolina, and being more particularly described as follows:

1. Lot 42 as depicted on that certain Plat recorded in Plat Cabinet 13, Slide 029 in the plat records of Jackson County, North Carolina;
2. Lot 46 as depicted on that certain Plat recorded in Plat Cabinet 13, Slide 027 of the aforesaid records; and
3. Lot 88 as depicted on that certain Plat recorded in Plat Cabinet 13, Slide 028 of the aforesaid records.

Unofficial



Doc ID: 003616170004 Type: CRP
 Recorded: 03/01/2007 at 04:29:36 PM
 Fee Amt: \$23.00 Page 1 of 4
 Jackson County, NC
 Joe Hamilton Register of Deeds
 BK **1656** PG **785-788**

Upon recording return to:
 Legal Department
 Centex Destination Properties
 1064 Greenwood Blvd., Suite 200
 Lake Mary, Florida 32746

Cross Reference:
 Deed Book 1196, Page 331,
 Real Estate Index for
 Jackson County, North Carolina

**SUPPLEMENTAL DECLARATION OF COVENANTS, CONDITIONS
 AND RESTRICTIONS FOR BEAR LAKE RESERVESM**

(Phase 2 Lots)

THIS SUPPLEMENTAL DECLARATION is made this 28th day of February 2007, by CENTEX HOMES, a Nevada general partnership, d/b/a Centex Destination Properties (the "Declarant").

W I T N E S S E T H:

WHEREAS, that certain Declaration of Covenants, Conditions, and Restrictions for Bear Lake Reserve was filed of record on August 26, 2003, in Book 1196, Page 331, *et seq.*, in the Real Estate Index for Jackson County, North Carolina (such instrument as amended and supplemented is herein referred to as the "Declaration");

WHEREAS, pursuant to the terms of Article IX, Section 9.1 of the Declaration, the Declarant may submit certain additional property described on Exhibit "B" of the Declaration to the terms of the Declaration;

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

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

WHEREAS, the Declarant's right to submit Additional Property to the Declaration pursuant to Section 9.1 of the Declaration has not expired;

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

NOW, THEREFORE, pursuant to the powers retained by Declarant under the Declaration, Declarant hereby subjects the Additional Property to the provisions of the Declaration and this Supplemental Declaration, which shall apply to such Additional Property in addition to the provisions of the Declaration. Such Additional 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 Additional Property and shall be binding upon all persons having any right, title, or any interest in such Additional Property, their respective heirs, legal representatives, successors, successors-in-title and assigns. The provisions of this Supplemental Declaration shall be binding upon Bear Lake Reserve Owners Association, Inc. in accordance with the terms of the Declaration.

ARTICLE 1
Definitions

The definitions set forth in Article II, Section 2.1 of the Declaration are incorporated herein by reference.

ARTICLE 2
Amendment to Supplemental Declaration

This Supplemental Declaration may be unilaterally amended in accordance with Article XXI of the Declaration.

ARTICLE 3
Declaration

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

[SIGNATURES APPEAR ON THE NEXT PAGE]

IN WITNESS WHEREOF, Declarant has caused this instrument to be executed on the day and year written above.

DECLARANT:

CENTEX HOMES, a Nevada general partnership, d/b/a Centex Destination Properties

By: Centex Real Estate Corporation, a Nevada corporation, its managing general partner

By: [Signature]
Edward G. Milgrim, Land Acquisition Manager
Centex Destination Properties
Mid-Atlantic Division

[CORPORATE SEAL]

STATE OF Florida
COUNTY OF Seminole

The foregoing instrument was acknowledged before me on this 28 day of February 2007, by David W. Early, Division President (Centex Destination Properties-Mid-Atlantic Division) of Centex Real Estate Corporation, the managing general partner of Centex Homes, a Nevada general partnership, on behalf of said partnership.

Shawna M. Hopkins
Notary Public

Print Name: Shawna M Hopkins

Notary Public in and for the State of Florida

My Commission Expires: 4/20/08

[Notary Seal]

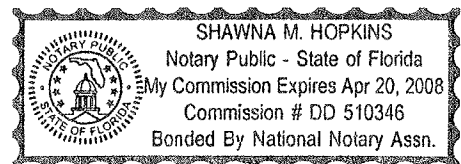


EXHIBIT "A"

Additional Property

ALL THOSE TRACTS OR PARCELS OF LAND located in the Bear Lake Reserve Subdivision, which is a subdivision of a portion of Parcel 7586-91-6291, River and Canada Townships, Jackson County, North Carolina, and being more particularly described as follows:

1. Lots 450-455 as depicted on that certain Plat recorded in Plat Cabinet 15, Slide 834 and re-recorded at Plat Cabinet 15, Slide 923 of the aforesaid records;
2. Lots 660-662 as depicted on that certain Plat recorded in Plat Cabinet 15, Slide 833 of the aforesaid records; and
3. Lots 664, 665, and 667-672 as depicted on that certain Plat recorded in Plat Cabinet 15, Slide 832 and re-recorded at Plat Cabinet 15, Slide 924 of the aforesaid records.



Doc ID: 003618900004 Type: CRP
 Recorded: 03/08/2007 at 11:31:25 AM
 Fee Amt: \$23.00 Page 1 of 4
 Jackson County, NC
 Joe Hamilton Register of Deeds
 BK **1658** PG **266-269**

Upon recording return to:
 Legal Department
 Centex Destination Properties
 1064 Greenwood Blvd., Suite 200
 Lake Mary, Florida 32746

Cross Reference:
 Deed Book 1196, Page 331,
 Real Estate Index for
 Jackson County, North Carolina

**SUPPLEMENTAL DECLARATION OF
 DECLARATION OF COVENANTS, CONDITIONS
 AND RESTRICTIONS FOR BEAR LAKE RESERVESM**

(Mountain Lodges at Bear Lake Reserve, a Condominium)

THIS SUPPLEMENTAL DECLARATION is made this 6th day of March, 2007, by CENTEX HOMES, a Nevada general partnership, d/b/a Centex Destination Properties (the "Declarant").

W I T N E S S E T H:

WHEREAS, that certain Declaration of Covenants, Conditions, and Restrictions for Bear Lake Reserve was filed of record on August 26, 2003, in Book 1196, Page 331, *et seq.*, in the Real Estate Index for Jackson County, North Carolina (such instrument, as amended and supplemented from time-to-time) is herein referred to as the "Declaration");

WHEREAS, pursuant to the terms of Article IX, Section 9.1 of the Declaration, the Declarant may submit certain additional property described on Exhibit "B" of the Declaration to the terms of the Declaration;

WHEREAS, the real property described on Exhibit "A" attached hereto (the "Additional Property") is a portion of that property described on Exhibit "B" to the Declaration;

WHEREAS, the Delcarant is the owner of the Additional Property;



WHEREAS, Declarant desires to subject the Additional Property to the Declaration and this Supplemental Declaration; and

WHEREAS, the Declarant's right to submit Additional Property to the Declaration pursuant to Section 9.1 of the Declaration has not expired.

NOW, THEREFORE, pursuant to the powers retained by Declarant under the Declaration, Declarant hereby subjects the Additional Property to the provisions of the Declaration and this Supplemental Declaration, which shall apply to such Additional Property in addition to the provisions of the Declaration. Such Additional 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 Additional Property and shall be binding upon all persons having any right, title, or any interest in such Additional Property, their respective heirs, legal representatives, successors, successors-in-title and assigns. The provisions of this Supplemental Declaration shall be binding upon Bear Lake Reserve Owners Association, Inc. in accordance with the terms of the Declaration.

ARTICLE 1
Definitions

The definitions set forth in Article II, Section 2.1 of the Declaration are incorporated herein by reference.

ARTICLE 2
Amendment to Supplemental Declaration

This Supplemental Declaration may be unilaterally amended in accordance with Article XXI of the Declaration.

ARTICLE 3
Declaration

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

[SIGNATURES APPEAR ON THE NEXT PAGE]

IN WITNESS WHEREOF, Declarant and Seller have caused this instrument to be executed on the day and year first written above.

DECLARANT:

CENTEX HOMES, a Nevada general partnership, d/b/a
Centex Destination Properties

By: Centex Real Estate Corporation, a Nevada
corporation, its managing general partner

By: *David W. Earley*
David W. Earley, Division President
Centex Destination Properties –
Mid-Atlantic Division

[CORPORATE SEAL]

STATE OF ~~NORTH CAROLINA~~ FLORIDA

COUNTY OF SEMINOLE

The foregoing instrument was acknowledged before me on this 6th day of March, 2007, by David W. Earley, Division President (Centex Destination Properties-Mid-Atlantic Division) of Centex Real Estate Corporation, the managing general partner of Centex Homes, a Nevada general partnership, on behalf of said partnership.

Greg M. Casella
Signature of Notary Public

Commission Expiration Date 12-2-2010

[Notary Seal]



EXHIBIT "A"

Additional Property

ALL OF THAT CERTAIN TRACT OR PARCEL OF LAND containing 2.23 acres as shown on that certain plat prepared by Ed Holmes & Associates, dated February 27, 2007, and recorded in Plat 16, Slide 153, Jackson County Registry, to which reference is specifically made



Doc ID: 003618910092 Type: CRP
Recorded: 03/08/2007 at 11:33:39 AM
Fee Amt: \$287.00 Page 1 of 92
Jackson County, NC
Joe Hamilton Register of Deeds
BK **1658** PG **270-361**

UPON RECORDING RETURN TO:
Legal Department
Centex Destination Properties
1064 Greenwood Blvd., Ste. 200
Lake Mary, Florida 32746

**DECLARATION OF CONDOMINIUM
FOR
MOUNTAIN LODGES AT BEAR LAKE RESERVE, A CONDOMINIUM**

**A Condominium Pursuant to
the North Carolina Condominium Act,
*North Carolina General Statutes, Chapter 47C***

**THIS DOCUMENT REGULATES OR PROHIBITS THE DISPLAY OF THE FLAG OF
THE UNITED STATES OF AMERICA OR STATE OF NORTH CAROLINA.**

**THIS DOCUMENT REGULATES OR PROHIBITS THE DISPLAY OF POLITICAL
SIGNS.**

**DECLARATION OF CONDOMINIUM
FOR
MOUNTAIN LODGES AT BEAR LAKE RESERVE, A CONDOMINIUM**

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**DECLARATION OF CONDOMINIUM
FOR
MOUNTAIN LODGES AT BEAR LAKE RESERVE, A CONDOMINIUM**

THIS DECLARATION OF CONDOMINIUM (herein referred to as the “Declaration”) is made by Centex Homes, a Nevada general partnership, d/b/a Centex Destination Properties (hereinafter called the “Declarant”), having a place of business located at 300 Executive Center Drive, Suite 258, Greenville, South Carolina 29615, pursuant to the North Carolina Condominium Act, North Carolina General Statutes, Chapter 47C (herein referred to as the “Act”).

WITNESSETH

WHEREAS, Declarant is the fee simple owner of that certain tract or parcel of land lying and being in Jackson County, North Carolina, as more particularly described in Exhibit “A” attached hereto and incorporated herein by reference (hereinafter called the “Property”), subject to the matters set forth on Exhibit “E” attached hereto (the “Permitted Exceptions”);

WHEREAS, this Declaration imposes upon the Property mutually beneficial restrictions under a general plan of improvement for the benefit of the Unit Owners, and establishes a flexible and reasonable procedure for the overall development, administration and maintenance of the Property. In furtherance of such plan, Declarant has established Mountain Lodges at Bear Lake Reserve Condominium Association, Inc. to operate and maintain the Common Elements and to administer and enforce the provisions of the Condominium Instruments; and

WHEREAS, Declarant desires to submit the Property to the condominium form of ownership pursuant to the provisions of the Act, as the same is in effect on the date hereof and the terms and conditions hereinafter set out.

NOW, THEREFORE, Declarant does hereby submit the Property to the condominium form of ownership pursuant to, subject to, and in accordance with the provisions of the Act and the terms and conditions hereinafter set forth and subject to the Permitted Exceptions.

ARTICLE 1: NAME

The name of the condominium is Mountain Lodges at Bear Lake Reserve, A Condominium (hereinafter referred to as the “Condominium”).

ARTICLE 2: DEFINITIONS

Unless the context requires otherwise, capitalized terms used in this Declaration, the By-Laws and the Articles of Incorporation shall be defined as set forth in this Article 2. If not otherwise defined herein, the capitalized terms used in this Declaration, the By-Laws and the Articles of Incorporation shall have their normal, generally accepted meanings or the meanings given in the Act or the North Carolina Nonprofit Corporation Act.

2.1 “Act”: The North Carolina Condominium Act, North Carolina General Statutes, Chapter 47C, as amended from time to time. All citations to the Act contained in this

Declaration refer to the Section number under the Act. For the complete statutory citation of each section of the Act, the Act Section number is preceded by “47C”; for example the statutory citation for Section 1-101 of the Act is North Carolina General Statutes, Section 47C-1-101.

2.2 “Additional Property”: That property described on Exhibit “B,” attached hereto and incorporated herein which may be submitted to the Condominium as provided in this Declaration.

2.3 “Allocated Interest”: The undivided interest in the Common Elements, the Common Expense liability, and votes in the Association allocated to each Unit.

2.4 “ARB” : The Architectural Review Board for the Condominium, if established, as described in Article 12.

2.5 “Articles of Incorporation” or “Articles”: The Articles of Incorporation of Mountain Lodges at Bear Lake Reserve Condominium Association, Inc., filed with the Secretary of State of North Carolina, as amended from time to time.

2.6 “Association”: The Mountain Lodges at Bear Lake Reserve Condominium Association, Inc., a North Carolina nonprofit corporation, its successors and assigns.

2.7 “Bear Lake Reserve”: That certain master-planned community located on the property described in Exhibit “A” of the Master Declaration, located in Jackson County, North Carolina, and commonly known and referred to as Bear Lake Reserve. The Condominium is located within and is a part of Bear Lake Reserve.

2.8 “Board of Directors” or “Board”: The elected body responsible for management and operation of the Association as further described in the By-Laws.

2.9 “By-Laws”: The By-Laws of Mountain Lodges at Bear Lake Reserve Condominium Association, Inc., attached to this Declaration as Exhibit “C”, as supplemented and/or amended from time to time.

2.10 “Club”: The Bear Lake Reserve Club, as defined by the Club Documents, whether known by that name and/or such other name or names as Declarant, or an affiliate of Declarant, shall designate for all or any portion of the Club.

2.11 “Club Documents”: Bear Lake Reserve Club Membership Agreement, Membership Plan, the rules and regulations promulgated by the Club Owner and all the instruments and documents referred to therein, as each may exist, or be supplemented and/or amended from time to time (including without limitation any such other instruments and/or documents as the Club Owner shall adopt).

2.12 “Club Facilities”: Any programs, activities and/or services provided or offered by the Club Owner together with real property and any improvements and facilities thereon that are located adjacent to, in the vicinity of and/or within Bear Lake Reserve and that are owned and/or operated by the Club Owner or its successors or assigns pursuant to the Club Documents. Any Club Facilities will be and are hereby designated by Declarant as Private Amenities.

2.13 “Club Owner”: Any entity(ies), which may be Declarant, an affiliate of Declarant, and/or such other party determined by Declarant, which owns and/or operate(s) all or any portion of the Club and/or the Club Facilities.

2.14 “Common Element(s)”: That portion of the property subject to this Declaration which is not included within the boundaries of a Unit, as more particularly described in this Declaration.

2.15 “Common Expense(s)”: The expenses incurred and/or anticipated to be incurred by the Association for the general benefit of all Units, including, but not limited to, (a) those expenses incurred for maintaining, repairing, replacing and/or operating the Common Elements; (b) expenses determined by the Association to be Common Expenses and which are lawfully assessed against Owners; (c) expenses declared to be Common Expenses by the Act or Condominium Instruments; and (d) reasonable reserves established for the payment of any of the foregoing. Notwithstanding anything to the contrary set forth herein, it is understood and agreed that the Common Expenses shall include, without limitation, amounts charged to the Association on a master billing for any utility or other services provided to the Association for the benefit of the Condominium including, without limitation, water and sewer utility charges, and charges for either a basic satellite or cable television system.

2.16 “Community-Wide Standard”: The standard of conduct, maintenance or other activity generally prevailing within the Condominium or, if the context requires, within Bear Lake Reserve. Such standard may be more specifically determined by the Board of Directors and/or the ARB.

2.17 “Condominium”: All that property described in Exhibit “A” attached hereto and incorporated herein by this reference, submitted to the provisions of the Act by this Declaration, and such other property as may hereafter be submitted to the provisions of the Act by supplement or amendment to this Declaration, together with all buildings and improvements thereon.

2.18 “Condominium Instruments”: This Declaration and all exhibits to this Declaration, the By-Laws, the Articles of Incorporation, the rules and regulations of the Association, any architectural guidelines, the Plat and Plans and all cost sharing agreements, all as may be supplemented or amended from time to time.

2.19 “Declarant-Control Period”: That full period of time during which Declarant initially has the right to appoint and remove officers and members of the Board (irrespective of whether such right is voluntarily surrendered prior to the end of the period set forth in Section 19.1).

2.20 “Development and Sale Period”: The period of time during which Declarant owns any portion of the Condominium or has the unilateral right to subject Additional Property to the Condominium pursuant to Article 22. Declarant may, but shall not be obligated to, unilaterally relinquish some or all of its rights under this Declaration and terminate the Development and Sale Period by recording a written instrument in the Public Records.

2.21 “Eligible Mortgage(s)”: Those holders of first Mortgages secured by Units in the Condominium who have submitted a written request to the Association to be notified of certain items as set forth in this Declaration.

2.22 “Limited Common Element(s)”: A portion of the Common Elements reserved for the exclusive use of those entitled to occupy one (1) or more, but less than all, Units, as more particularly set forth in this Declaration, as may be amended or supplemented from time to time.

2.23 “Majority”: Those eligible votes, Owners or other group as the context may indicate totaling more than fifty percent (50%) of the total eligible number.

2.24 “Master Association”: The Bear Lake Reserve Owners Association, Inc., a North Carolina nonprofit corporation, its successors and assigns.

2.25 “Master Declaration”: The Declaration of Covenants, Conditions, and Restrictions for Bear Lake Reserve filed of record on August 26, 2003 at Book 1196, Page 331 in the Public Records of Jackson County, North Carolina, as may be supplemented and amended from time to time.

2.26 “Master Documents”: The governing documents of the Master Association, including the Master Declaration, the by-laws, articles of incorporation, design guidelines, and rules and regulations, if any, of the Master Association, as each may be supplemented and amended from time to time.

2.27 “Mortgage”: Any mortgage, deed to secure debt, deed of trust or other transfer or conveyance for the purpose of securing the performance of an obligation.

2.28 “Mortgagee”: The holder of any Mortgage.

2.29 “Occupant”: The Owner(s) or lessee(s) of any Unit and their respective guests, family, tenants and invitees or any other Person who either lawfully or unlawfully occupies or comes upon such Unit.

2.30 “Owner” or “Unit Owner”: Each record title holder of a Unit within the Condominium, but not including a Mortgagee.

2.31 “Person”: Any individual, corporation, firm, association, partnership, trust, limited liability company or other legal entity.

2.32 “Plats and Plans”: Any plats or plans of all or any portion of the Condominium recorded in the Public Records. The initial Plats and Plans are recorded in Plat Cabinet 16, Slides 153 and Slides 154 through 158 of the Public Records.

2.33 “Private Amenities”: Certain real property and any improvements and facilities thereon which are located within, adjacent to, or in the vicinity of Bear Lake Reserve and which are designated by Declarant as Private Amenities. Private Amenities may be owned and operated, in whole or in part, by Persons other than the Association for recreational, social and/or other purposes. Private Amenities shall not be subject to this Declaration and shall not be

Common Elements or Units. 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 club membership, daily fee, use fee, public or private basis or otherwise

2.34 “Public Records”: The Registry of Deeds for Jackson County, North Carolina or such other place which is designated as the official location for recording of deeds, Plats and Plans, and similar documents affecting title to real estate in Jackson County, North Carolina.

2.35 “Rental Management Company”: An entity, if any, engaged by Declarant from time to time to manage a Unit Rental Program available for Owners pursuant to Article 23 of this Declaration.

2.36 “Total Eligible Association Vote”: The total vote in the Association, less any votes that have been suspended pursuant to the provisions of this Declaration.

2.37 “Unit”: A portion of the Condominium intended for separate ownership or occupancy, the boundaries of which are defined pursuant to Article 4 of this Declaration, and for which a certificate of occupancy has been issued.

2.38 “Unit Rental Program”: The manner in which some Units may be managed and rented by a Rental Management Company. If a Unit Rental Program is established, each Owner shall have the option, but not the obligation, of participating in this program in accordance with a separate agreement between such Owner and the Rental Management Company. Each Owner may also enter into a rental program that is sponsored by an entity other than the Rental Management Company as provided herein.

ARTICLE 3: LOCATION, PROPERTY DESCRIPTION, PLATS AND PLANS

The Condominium subject to this Declaration and the Act is located on the property in Jackson County, North Carolina, being more particularly described in Exhibit “A.” The Plat and the Plans of the Condominium have been filed in the Public Records.

During the Development and Sale Period, Declarant reserves the right, but shall have no obligation, to make improvements and changes to all or part of the Common Elements and to any Units owned by Declarant (other than changes to the location of Unit boundaries except as expressly permitted herein), including, without limitation, addition and realignment of parking spaces, renovation and installation of changes to utility systems and facilities, rearrangement and installation of security and refuse facilities, work relating to building exteriors, landscaping and extension of the drives and utility lines and pipes located on the Condominium.

Additionally, throughout the Development and Sale Period, Declarant expressly reserves (a) all “Development Rights” (as defined in Section 1-103(11) of the Act), including, without limitation, the right to add real estate to the Condominium; to create Units, Common Elements, and Limited Common Elements within the Condominium; to subdivide Units and/or convert Units into Common Elements; and/or to withdraw real estate from the Condominium and (b) all “Special Declarant Rights” (as defined in Section 1-103(23) of the Act), including without limitation, any rights reserved for the benefit of Declarant to complete improvements indicated on the Plats and Plans; to exercise any Development Rights set forth herein; to maintain sales

offices, management offices, signs advertising the Condominium, and models; to use easements throughout the Common Elements for the purpose of making improvements within the Condominium or within real estate to be added to the Condominium; to make the Condominium part of a larger Condominium; and to appoint or remove any officer of the Association or Board member during the Declarant Control Period. Declarant hereby reserves such Development Rights and Special Declarant Rights for a period of seven (7) years after the date this Declaration is recorded in the Public Records, and such Development Rights and Special Declarant Rights shall apply to the Condominium and the Additional Property.

ARTICLE 4: UNITS AND BOUNDARIES

Upon completion of initial construction, it is anticipated that the Condominium will be divided into one (1) building, containing a total of four (4) separate Units, the Limited Common Elements and the Common Elements. Each Unit consists of a dwelling space. Declarant reserves the right, without obligation, to construct additional buildings and Units, whether within the Condominium, or by expanding the Condominium as set forth in Article 22 below, as to include one or more Units, Common Elements, and/or Limited Common Elements. The maximum number of Units that may be created within the Condominium is one hundred fifty-two (152) Units. Each Unit, together with an undivided interest in the Common Elements, shall be conveyed as a separately designated and legally described freehold estate subject to the Act and the Condominium Instruments. The Units are depicted on the Plats and Plans. Each Unit includes that part of the structure which lies within the following boundaries:

4.1 Horizontal (Upper and Lower) Boundaries. The upper horizontal boundary of each Unit shall be the plane formed by the lower surface of the sheetrock, drywall or other material comprising the ceiling, so that the sheetrock, drywall, or other material comprising the ceiling shall constitute a portion of the Common Elements. The lower horizontal boundary of each Unit shall be the plane formed by the upper surface of the subfloor of such Unit (the subfloor being defined as the surface on which the finished floor covering (i.e., tile or carpeting) or the underlayment therefore (i.e., padding, matting or other material) supporting the finished floor covering, with the finished floor covering and underlayment constituting part of the Unit and the subfloor constituting part of the Common Elements.

4.2 Vertical Boundaries. The perimetrical or vertical boundaries of each Unit shall be the plane formed by the inner unfinished surface of the outermost walls of the Unit extended to their intersection with each other and the upper and lower horizontal boundaries, such that the sheetrock, drywall or other material comprising the outermost walls of the Unit constitute a portion of the Common Elements. Notwithstanding the foregoing, exterior doors, windows and exterior glass surfaces serving the Unit, including, without limitation, the frames for such items, shall be included within the boundaries of the Unit. All portions of heating and air conditioning systems serving a single Unit (including, without limitation, the compressor and any pipes, wires, or lines serving such system located within or outside the Unit boundaries, and all duct work for heating and air conditioning systems) and all appliances and plumbing fixtures within a Unit shall be a part of the Unit.

4.3 Additional Information to Interpret Unit Boundaries. All appliances and plumbing fixtures within a Unit shall be a part of the Unit; provided, however, that to the extent

that any pipes, chutes, flues, ducts, conduits, wires, bearing walls, bearing columns, or any other apparatus or fixture lies partially within and partially outside of the designated boundaries of a Unit, any portions thereof serving only that Unit shall be deemed a part of that Unit; while any portions thereof serving more than one (1) Unit or any portion of the Common Elements shall be deemed a part of the Common Elements.

In interpreting deeds and Plats and Plans, the existing physical boundaries of a Unit as originally constructed or of a Unit reconstructed in substantial accordance with the original Plats and Plans thereof shall be conclusively presumed to be its boundaries rather than the metes and bounds expressed in any deed or plan, regardless of settling or lateral movement of the building in which the Unit was located, and regardless of minor variance between the boundaries shown on the Plats and Plans or in a deed and those of the Unit.

The ownership of each Unit shall include, and there shall pass with each Unit as appurtenances thereto whether or not separately described in the conveyance thereof, that percentage of the undivided right, title and interest in the Common Elements attributable to such Unit, together with membership in the Association and an undivided interest in the funds and assets held by the Association. Every portion of a Unit and all Common Elements contributing to the support of an abutting Unit shall be burdened with an easement of support for the benefit of such abutting Unit.

ARTICLE 5: COMMON ELEMENTS

The Common Elements consist of all portions of the Condominium not located within the boundaries of a Unit. Ownership of the Common Elements shall be by the Unit Owners as tenants-in-common. Each Unit is allocated an equal undivided interest in the Common Elements.

Unless otherwise set forth herein or in the Act, such percentages of undivided interest may be altered only by the consent of all Owners and Mortgagees (or such lesser number of Owners and Mortgagees as may hereafter be prescribed by the Act) expressed in a duly recorded amendment to this Declaration. The percentage of undivided interest of each Owner in the Common Elements is appurtenant to the Unit owned by the Owner and may not be separated from the Unit to which it appertains and such appurtenance shall be deemed to be conveyed or encumbered or to otherwise pass with the Unit whether or not expressly mentioned or described in a conveyance or other instrument describing the Unit.

The Common Elements shall remain undivided, and no Owner or any other Person shall have the right to bring any action for partition or division of the whole or any part thereof except as provided in the Act. Except as provided for Limited Common Elements or as otherwise provided herein, each Owner and the Association may use the Common Elements for the purposes for which they are intended, but no such use shall enter or encroach upon the lawful rights of the other Owners. Each Owner and Occupant shall have a non-exclusive right and easement of use and enjoyment in and to the Common Elements (including the right of access, ingress and egress to and from the Unit over those portions of the Condominium designated for such purpose), and such easement shall be appurtenant to and shall pass with the title to such Unit, subject to the rights of the Unit Owners to the exclusive use of the Limited Common

Elements assigned to their respective Units and to the right of the Association to control the use and enjoyment of the Common Elements as provided by the terms of this Declaration. Every portion of a Unit and all Common Elements contributing to the support of an abutting Unit shall be burdened with an easement of support for the benefit of such abutting Unit.

ARTICLE 6: LIMITED COMMON ELEMENTS

6.1 Designation. The Limited Common Elements and the Unit(s) to which they are assigned are:

(a) any balcony, patio, porch, or deck(s) attached to or serving only one (1) Unit is assigned as a Limited Common Element to the Unit so served; and, any balcony, patio, porch, or deck(s) is attached to or serving more than one (1) Unit but less than all Units, are assigned as a Limited Common Element to the Units so served;

(b) any carport, parking space or storage space which is assigned to a Unit pursuant to an amendment to the Declaration or a supplemental declaration recorded in the Public Records, is also assigned as a Limited Common Element to the Unit so designated;

(c) any utility meter which serves only one (1) Unit is assigned as a Limited Common Element to the Unit so served;

(d) any mailbox or mail slot assigned to a Unit is a Limited Common Element to the Unit to which it is assigned;

(e) entry foyers, hallways, corridors and stairwells accessible from more than one (1), but less than all, Units are assigned as Limited Common Elements to the Unit or Units so served;

(f) any private driveway serving more than one (1), but less than all, Units are assigned as a Limited Common Element to the Unit or Units so served;

(g) Any shutters, awnings, and window boxes attached to or serving only one (1) Unit is assigned as a Limited Common Element to the Unit so served.

The Limited Common Elements are assigned in accordance with Section 2-108 of the Act and with the Plats and Plans and as designated on Exhibit "D" attached hereto.

6.2 Assignment and Reassignment. The Board, without a membership vote, is hereby authorized to assign Limited Common Elements not previously assigned. The Board may also, with the consent of all Unit Owners affected, reassign Limited Common Elements previously assigned with the consent of all Unit Owners affected in accordance with Section 2-108(b) of the Act. The Board may assign Common Elements not previously assigned with the unanimous consent of the Unit Owners in accordance with Section 2-108(c) of the Act. Notwithstanding anything herein to the contrary, during the Development and Sale Period, the Board is not authorized to assign or reassign any Common Element and/or any Limited Common Element without the prior written consent of Declarant during the Development and Sale Period. Furthermore, during the Development and Sale Period, Declarant shall have the right to assign

and reassign Limited Common Elements, on behalf of the Association and to allocate other Limited Common Elements, as provided under Section 2-105(a)(7) of the Act.

6.3 Right to Relocate Certain Equipment Serving a Unit. Notwithstanding any provision to the contrary contained herein, the Board, at the sole expense of the Association, shall have the right without need for a membership vote and without the consent of any affected Unit Owner, to relocate any portion of the air conditioning, heating, telephone and/or cable, plumbing, ventilating, exhaust and/or electrical and/or other systems serving a particular Unit, provided that after such relocation, the system serving the Unit functions at least as well and at no greater cost to the Unit Owner as existed prior to the relocation.

ARTICLE 7: ASSOCIATION MEMBERSHIP AND ALLOCATIONS

7.1 Membership. All Owners, by virtue of their ownership of an interest in a Unit, are members of the Association and shall be entitled to vote on all matters upon which members of the Association are entitled to vote pursuant to this Declaration and the Act and in accordance with the By-Laws.

7.2 Votes. Subject to the provisions of the Condominium Instruments, each Owner shall be entitled to one (1) equally weighted vote for each Unit in which such Owner holds the interest required for membership, which vote shall be appurtenant to such Unit. In any situation where 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.

7.3 Allocation of Liability for Common Expenses. Except as otherwise provided herein, each Unit is hereby allocated liability for Common Expenses apportioned equally among the Unit Owners.

(a) Except as provided below, or in the Act, the amount of all Common Expenses shall be assessed against all the Units in accordance with the allocation of liability for Common Expenses described above.

(b) The Board shall have the power to assess specifically pursuant to this Section and to Section 3-115 of the Act, as in its sole and absolute discretion it deems appropriate. Failure of the Board to exercise its authority under this Section shall not be grounds for any action against the Association or the Board and shall not constitute a waiver of the right to exercise authority under this Section in the future with respect to any expenses, including an expense for which the Board has not previously exercised its authority under this Section.

(i) Any Common Expenses benefiting less than all of the Units or significantly disproportionately benefiting all Units may be specifically assessed equitably among all of the Units which are benefited according to the benefit received.

(ii) Any Common Expenses occasioned by the conduct of less than all of those entitled to occupy all of the Units or by the Occupant(s), licensees or invitees of any such Unit or Units may be specifically assessed against such Unit or Units.

For purposes of subsection (b) of this Section, non-use of Common Elements shall constitute a benefit to less than all Units or a significant disproportionate benefit among all Units only when such non-use results in an identifiable, calculable reduction in cost to the Association, as determined in the discretion of the Board.

7.4 Master Association and Club. Each Owner, by acceptance of a deed to a Unit, acknowledges and agrees that, pursuant to the Master Documents, all Owners shall be members of the Master Association and shall be subject to the Master Documents. Each Owner further acknowledges that, pursuant to the Master Documents, the Condominium has been or may be designated as a “**Service Area**” (as such term is defined in the Master Documents). If there are conflicts between the provisions of North Carolina law, the Master Documents, this Declaration, the By-Laws, and the Articles of Incorporation, then the provisions of North Carolina law, the Master Documents, this Declaration, the Articles of Incorporation, and the By-Laws (in that order) shall prevail. Each Owner, by acceptance of a deed to a Unit, also acknowledges and agrees pursuant to the Master Declaration and this Declaration, all Owners shall be members of the Club and shall be subject to the Club Documents.

ARTICLE 8: ASSOCIATION RIGHTS AND RESTRICTIONS

8.1 Right of Entry. The Association shall have the right to enter into Units and any Limited Common Elements assigned thereto for maintenance, emergency, security and/or safety purposes, which right may be exercised by the Association’s Board, officers, agents, employees, managers and all police officers, fire fighters, ambulance and similar emergency personnel in the performance of their respective duties. Except in an emergency situation, entry shall be only during reasonable hours and after reasonable notice to the Owner or Occupant of the Unit. For purposes of this Section, and without limiting the foregoing, a water or other utility leak, fire, strong foul odor, obvious insect infestation or sound indicating that a person or animal might be injured or sick and require immediate medical attention shall be considered emergencies justifying immediate entry into a Unit and any Limited Common Elements assigned thereto. The failure to exercise the rights herein or to exercise said rights in a timely manner shall not create liability to any of the above-referenced parties, it being agreed that no duty to enter a Unit shall exist.

8.2 Rules and Regulations. The Association shall have the right to make and to enforce reasonable rules and regulations governing the use of the Condominium, including, without limitation, the Units, Limited Common Elements and Common Elements.

8.3 Right of Enforcement.

(a) The Board, or a committee established by the Board for such purpose, may impose sanctions or take any such action as provided herein and the Act for violation of the Condominium Instruments, after compliance with the notice and hearing procedures set forth in the By-Laws. Such sanctions may include, without limitation:

(i) imposing monetary fines which shall constitute a lien upon the Unit of the violator. Any such fines shall be considered an assessment against the Unit and may be collected in the manner provided for collection of other assessments;

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

(iii) suspending any Person's right to use any recreational facilities and other common privileges within the Common Elements; provided, however, that nothing herein shall authorize the Board to limit ingress or egress to or from a Unit; and

(iv) suspending any services provided by the Association to an Owner or the Owner's Unit if the Owner is more than thirty (30) days delinquent in paying any assessment or other charge owed to the Association.

(b) In the event that any Occupant of a Unit violates the Condominium Instruments, the Board or a committee established by the Board for such purpose, may sanction such Occupant and/or the Owner of the Unit that the violator is occupying or visiting. In the event that such sanction includes the imposition of a fine, the fine may first be assessed against the Occupant; provided, however, that 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.

(c) In addition, the Board or a committee established by the Board for such purpose, may elect to enforce any provision of the Condominium Instruments by 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 Condominium Instruments) without the necessity of compliance with the procedures set forth in the By-Laws. The Association may levy a benefited assessment to cover all costs incurred in bringing a Unit into compliance with the terms of the Condominium Instruments.

(d) Notwithstanding anything herein to the contrary, the Association may also take the following actions without the necessity of compliance with the procedures set forth in the By-Laws: (1) elect to enforce any provisions of the Condominium Instruments by suit at law or in equity to enjoin any violation or to recover monetary damages or both; or (2) subject to subsection 9.3(e), terminate any water, gas, electricity, heat, air conditioning, or other utility services being provided to a Unit or Unit Owner by the Association for failure to pay assessments and other amounts due pursuant to the Act to the fullest extent allowed by North Carolina law.

(e) All remedies set forth in this Declaration and the By-Laws shall be cumulative of any remedies available at law and/or in equity. In any action or remedy taken by the Association to enforce the provisions of the Condominium Instruments, if the Association prevails, it shall be entitled to recover all costs, including, without limitation, reasonable attorneys' fees actually incurred and court costs in the same manner as an action for collection of assessments.

(f) 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.

(g) 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 Condominium for the benefit of the Association and its members.

(h) The Association may enforce the provisions of the Master Documents on the Condominium for the benefit of the Master Association, the Association, and their respective members.

8.4 Permits, Licenses, Easements, etc. The Association shall have the right to grant permits, licenses, utility easements and other easements over, through and under the Common Elements without a vote of the Owners; provided, however, that the grantee of any such permit, license, or easement shall be responsible for repairing and/or restoring the Common Elements as a result of any damage caused thereto by the exercise of any permit, license, or easement granted hereunder.

8.5 Right of Maintenance. The Association shall have the right to control, manage, operate, maintain, improve and replace all portions of the Condominium for which the Association is assigned maintenance responsibility under this Declaration or the Act.

8.6 Property Rights. The Association shall have the right to acquire, hold and dispose of tangible and intangible personal property and real property.

8.7 Casualty Loss. The Association shall have the right to deal with any third party as attorney-in-fact for the Owners and the Association in the event of damage or destruction to any portion of the Condominium as a result of casualty loss, condemnation or eminent domain, in accordance with the provisions of the Act and this Declaration. The award made for such taking or proceeds of such master casualty policy shall be payable to the Association to be held in trust for the Unit Owners and their Mortgagees, as their interests may appear, and shall be used to repair, replace or restore the structure or Common Element damaged by such casualty, in accordance with Sections 1-107 and 3-113(h) of the Act, as applicable, unless the Owners, to the extent permitted by the Act and this Declaration, vote not to repair, replace or restore the same, or vote to terminate the Condominium pursuant to Section 2-118 of the Act.

8.8 Governmental Entities. The Association shall have the right to represent the Owners in dealing with governmental entities.

8.9 Common Elements. During the Development and Sale Period, Declarant shall have the right to close temporarily any portion of the Common Elements (including, without limitation, the Limited Common Elements, and excluding any portion of the Common Elements which provide the exclusive access to Units) for emergency, security or safety purposes or for any such other reasonable purpose as determined in the sole discretion of Declarant, with no prior notice of such closing to the Owners. Without limiting the generality of the foregoing, Declarant's rights under this Section 8.9 shall include those which are necessary or useful in Declarant's exercise of any Development Rights (as set forth in Section 1-103(11) of the Act) and Special Declarant Rights (as set forth in Section 1-103(23) of the Act).

8.10 Cooperation with the Master Association, Service Area and Other Associations and Club Owner. The Association may contract or cooperate with the Master Association, any other property or homeowners associations or entities or any owner of a Private Facility, including but not limited to the Club, within Bear Lake Reserve as convenient or necessary to provide services and/or privileges and to fairly allocate costs among the parties utilizing such services and privileges which may be administered by the Association or such other organizations, for the benefit of Owners and their family members, guests, tenants and invitees. The costs associated with such efforts by the Association (to the extent not chargeable to other organizations) shall be a Common Expense, if for the benefit of all Owners (as determined in the sole discretion of the Board) or shall be a benefited assessment if for the benefit of one or more but less than all Owners (as determined in the sole discretion of the Board).

8.11 Powers of the Master Association Relating to the Association. The Master Association shall have the authority to veto any action taken or contemplated to be taken by the Association which the board of directors of the Master Association reasonably determines to be adverse to the interests of the Master Association or its members or inconsistent with the Community-Wide Standard of the Master Association. The Master Association shall also have the authority to require specific action to be taken by the Association in connection with its obligations and responsibilities hereunder, under the Master Documents, or under any other covenants or instruments affecting the Condominium. Without limiting the generality of the foregoing, the Master Association may require specific maintenance or repairs or aesthetic changes to be effectuated by the Association, may require that a proposed budget include certain items and that expenditures be made therefor, and may veto or cancel any contract providing for maintenance, repair or replacement of any portion of the Condominium.

8.12 Conveyance or Encumbrances of Common Elements. Portions of the Common Elements may be conveyed or subjected to a security interest by the Association if consented to by eighty percent (80%) of the Unit Owners, other than Declarant; provided that all of the Unit Owners to which any Limited Common Element is allocated must consent in order to convey such Limited Common Element or subject it to a security interest. Distribution of the proceeds of the sale of a Limited Common Element shall be as provided by agreement between the Unit Owners to which it is allocated and the Association. Proceeds of the sale or financing of a Common Element (other than a Limited Common Element) shall be an asset of the Association. Conveyance or Encumbrance of Common Element shall be subject to the provisions of Section 3-112 of the Act.

ARTICLE 9: ASSESSMENTS

9.1 Purpose of Assessment. The Association shall have the power to levy assessments as provided herein and in the Act. The assessments for Common Expenses provided for herein shall be used for the general purposes of promoting the recreation, health, safety, welfare, common benefit and enjoyment of the Owners and Occupants of Units in the Condominium as may be more specifically authorized from time to time by the Board.

9.2 Creation of the Lien and Personal Obligation For Assessments. Each Owner of a Unit, by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Association: (i) annual assessments or charges; (ii)

special assessments; and (iii) benefited assessments, all as herein provided. All such assessments, together with late charges, interest, costs and reasonable attorneys' fees actually incurred, and if the Board so elects, the fair rental value of the Unit, in the maximum amount permitted by the Act, shall be a charge on the Unit and if due and unpaid for a period of thirty (30) days shall constitute a lien upon the Unit against which each assessment is made. Such lien shall have priority as provided in Section 3-116(b) of the Act and shall be superior to all other liens, except (a) liens for real estate taxes and other governmental assessments or charges against the Unit, (b) liens and encumbrances (specifically including, but not limited to, a Mortgage) recorded before the docketing of the lien in the office of the clerk of the superior court, and (c) the lien of the Master Association for delinquent assessments and other charges due under the Master Documents. Such lien may be enforced by suit, judgment and/or judicial or non-judicial foreclosure to the same extent permitted a Mortgagee under and in accordance with, the laws of North Carolina including, without limitation, foreclosure by power of sale under Article 2A of Chapter 45 of the North Carolina General Statutes subject to Section 3-116 of the Act. This subsection does not affect the priority of mechanics' or materialmen's liens, unless otherwise permitted by law.

Such amounts shall also be the personal obligation of each Person who was the Owner of such Unit at the time when the assessment was due. Except as otherwise provided in the Act, each Owner and each successor-in-title to the Unit shall be jointly and severally liable for all assessments and charges due and payable at the time of any conveyance. Assessments shall be paid in such manner and on such dates as may be fixed by the Board. Except as otherwise provided herein, no Owner may exempt him or herself from liability for, or otherwise withhold payment of, assessments for any reason whatsoever, including, but not limited to, non-use of the Common Elements, the Association's failure to perform its obligations required under this Declaration or inconvenience or discomfort arising from the Association's performance of its duties.

9.3 Delinquent Assessments. All assessments and related charges not paid on or before the due date shall be delinquent, and the Owner shall be in default.

(a) If any installment of annual assessments or any part thereof is not paid in full when due or if any other charge is not paid when due, a late charge equal to the greater of Twenty Dollars (\$20.00) per month or ten percent (10%) of the amount not paid, or such higher amounts as may be authorized by the Act, may be imposed without further notice or warning to the delinquent Owner and interest at the highest rate as permitted by the Act and adopted by resolution of the Board shall accrue from the due date. Additionally, any past due Common Expense assessment or installment thereof shall bear interest at the rate established by the Association from time to time, not to exceed any maximum set forth in the Act or otherwise by the laws of the State of North Carolina.

(b) If partial payment of assessments and related charges is made, the amount received shall be applied in the following order, and no restrictive language on any check or draft shall be effective to change the order of application:

(i) respectively, to any unpaid late charges, interest charges and benefited assessments (including, but not limited to, fines) in the order of their coming due;

(ii) to costs of collection, including, without limitation, reasonable attorneys' fees actually incurred by the Association, subject to the requirements in Section 3-116(e) of the Act, if applicable;

(iii) to any unpaid installments of the annual assessment or special assessments in the order of their coming due; and

(iv) if the Board so elects, to the fair rental value of the Unit during the pendency of suit and prior to satisfaction of any judgment which remains unpaid. The fair rental value of the Units, for purposes of this Section, shall be as established from time to time by the Board.

(c) If assessments, fines or other charges or any part thereof due from an Owner are not paid when due, a notice of delinquency may be given to that Owner stating that if the assessment, fine or charge remains delinquent for more than ten (10) days from the date of the notice of delinquency, the Board may accelerate and declare immediately due all of that Owner's unpaid installments of the annual assessment and of any special assessment. If an Owner fails to pay all assessments and related charges currently due within ten (10) days of the date of the notice of delinquency, the Board may then accelerate and declare immediately due all installments of the annual assessment and of any special assessment, without any further notice being given to the delinquent Owner. Upon acceleration, that Owner shall lose the privilege of paying assessments in installments for that fiscal year.

(d) If assessments and other charges or any part thereof remain unpaid more than thirty (30) days after the assessment payments first become delinquent, the Association may institute suit to collect all amounts due pursuant to the provisions of this Declaration, the By-Laws, the Act and North Carolina law and suspend the Owner's and/or Occupant's right to use the Common Elements; provided, however, that the Board may not limit ingress or egress to or from the Unit.

(e) In the event any assessment is delinquent for thirty (30) days or more, in addition to all other rights provided in the Act and this Declaration, the Association shall have the right upon ten (10) days written notice and, to the extent required by the Act, the opportunity for such Owner to have a hearing within such ten (10) day period, to suspend any utility services, the cost of which are a Common Expense of the Association, including, but not limited to, water, electricity, heat, air conditioning, gas and cable television, to that Unit until such time as the delinquent assessments and all costs permitted pursuant to this Section are paid in full. Any costs incurred by the Association in discontinuing and/or reconnecting any utility service, including reasonable attorneys' fees, shall be an assessment against the Unit and shall be collected as provided herein for the collection of assessments. The notice requirement of this Section shall be deemed complied with if the notice is sent by certified mail to the Unit address and to any other address the Owner of the Unit has provided in writing to the Association.

9.4 Computation of Operating Budget and Assessment. It shall be the duty of the Board, at least thirty (30) days prior to the beginning of the Association's fiscal year, to prepare and deliver to the members a budget covering the estimated costs of operating the Condominium during the coming year. The Board shall cause the budget and notice of the assessments to be

levied against each Unit for the following year to be delivered to each member at least thirty (30) days prior to the beginning of the Association's fiscal year. The budget and the assessment shall become effective unless disapproved at a duly called and constituted meeting of the Association by members holding a Majority of the Total Eligible Association Vote; provided, however, that if a quorum is not obtained at such meeting, the budget shall become effective even though a vote to disapprove the budget could not be called at the meeting.

In the event that the membership disapproves the proposed budget or the Board fails for any reason to determine the budget for the succeeding year, then and until such time as a budget shall have been determined as provided herein, the budget in effect for the current year shall continue for the succeeding year. In such case, the Board may propose a new budget at any time during the year at a special meeting of the Association. The proposed budget and assessment shall be delivered to the members at least thirty (30) days prior to the proposed effective date thereof and at least seven (7) days prior to the special meeting. The approval procedure set forth above for budgets considered at annual meetings shall also apply to budgets considered at special meetings.

9.5 Special Assessments. The Board may, at any time, and in addition to any other rights it may have, levy a special assessment against all Owners in accordance with the Act and this Declaration, notice of which shall be sent to all Owners. During the Development and Sale Period, all special assessments must be consented to by Declarant prior to becoming effective.

9.6 Benefited Assessments. The Board shall have the power to specifically assess expenses of the Association against Units (a) receiving benefits, items or services not provided to all Units within the Condominium that are incurred for specific items or services relating to the Unit, and/or (b) that are incurred as a consequence of the conduct of less than all Owners, their licensees, invitees or guests. The Association may also levy against or specifically assess any Unit to reimburse the Association for costs incurred in bringing the Unit into compliance with the provisions of this Declaration, any applicable Supplemental Declaration, the Articles, the By-Laws and rules, provided the Board gives prior notice to the Unit Owner and an opportunity for a hearing as set forth in Section 3.22 of the By-Laws.

9.7 Capital Reserve Budget. The Board shall annually prepare a capital reserve budget which shall take into account the number and nature of replaceable assets, the expected life of each asset, and the expected repair or replacement cost. The Board shall set the required capital reserve contribution, if any, in an amount sufficient to permit meeting the projected capital needs of the Association, as shown on the capital reserve budget, with respect both to amount and timing by equal annual assessments over the period of the budget. The capital reserve contribution required, if any, shall be established by the Board and included within the budget and assessment as provided in Section 9.4. A copy of the capital reserve budget shall be distributed to each member in the same manner as the operating budget. The Association may not use reserve funds during the period that Declarant has the right to appoint the directors of the Association.

9.8 Capitalization of Association. Upon acquisition of record title to a Unit by an Owner thereof other than 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 two (2) months of the

annual assessment per Unit for that year. This amount shall be in addition to, not in lieu of, the annual assessment and shall not be considered an advance payment of such assessment. This amount shall be collected from the purchaser of the Unit at closing and disbursed to the Association in a separately designated account. The Association may not use these funds during the period that Declarant has the right to appoint the directors of the Association. Thereafter, the Association may use the funds to cover unforeseen expenditures or to purchase additional equipment or services incurred by the Association pursuant to this Declaration and the By-Laws. The working capital contribution set forth herein is in addition to the required capital reserve contribution, if any, set forth in Section 9.7.

9.9 Statement of Account. Any Owner, Mortgagee, Person having executed a contract for the purchase of a Unit, or a lender considering a loan to be secured by a Unit, shall be entitled, upon written request, to a statement from the Association setting forth the amount of assessments due and unpaid, including any late charges, interest, fines or other charges against a Unit. The Association shall respond in writing within ten (10) business days of receipt of the request for a statement; provided, however, that the Association may require the payment of a reasonable fee not to exceed fifty dollars (\$50) or such higher amount as may be authorized by the Act, as a prerequisite to the issuance of such a statement. Such written statement shall be binding on the Association as to the amount of assessments due on the Unit as of the date specified therein.

9.10 Surplus Funds and Common Profits. Common profits from whatever source shall be applied to the payment of Common Expenses. Any surplus funds remaining after the application of such common profits to the payment of Common Expenses shall, at the option of the Board, either be distributed to the Owners or credited to the next assessment chargeable to the Owners in proportion to the liability for Common Expenses attributable to each Unit, or added to the Association's reserve account.

9.11 Commencement of Assessment. The obligation to pay full assessments shall commence as to each Unit no later than sixty (60) days after the first Unit is conveyed by Declarant to an Owner other than a Person or Persons constituting Declarant.

9.12 Master Association Assessments. Each Owner acknowledges that the assessments and other charges provided for herein are in addition to, and not in lieu of, the assessments and other charges provided for in the Master Documents. At the direction of the Master Association, the Association shall include all assessments and charges levied against the property within the Condominium by the Master Association in the Association's annual budget and shall be responsible for collecting such amounts on behalf of the Master Association. The Association shall disburse the full amount of such charges to the Master Association in accordance with the Master Declaration. Notwithstanding the foregoing, the Master Association shall have the right to collect the assessments and other charges applicable to the Units directly from the Owners of such Units, in which case such assessments and charges shall not be included in the Association's annual budget.

ARTICLE 10: INSURANCE

The Association shall obtain and maintain at all times, as a Common Expense, casualty, liability and other insurance as required by Section 3-113 of the Act and as required herein. All such insurance coverage shall be written in the name of the Association for itself and as trustee for each of the Owners and the Mortgagees of Owners, if any. It shall be the duty of the Board, at least every two (2) years, to conduct an insurance review to determine if the policy in force is adequate to meet the needs of the Association and to satisfy the requirements of this Declaration and Section 3-113 of the Act. Such responsibility may be performed, and shall be deemed reasonably performed, by requesting the Association's insurance agent to verify that insurance policies in existence meet the needs of the Association and satisfy the requirements of this Declaration and Section 3-113 of the Act. Such insurance shall run to the benefit of the Association, the respective Unit Owners and their respective Mortgagees, as their interests may appear. The Association's policy may contain a reasonable deductible, and the amount thereof shall be added to the face amount of the policy in determining whether the insurance equals at least the full replacement cost.

(a) To the extent reasonably available at reasonable cost, the Association's insurance policy may, but shall not be required to, cover any of the following types of property contained within a Unit, regardless of ownership:

(i) fixtures, improvements and alterations that are part of the building or structure; and

(ii) appliances, such as those used for refrigerating, ventilating, heating/cooking, dishwashing, laundering, security or housekeeping.

If such insurance is not reasonably available, the Association's insurance policy may exclude improvements and betterments made by or on behalf of the individual Unit Owners and may also exclude the finished surfaces of perimeter and partition walls, floors and ceilings within the Unit (i.e., paint, wallpaper, paneling, other wall covering, tile, carpet and any floor covering), but each Owner shall have the right to obtain additional coverage for such improvements, betterments or personal property at his or her own expense.

(b) The Board shall utilize every reasonable effort to secure a master policy covering physical damage in an amount equal to not less than eighty percent (80%) of the full replacement costs of all improvements located on the Condominium, or such greater percentage as may be required pursuant to Section 3-113 of the Act, may be amended from time to time that will provide the following:

(i) that the insurer waives its rights of subrogation of any claims against the Board, officers of the Association, the individual Owners, Occupants, and their respective invitees and Occupants of the Unit;

(ii) that the master policy on the Condominium cannot be canceled, invalidated or suspended on account of the conduct of any Unit Owner, director, officer or employee of the Association or the managing agent without a prior demand in writing delivered

to the Association and to all Mortgagees of Units to cure the defect and the allowance of a reasonable time thereafter within which the defect may be cured;

(iii) that any “no other insurance” clause contained in the master policy shall expressly exclude individual Unit Owners’ policies from its operation;

(iv) that until the expiration of thirty (30) days after the insurer gives notice in writing to the Mortgagee of any Unit, the Mortgagee’s insurance coverage will not be affected or jeopardized by any act or conduct of the Owner of such Unit, the other Unit Owners, the Board or any of their agents, employees, Occupants, or invitees, nor be canceled for nonpayment of premiums;

(v) that the master policy may not be canceled, substantially modified or subjected to non-renewal without at least thirty (30) days prior notice in writing to the Board and all Mortgagees of Units;

(vi) a construction code endorsement;

(vii) an agreed value endorsement and an inflation guard endorsement;

(viii) that the deductible amount per occurrence for coverage required by the Act shall be reasonably determined in the sole discretion of the Board;

(ix) that each Unit Owner is an insured Person under the policy with respect to liability arising out of such Person’s ownership of an undivided interest in the Common Elements or membership in the Association; and

(x) any other requirements expressly set forth in the Act, if any.

(c) All policies of insurance shall be written with a company licensed to do business in the State of North Carolina and holding the best reasonably available rating in the financial category as established by A.M. Best Company, Inc., as determined in the sole discretion of the Board. The company shall provide insurance certificates to each Owner and each Mortgagee upon request or as may be required under the Act.

(d) Exclusive authority to adjust losses under policies obtained by the Association shall be vested in the Association’s Board; provided, however, that no Mortgagee having an interest in such losses shall be prohibited from participating in the settlement negotiations, if any, related thereto.

(e) In no event shall the insurance coverage obtained and maintained by the Association hereunder be brought into contribution with insurance purchased by individual Unit Owners or their Mortgagees. Any Unit Owner who obtains an individual insurance policy covering any portion of the Condominium, other than improvements and betterments made by such Owner, shall file a copy of such individual policy or policies with the Board within thirty (30) days after the purchase of such insurance. Such Owner shall also promptly notify, in writing, the Board in the event such policy is canceled.

(f) In addition to the insurance required herein above, the Board shall obtain as a Common Expense:

(i) workers' compensation insurance if and to the extent necessary to meet the requirements of law;

(ii) public liability insurance in amounts not less than required by the Act, or if no such minimum limit is specified, in such amount as the Board may determine;

(iii) officers' and directors' liability insurance in such amounts as the Board may determine, but in no event less than one million dollars (\$1,000,000.00) per occurrence (such insurance shall contain a cross liability endorsement);

(iv) fidelity bonds, if reasonably available, covering officers, directors, employees and other persons who handle or are responsible for handling Association funds. Such bonds, if reasonably available, shall be in an amount which in the best business judgment of the Board reflects the estimated maximum amount of funds, including reserve funds in the custody of the Association at any time during the term of the bond, plus reserves on hand as of the beginning of the fiscal year and shall contain waivers of any defense based upon the exclusion of persons serving without compensation from the definition of "employees" or similar terms or expressions; provided, however, that fidelity coverage herein required may be reduced based on the implementation of financial controls which take one or more of the following forms: (1) the Association or management company, if any, maintains a separate bank account for the working account and the reserve account, each with appropriate access controls and the bank in which the funds are deposited sends copies of the bank statements directly to the Association; (2) the management company, if any, maintains separate records and bank accounts for each Association that uses its services and the management company does not have the authority to draw checks on, or to transfer funds from, the Association's reserve account; or (3) two members of the Board must sign any check written on the reserve account;

(v) flood insurance required by law; and

(vi) such other insurance as the Board may determine to be necessary.

(g) Insurance carried by the Association as a Common Expense shall not be required to include any portion of a Unit not depicted on the original Plat and Plans, nor shall the Association include public liability insurance for individual Owners for liability arising within the Unit. Nothing contained herein gives any Owner or other party a priority over the rights of first Mortgagees as to distribution of insurance proceeds.

(h) Every Unit Owner shall be obligated to obtain and maintain at all times insurance covering those portions of his or her Unit to the extent not insured by policies maintained by the Association. Upon request by the Board, the Unit Owner shall furnish a copy of such insurance policy or policies to the Association within thirty (30) days from the date of such request. In the event that any such Unit Owner fails to obtain insurance or to provide copies of the policy or policies as required by this Section, the Association may, but shall not be obligated to, purchase such insurance on behalf of the Unit Owner and assess the cost thereof to

the Unit Owner to be collected in the manner provided for collection of assessments under Article 9 hereof.

(i) In the event of an insured loss, any required deductible shall be considered a maintenance expense to be paid by the Person or Persons who would be responsible for such loss in the absence of insurance. If the loss affects more than one Unit, or both Unit(s) and the Common Elements, the cost of the deductible may be apportioned equitably by the Board among the parties suffering loss in proportion to each affected owner's portion of the total cost of repair. If the insurance policy provides that the deductible will apply to each Unit separately or to each occurrence, each Unit Owner shall be responsible for paying the deductible pertaining to his or her Unit, if any. If any Owner or Owners fail to pay the deductible when required under this Section, then the Association may pay the deductible and assess the cost to the Owner or Owners pursuant to Article 7 of this Declaration; provided, however, where the deductible is for insurance required under the Act, no Owner shall be assigned more than one thousand dollars (\$1,000.00), or such higher amount as may be reasonably determined by the Board.

(j) Nothing contained herein shall give any Owner or other party a priority over any rights of first Mortgagees as to distribution of insurance proceeds. Any insurance proceeds payable to the Owner of a Unit on which there is a Mortgagee endorsement shall be disbursed jointly to such Unit Owner and the Mortgagee. This is a covenant for the benefit of any such Mortgagee and may be enforced by any such Mortgagee.

ARTICLE 11: REPAIR AND RECONSTRUCTION

In the event of damage to or destruction of all or any part of the Condominium insured by the Association as a result of fire or other casualty, unless Owners entitled to cast eighty percent (80%) of the votes, including one hundred percent (100%) of the Owners of any Units not to be rebuilt and one hundred percent (100%) of the Owners of Units to which are assigned any Limited Common Elements that are not to be rebuilt, vote not to proceed with the reconstruction and repair of the Condominium, the Board or its duly authorized agent shall arrange for and supervise the prompt repair and restoration of the structure, and proceeds of insurance shall be used and applied in accordance with Section 3-113(e) and (h) of the Act.

11.1 Cost Estimates. Promptly after a fire or other casualty causing damage to the Condominium, the Board shall obtain reliable and detailed estimates of the cost of repairing and restoring the structures (including any damaged Unit) to substantially the condition which existed before such casualty, allowing for any changes or improvements necessitated by changes in applicable laws, building codes, and any other legal requirements. Such costs may also include professional fees and premiums for such bonds as the Board determines to be necessary.

11.2 Source and Allocation of Proceeds. If the proceeds of insurance are not sufficient to defray the estimated costs of reconstruction and repair, as determined by the Board, or if at any time during reconstruction and repair or upon completion of reconstruction and repair, the funds for the payment of the costs thereof are insufficient, the additional costs shall be assessed equally against all such Persons who would be responsible for such costs in the absence of insurance; provided, if such costs would be the responsibility of the Association in the absence of insurance then the additional costs shall be assessed against all Owners in proportion to each

Owner's respective undivided interest in the Common Elements. This assessment shall not be considered a special assessment. If there is a surplus of funds after repair and reconstruction is completed, or if the Unit Owners vote not to proceed with reconstruction or repair as set forth herein, such funds attributable to the damaged Common Elements shall be used to restore the damaged area to a condition compatible with the remainder of the Condominium, the insurance proceeds attributable to Units and Limited Common Elements that are not rebuilt shall be distributed to the Owners of those Units and the Owners of the Units to which those Limited Common Elements were assigned, or to their mortgagees, as their interests may appear, and the remainder of the proceeds shall be distributed to all Unit Owners as their interests may appear.

11.3 Plans and Specifications. Any such reconstruction or repair shall be substantially in accordance with the Plats and Plans and specifications under which the Condominium was originally constructed, except where changes are necessary to comply with current applicable laws, building codes, and any other legal requirements, or where improvements not in accordance with the original Plats and Plans and specifications are approved by the Board. To the extent insurance proceeds are available, the Association may reconstruct or repair Owner improvements damaged as a result of fire or other casualty. If any modifications to the exterior are proposed, approval must be obtained by the ARB and any Architectural Review Board established pursuant to the Master Declaration (the "Master ARB"), prior to construction of any modifications to the original Plats and Plans and specifications; provided, if any modifications to the Plats and Plans is required to comply with any law, regulation, ordinance, or other legal requirement, approval by the ARB shall not be unreasonably withheld.

11.4 Encroachments. Encroachments upon or in favor of Units which may be created as a result of such reconstruction or repair shall not constitute a claim or basis for any proceeding or action by the Unit Owner upon whose property such encroachment exists, provided that such reconstruction was substantially in accordance with the architectural Plats and Plans under which the Condominium was originally constructed. Such encroachments shall be allowed to continue in existence for so long as the reconstructed building shall stand.

11.5 Construction Fund. The net proceeds of the insurance collected on account of a casualty and the funds collected by the Association from assessments against Unit Owners on account of such casualty shall constitute a construction fund which shall be disbursed in payment of the cost of reconstruction and repair in the manner set forth in this Section to be disbursed by the Association in appropriate progress payments to such contractor(s), supplier(s) and personnel performing the work or supplying materials or services for the repair and reconstruction of the buildings as are designated by the Board.

11.6 Reallocation. If the requisite number of Owners vote not to proceed with reconstruction and repair of any part of the Condominium which, prior to the casualty, contained Units, then the undivided interests in the Common Elements, liability for assessments and votes in the Association shall be reallocated among the Units and Owners on the same basis set forth in Article 22 pertaining to expansion, and, notwithstanding anything herein to the contrary, Declarant, during the Development and Sale Period, and, thereafter, the Association, shall be entitled to record an amendment to this Declaration to set forth such reallocation without a vote or consent of the Owners.

11.7 Insurance Trustee. The Board may engage, and pay as a Common Expense, any appropriate Person to act as an insurance trustee to receive and disburse insurance proceeds upon such terms as the Board shall determine, consistent with the provisions of the Act and this Declaration.

ARTICLE 12: ARCHITECTURAL CONTROL

12.1 Architectural Standards and Procedures. The Master Documents establish the Master ARB, as defined by Section 2.1 of the Master Declaration and as described in Article IV of the Master Declaration. In addition to those requirements set forth in the Master Documents, Declarant, during the Development and Sale Period, and the Board, thereafter, has the right, without the obligation, to establish, and after establishment, to disband and re-establish from time to time, an ARB for the Condominium, as defined by Section 2.4 of this Declaration. Accordingly, except as provided herein, no Owner, Occupant, or any other Person may make any encroachment onto the Common Elements or Limited Common Elements, or make any exterior change, alteration or construction (including, without limitation, painting and landscaping), nor erect, place or post any object, including, without limitation, sign, lights, storm door or window, artificial vegetation, exterior sculpture, fountain, flag, or other thing on the exterior of the buildings, in any windows, on any Limited Common Elements (including, without limitation, balconies and carports), or any other Common Elements, without first obtaining the written approval of the Master ARB and the ARB, if one has been established and is active and, during the Development and Sale Period, without first obtaining the prior written approval of Declarant. Notwithstanding the above, this article shall not apply to the activities of Declarant. Furthermore, this article may not be amended during the Development and Sale Period without Declarant's written consent.

The standard for approval of such improvements shall include, but not be limited to, aesthetic consideration, materials to be used, harmony with the external design of the existing buildings, the location in relation to surrounding structures and topography and accessibility. Applications for approval of any such architectural modification shall be in writing and shall provide such information as the ARB may reasonably require. The ARB or its designated representative shall be the sole arbiter of such application and may withhold approval for any reason, including without limitation, purely aesthetic considerations, and it shall be entitled to stop any construction which is not in conformance with approved plans. The Board of Directors or the ARB may publish written architectural standards for exterior and Common Elements alterations or additions. To the extent there is a conflict between any architectural standards promulgated hereunder and any design guidelines promulgated pursuant to the Master Documents, the more restrictive architectural standards or design guidelines shall control. The architectural standards or design guidelines are not the exclusive basis for decisions of the reviewing bodies and compliance with such standards or guidelines does not guarantee approval of any application. The ARB may allow such encroachments on the Common Elements and Limited Common Elements as it deems acceptable.

The ARB shall make a determination on each application within forty-five (45) days after receipt of a completed written application and all other information the ARB requires. The ARB may permit or require that an application be submitted or considered in stages, in which case, a final decision shall not be required until forty-five (45) days after the final, required submission

stage. Within thirty (30) days after receipt of any complete application, the ARB shall notify the Owner if the ARB requires any additional information, clarification or submittals. If the ARB fails to provide such notification, the application shall be deemed complete unless the Owner modifies any element of the original plans as provided in the original or amended application before the ARB for review. If the ARB notifies the Owner that additional information, clarification or submittals are required, the application shall be deemed incomplete, and shall be placed in abeyance until receipt by the ARB of all information required by the ARB. Upon receipt by the ARB of all information required for a complete application the 45-day review period shall commence. The ARB may: (i) approve the application, with or without conditions; (ii) approve a portion of the application, with or without conditions, and disapprove other portions; or (iii) disapprove the application. The ARB shall notify the applicant in writing of a final determination on any application. In the case of disapproval, the ARB may, but shall not be obligated to, specify the reasons for any objections and/or offer suggestions for curing any objections.

After the initial 45-day review period has elapsed, if the Owner has not received notice of the ARB's determination, the Owner may, within forty-five (45) days after the expiration of the 45-day review period, make a second written request for approval of the plans previously submitted which shall be marked "**Second Request**." If the Owner does not deliver a Second Request notice to the ARB within the 45-day period after the review period expires, the application shall be deemed withdrawn. Any purported Second Request predicated on an incomplete application package (as determined by the ARB in its discretion), or on an application deemed withdrawn under the preceding sentence shall be null and of no force or effect whatsoever. If the ARB fails to respond within seven (7) business days from receipt of a valid Second Request, approval shall be deemed given. However, no approval (or improvement governed by such approval), whether expressly granted or deemed granted, shall be inconsistent with the Master Documents or Condominium Instruments unless a written variance has been granted by the Master ARB pursuant to the Master Documents.

Notwithstanding anything to the contrary in this Declaration or the By-Laws, Owners shall send any such "**Second Request**" via the U. S. Postal Service, certified mail, return receipt requested, or by commercial overnight carrier that obtains a signed receipt upon delivery. A Second Request shall be deemed made, and the seven (7) business day time period shall commence running, on the date of the ARB's actual receipt of the Second Request, as evidenced by its signature on the return receipt provided by the U. S. Postal Service or in the records of the overnight carrier, as applicable.

12.2 Architectural Review Board. The Master ARB and the ARB shall have jurisdiction over all construction and other improvements on any portion of the Condominium. The ARB shall consist of one (1) to three (3) members, with the exact number being set from time to time by and in the sole discretion of the party that is entitled to appoint and remove ARB members. During the Development and Sale Period, Declarant retains the right to appoint and remove all members of the ARB, who shall serve at Declarant's discretion. There shall be no surrender of this right prior to its expiration as provided above, except in a written instrument in recordable form executed by Declarant; provided, however, that Declarant may delegate certain authority of the ARB to the Association for such periods of time as Declarant in its sole discretion may decide. Upon expiration of the Development and Sale Period or permanent

surrender of such rights, the Board shall either serve as the ARB or set the number of members of the ARB and appoint the members of the ARB, who shall thereafter serve and may be removed in the Board's discretion. Notwithstanding anything to the contrary contained herein, the Master ARB shall have the authority to review and disapprove any decision of the Board or the ARB which the Master ARB determines, in its sole discretion, to be inconsistent with the Master Documents. Additionally, if Declarant, during the Development and Sale Period, or the Board, thereafter, either does not establish an ARB or suspends operation of the ARB, then the Master ARB, in addition to the rights granted to it by the Master Documents, shall have all rights of the ARB described in this Article 12 and elsewhere in this Declaration, in addition to those powers described in the Master Documents.

12.3 Condition of Approval. As a condition of approval for a requested architectural change, modification, addition or alteration, an Owner, on behalf of such Owner and such Owner's successors-in-interest, shall assume all responsibilities for maintenance, repair, replacement and insurance of such change, modification, addition or alteration. In the discretion of the ARB, an Owner may be required to verify such condition of approval by written instrument in recordable form acknowledged by such Owner.

12.4 Limitation of Liability. Review and approval of any application pursuant to this Article is made on the basis of aesthetic considerations only and neither Declarant, the Association, the Master Association, the Board of either association, the Master ARB, nor the ARB shall bear any responsibility for ensuring the structural integrity or soundness of approved construction or modifications or for ensuring compliance with building codes and other governmental requirements. Neither Declarant, the Association, the Board, the ARB nor members 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.

12.5 No Waiver of Future Approvals. Each Owner acknowledges that the members of the Board and the ARB will change from time to time and that interpretation, application and enforcement of the architectural guidelines may vary accordingly. Each Owner further acknowledges that the ARB may adopt different architectural guidelines for different parts of the Condominium. The approval by either the Board or the ARB of any proposals, plans and specifications or drawings for any work done or proposed or in connection with any other matter requiring the approval and consent of the Board or the ARB, shall not be deemed to constitute a waiver of any right to withhold approval or consent as to any similar proposals, plans and specifications, drawings or matters whatsoever which are subsequently or additionally submitted for approval or consent.

12.6 Enforcement. Any construction, alteration or other work done in violation of this Article shall be deemed to be nonconforming. Upon written request from the Board or the ARB, Owners shall, at their own cost and expense, remove such construction, alteration or other work and shall restore the property to substantially the same condition as existed prior to the construction, alteration or other work. Should an Owner fail to remove and restore as required hereunder, the ARB shall have the right to enter the property, remove the violation and restore the property to substantially the same condition as existed prior to the construction, alteration or other work. All costs thereof, including, without limitation, reasonable attorneys' and other legal fees, may be assessed against the Unit and collected as an assessment pursuant to this

Declaration. In addition to the foregoing, the ARB shall have the authority and standing, on behalf of the Association, to impose reasonable fines and to pursue all legal and equitable remedies available to enforce its decisions and the provisions of this Article. Any exterior change, alteration or construction (including landscaping) upon the Common Elements made by an Owner in violation of this Declaration shall be at such Owner's sole risk and expense. The Board or the ARB may require that the Owner remove the change, alteration or construction and restore the Common Elements to its original condition, or may require that the change, alteration or construction remain on the Common Elements without reimbursement to the Owner for any expense incurred in making the change, alteration or construction.

12.7 Master Documents. The architectural review requirements set forth herein are in addition to, and not in lieu of, those requirements set forth in the Master Documents. Whenever approval of the Board of Directors or the ARB is required hereunder, the granting of such approval shall not obviate the need to also comply with the approval procedures set forth in the Master Documents. The Master ARB shall have the authority to review and disapprove any decision of the Board or the ARB which the Master ARB determines, in its sole discretion, to be inconsistent with the Master Documents or otherwise unacceptable to the Master ARB in the exercise of its discretion.

ARTICLE 13: USE RESTRICTIONS

Each Owner of a Unit shall be responsible for ensuring that the Owner's guests, family, and invitees (including, without limitation, Occupants) comply with all provisions of the Condominium Instruments and the Master Documents. Furthermore, each Owner and Occupant shall always endeavor to observe and promote the cooperative purposes for which the Association was established. In addition to any rights the Association may have against the Owner's guests, family and invitees (including, without limitation, Occupants), as a result of such Person's violation of the Condominium Instruments and the Master Documents, the Association may take action under this Declaration against the Owner as if the Owner committed the violation in conjunction with the Owner's guests, family and invitees (including, without limitation, Occupants). Use restrictions regarding the use of Units and the Common Elements are as follows and also as may be adopted by the Board in accordance with the terms hereof and as specified in the By-Laws. The use restrictions set forth herein are in addition to, and not in lieu of, those restrictions forth in the Master Documents.

13.1 Residential Use. 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 use 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 Condominium; (c) the activity does not involve regular visitation of the Unit by persons (including, but not limited to, clients, customers, employees, advisors, suppliers or independent contractors) coming onto the Condominium who do not reside in the Condominium or door-to-door solicitation of residents of the Condominium; (d) the activity does not increase traffic or include frequent deliveries within the Condominium other than deliveries by couriers, express mail carriers, parcel delivery services and other such delivery services; (e) the activity is consistent with the primarily residential character of the Condominium and does not constitute a nuisance or a hazardous or offensive use, or threaten the security or safety of other residents of

the Condominium, as may be determined in the sole discretion of the Board; (f) the business activity does not increase the insurance premium paid by the Association or otherwise negatively affect the ability of the Association to obtain insurance coverage; (g) there are no signs, advertisements or plaques of any nature whatsoever visible from the exterior of the Unit; and (h) the business activity does not result in a materially greater use of Common Element facilities or Association services. This Section shall not apply to any activity conducted by Declarant or a builder approved by Declarant with respect to its development and sale of the Condominium or portions thereof, or its use of any Units which it owns within the Condominium.

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.

Except for Units conveyed by Declarant and with the express written authority to do so, no Unit may be used as a rooming house, hotel, as part of a vacation club, or for timesharing, except as may be established by Declarant. The term “timesharing” shall be deemed to include, but shall not be limited to, any agreement, plan, program, or arrangement under which the right to use, occupy, or possess all or any portion of a Unit rotates among various Persons on a periodically recurring basis for value exchanged, whether monetary or like kind use privileges, according to a fixed or floating interval or period of time or which right to use, occupy or possess all or any portion of a Unit is otherwise shared among various Persons pursuant to a reservation system.

Units shall be used solely for the purposes herein described. No Owner or Occupant shall store any contraband, controlled substance, narcotic, explosives or any flammable, odorous, noxious, corrosive, hazardous, or pollutant materials or any other goods in the Unit that would cause danger or nuisance to the Unit, the Condominium or any Owner or Occupant. The Unit shall not be used for any purposes unlawful or contrary to any statute, rule, ordinance, regulation, fire code, or health code. If hazardous substances are stored, used, generated or disposed of on or in the Unit, or if the Unit becomes contaminated in any manner for which the Owner or Occupant thereof is legally liable, Owner and/or Occupant shall indemnify and hold harmless Declarant, Association and Board from any and all claims, damages, fines, judgments, penalties, costs, liabilities or losses and any and all sums paid from settlement of claims, attorneys’ fees, consultant and expert fees, arising as a result of said use or contamination by Owner or Occupant.

Notwithstanding anything herein to the contrary, Declarant reserves the right, without obligation, to provide or cause to be provided by one or more third-parties determined in Declarant’s sole discretion (collectively the “Hotel Services Provider”) certain hotel-related services to Owners and/or Occupants, all of which shall be subject to rules, regulations and/or

conditions as may be established by Declarant or the Hotel Services Provider from time to time, including, without limitation, the right to require any person requesting such services to sign such agreements and pay such fees as may be required from time to time by Declarant and/or the Hotel Services Provider. Each Owner, by acceptance of a deed or other conveyance of a Unit, recognizes and agrees that Declarant is not required to provide or cause to be provided any hotel related services, but if Declarant determines to do so, in its sole discretion, Declarant and/or the Hotel Services Provider may condition the provisions of such services in any manner. If Declarant determines to provide or cause to be provided hotel-related services to Owners and/or Occupants, Declarant hereby reserves an easement in through and across the Common Elements for Declarant, the Hotel Services Provider and any of their employees, agents, and/or invitees, for the purpose of providing such hotel-related services. There shall be no amendment to this Section 13.1, or to any other provision of this Declaration which shall impair the rights established in this Section, without the prior approval of eighty percent (80%) of the Total Eligible Association Vote, and during the Development and Sale Period, without the prior written period of Declarant.

13.2 Alteration of Units. Subject to the other provisions of this Declaration, Owners may make alterations to the interiors of their Units, relocate the boundaries between adjoining Units and subdivide their Units as follows:

(a) Alterations to the Interiors of the Units. If any Owner acquires an adjoining Unit, such Owner may (subject to the prior written approval of the Mortgagees of the Units involved, the prior written approval of the Board, and, during the Development and Sale Period, the prior written approval of Declarant) remove all or any part of any intervening partition or to create doorways or other apertures therein, notwithstanding the fact that such partition may, in whole or part, be part of the Common Elements, so long as no portion of any load bearing wall or column is weakened, no support for any portion of the Condominium is lessened, the structural integrity or mechanical systems are not impaired, and no portion of any Common Element is damaged, destroyed or endangered, other than that partition and any chutes, flues, ducts, conduits, wires or other apparatus contained therein which shall be relocated by such Owner if such facilities serve any other part of the Condominium. Notwithstanding the ownership of two, or more, adjoining connected Units by the same Owner, the Units shall be deemed separate Units for the purposes of liability for assessments, voting and Club membership. In other words, if an Owner acquires and connects two adjoining Units, that Owner shall be entitled to two votes (one for each Unit), and shall be obligated to pay two assessments (one for each Unit) and shall also be entitled to two (2) Club memberships and shall be obligated to pay for two (2) memberships (one for each Unit). No such Owner shall be entitled to treat such connected Unit as a single Unit for assessment purposes by waiving the right to vote attributed to any such connected Unit.

(b) Relocation of Boundaries. Boundaries between adjoining Units may be relocated in accordance with the provisions of Section 2-112 of the Act and, during the Development and Sale Period, only with the prior written consent of Declarant. Declarant shall have the right to relocate boundaries between any Units owned by Declarant or its affiliates without the approval of the Association, and Declarant, without the need for further Owner approval, may execute any required amendment to the Declaration pertaining thereto as attorney-

in-fact on behalf of the Association. Notwithstanding the foregoing, an Owner may not subdivide his or her Unit.

13.3 Outbuildings. No structure of a temporary character, trailer, tent, shack, carport, garage, barn or other outbuilding shall be erected by any Owner or Occupant on any portion of the Condominium, other than by Declarant, at any time, either temporarily or permanently, without the prior written approval required under Article 12.

13.4 Use of Common Elements. There shall be no obstruction of the Common Elements, nor shall anything be kept on, parked on, stored on, or removed from any part of the Common Elements without the prior written consent of the Association, except as specifically provided herein. Except as otherwise set forth herein, there shall be no use of the roofs of the Condominium building by the Owners, their family members, guests, tenants, invitees, agents, and contractors (including, without limitation, Occupants). There shall be no gardening or landscaping on the Common Elements by Owners or Occupants without the prior written consent of the Board. This Section shall not apply to Declarant.

With the prior written approval of the Board, and subject to any restrictions imposed by the Board, an Owner or Owners may reserve portions of the Common Elements for use for a period of time as set by the Board. Any such Owner or Owners who reserve a portion of the Common Elements as provided herein shall assume, on behalf of himself/herself/themselves and his/her/their guests, family, tenants, invitees and contractors, all risks associated with the use of the Common Elements and all liability for any damage or injury to any person or thing as a result of such use. The Association shall not be liable for any damage or injury resulting from such use unless such damage or injury is caused solely by the willful acts or gross negligence of the Association, its agents or employees.

13.5 Use of Limited Common Elements. Use of the Limited Common Elements is restricted exclusively to the Owners of the Unit(s) to which such Limited Common Elements are assigned, and said Owner's guests, family, and invitees (including, without limitation, Occupants). The Limited Common Elements are reserved for the exclusive use of the Units so served, but are a part of the Common Elements, and the restrictions applicable to the Common Elements shall also apply to the Limited Common Elements.

(a) Carports, and Storage Spaces. Carports shall be used solely for the purpose of parking vehicles and storing other personal property (limited in size and quantity, so as not to prevent or hinder the ability for vehicles to be parked in the carport) belonging to the Owner or Occupant of the Unit to which such carport is assigned as a Limited Common Element subject to the parking restrictions described in Section 13.9. Storage spaces shall be used solely for the purpose of storing personal property belonging to the Owner or Occupant of the Unit to which such storage space is assigned as a Limited Common Element. No Owner or Occupant shall store any contraband, controlled substance, narcotic, explosives or any flammable, odorous, noxious, corrosive, hazardous, or pollutant materials or any other goods in a carport or storage space which would cause danger or nuisance to the carport or storage space, the Condominium or any Owner or Occupant. A carport or storage space shall not be used for any purposes unlawful or contrary to any statute, rule, ordinance, regulation, fire code, or health code. If hazardous substances are stored, used, generated or disposed of on or in a carport, or storage

space, or if a carport or storage space becomes contaminated in any manner for which the Owner or Occupant thereof is legally liable, Owner or Occupant shall indemnify and hold harmless Declarant, Association and Board from any and all claims, damages, fines, judgments, penalties, costs, liabilities or losses and any and all sums paid from settlement of claims, attorneys' fees, consultant and expert fees, arising as a result of said use or contamination by Owner or Occupant.

(b) Balconies, Patios and Decks. Objects over forty-two (42) inches in height, bicycles, laundry, garments, towels, and other objects other than potted plants and patio furniture, shall not be placed on a balcony, patio, or deck. Penetration of a balcony, patio, or deck is prohibited. Enclosure, addition of awnings to, roofing or screening of a balcony, patio, or deck is also prohibited. No clothes lines or racks for drying towels or clothes shall be permitted on any balcony, patio, or deck. Towels, clothes and other objects shall not be draped over balcony, patio, or deck railings. The ARB or the Board shall have the right to require any Owner or Occupant to remove anything from a deck, patio, or balcony, including, without limitation, plants, furniture and decorations, which, in the sole opinion of the ARB or Board detracts from the appearance of the Condominium, or constitutes an annoyance to other Unit Owners or Declarant.

(c) Parking Spaces. If parking spaces are assigned by Declarant or Board as Limited Common Elements, they shall be used exclusively for parking of vehicles as described in Section 13.9.

13.6 Prohibition of Damage, Nuisance and Noise. Without the prior written consent of the Board, nothing shall be done or kept on the Condominium, or any part thereof, which would increase the rate of insurance on the Condominium or any Unit or part thereof, which would be in violation of any statute, rule, ordinance, regulation, permit or other validly imposed requirements of any governmental body or which would increase the Common Expenses.

Noxious, destructive or offensive activity shall not be carried on upon the Condominium. No Owner or Occupant of a Unit may use or allow the use of the Unit or any portion of the Condominium at any time, in any way or for any purpose which may endanger the health or unreasonably annoy or disturb or cause embarrassment, discomfort or nuisance to other Owners and/or Occupants, or in such a way as to constitute, in the sole opinion of the Board, a nuisance. Nothing herein, however, shall be construed to affect the rights of an aggrieved Owner to proceed individually for relief from interference with his or her property or personal rights. Notwithstanding anything to the contrary herein, no Owner or Occupant may use or allow the use of the Unit, the Common Elements or the Limited Common Elements in any manner which creates, between the hours of 10:00 p.m. and 7:00 a.m., noises, which can be heard by persons in another Unit that will, in the sole discretion of the Board, interfere with the rights, comfort or convenience of the other Owners or Occupants.

No Owner shall make any change or addition to any Unit or Common Element which, in the reasonable opinion of the Board or its designee, would jeopardize the soundness or safety of the Condominium or any structure created thereon, would reduce the value thereof, or would impair any easement or other interest in real property thereto, without in every such case prior approval by the ARB and the Master ARB, together with the unanimous, prior written consent of

all members of the Association and their Mortgagees. No damage to or waste of the Common Elements, or any part thereof, or of the exterior of any building shall be permitted by any Owner or member of his or her family or any invitee or guest of any Owner. Each Owner shall indemnify and hold the Association and the other Owners harmless against all loss to the Association or other Owners resulting from any such damage or waste caused by such Owner, members of his or her family, guests, invitees or Occupants of his or her Unit.

13.7 Firearms and Fireworks. Except for the lawful display or discharge of fireworks by the Board or Club, the display or discharge of firearms or fireworks on the Common Elements and the discharge of firearms or fireworks within any Unit is prohibited; provided, however, that the display of lawful firearms on the Common Elements is permitted for the limited purpose of transporting the firearms across the Common Elements to or from the Owner's Unit. The term "firearms" includes "B-B" guns, pellet guns and other firearms of all types, regardless of size, but does not include replicas or toys (including water guns) incapable of firing a projectile (with the exception of water).

13.8 Animals. No Owner or Occupant may keep more than a total of two (2) (in any combination) cats or dogs in his or her Unit, subject to such rules and regulations as may be adopted by the Board. Notwithstanding anything herein to the contrary, the Board has the right, in its sole discretion, to grant Owners variances to the quantity limitation in this Section 13.8, to allow an Owner or Occupant to keep more than a total of two (2) (in any combination) cats or dogs in his or her Unit. An Owner must submit a written request for such a variance to the Board in accordance with such rules and regulations as may be adopted by the Board, which variance shall be in the form proscribed by the Board and shall contain such information as determined by the Board, including without limitation, the total number of cats and/or dogs the Owner is requesting permission to keep in his or her Unit.

An Owner or Occupant may also keep in his or her Unit a reasonable number of smaller generally recognized household pets such as fish, birds or hamsters, subject to such rules and regulations as may be adopted by the Board. No Owner or Occupant may keep any non-traditional or exotic animals, including, but not limited to, snakes, reptiles, monkeys, raccoons, rats, spiders, ferrets, squirrels, pot-bellied pigs, ornamental chickens or other poultry or livestock or game animals in his or her Unit. No Owner or Occupant may keep, breed or maintain any pet for any commercial purpose. All pets shall be reasonably controlled by the Owner or Occupant whenever outside a Unit and shall be kept in such a manner as not to become a nuisance by barking or other acts. Pets may not be kept or left unattended outdoors including, without limitation, on a patio or balcony, or in a carport. Dogs must be kept on a leash and be under the physical control of a responsible person at all times while on the Common Elements. The owner of the pet or the Person responsible for the pet must immediately remove any feces left upon the Common Elements, and/or any other portion of Bear Lake Reserve.

No animals determined in the Board's discretion to be dangerous may be brought onto or kept on the Condominium property or within Bear Lake Reserve at any time. The Board may require that any pet which, in the Board's opinion, endangers the health of any Owner or Occupant or creates a nuisance or unreasonable disturbance, be permanently removed from the Condominium upon seven (7) days written notice. If the Owner or Occupant fails to do so, the Board may remove the pet at the Owner's or Occupant's cost. Any pet which, in the Board's

discretion, presents an immediate danger to the health, safety or property of any community member may be removed by the Board without prior notice to the pet's owner.

Any Owner or Occupant who keeps or maintains any pet upon the Condominium property shall be deemed to have agreed to indemnify, defend and hold harmless Declarant, Association, and Board from and against any and all claims, damages, fines, judgments, penalties, costs, liabilities or losses and any and all sums paid from settlement of claims, for attorneys' and paralegal fees, consultant and expert fees at all levels, arising by reason of keeping or maintaining such pet within the Condominium.

A disabled Owner or Occupant may keep a service animal in his or her Unit for the benefit of a disabled Owner or Occupant; provided, however, that the foregoing rules related to pets shall also apply to any service animal kept or maintained within the Condominium.

13.9 Parking and Carports. Parking spaces and carports assigned as Limited Common Elements, exclusively serving specific Units as set forth here in or as may be set forth in an amendment to this Declaration or supplemental declaration, may only be used by the Owners to whom the parking spaces or carports are assigned and their guests, families, and invitees (including, without limitation, Occupants). Vehicles may only be parked in carports or assigned parking spaces, or in designated unreserved, lined parking spaces or other areas designated for use as vehicle parking facilities by the Association. Apart from such assigned Limited Common Elements or designated unreserved parking facilities, there shall be no parking on any other Common Elements or elsewhere in Bear Lake Reserve unless specifically designated by Declarant and/or the Master Association. Each Unit shall be limited to two (2) vehicles.

(a) Disabled and stored vehicles are prohibited from being parked anywhere on the Condominium or elsewhere in Bear Lake Reserve. For purposes hereof, a vehicle shall be considered "disabled" if it does not have a current license tag or is obviously inoperable as determined in the sole discretion of the Board. A vehicle shall be considered "stored" if it remains on the Condominium or elsewhere in Bear Lake Reserve without being driven for ten (10) consecutive days or longer without prior written permission from the Board.

(b) Boats, motorcycles, golf carts, trailers, panel trucks, buses, trucks with a load capacity of one (1) ton or more, full-size vans (excluding mini-vans or utility vehicles used as passenger vehicles and receiving a "car" or "passenger vehicle" classification by the North Carolina Department of Motor Vehicles), recreational vehicles (RVs and motor homes), vehicles used primarily for commercial purposes and vehicles with commercial writings on their exteriors are also prohibited from being parked on the Condominium, (including, without limitation, within any carport) except in areas, if any, designated by Declarant during the Development and Sale Period and, thereafter, by the Board, as parking areas for particular types of vehicles. Notwithstanding the above, trucks, vans, commercial vehicles and vehicles with commercial writings on their exteriors shall be allowed temporarily on the Common Elements during normal business hours for the purpose of serving any Unit or the Common Elements, but no such vehicle shall remain on the Common Elements overnight or for any purpose except serving a Unit or the Common Elements, without written consent, of Declarant during the Development and Sale Period and, thereafter, the written consent of the Board.

(c) If any vehicle is parked on any portion of the Condominium in violation of this Section or in violation of the Association's rules and regulations, the Board may place a notice on the vehicle specifying the nature of the violation and stating that after twenty-four (24) hours, the vehicle may be towed. The notice shall include the name and telephone number of the person or entity which will do the towing and the name and telephone number of a person to contact regarding the alleged violation. If twenty-four (24) hours after such notice is placed on the vehicle, the violation continues or thereafter occurs again within six (6) months of such notice, the vehicle may be towed in accordance with the notice, without further notice to the Owner or user of the vehicle.

(d) If a vehicle is parked in a fire lane, is blocking another vehicle or access to another Unit or carport, is obstructing the flow of traffic, is parked other than in a parking space, is parked in a space which has been assigned as a Limited Common Element exclusively serving another Unit or otherwise creates a hazardous condition, no notice shall be required and the vehicle may be towed immediately. If a vehicle is towed in accordance with this Section, or any other provision of this Declaration, neither the Association nor any officer or agent of the Association shall be liable to any Person for any claim of damage as a result of the towing activity. Notwithstanding anything to the contrary herein, the Board may elect to impose fines or use other available sanctions, rather than exercise its authority to tow. OWNERS ARE REQUIRED TO NOTIFY THEIR GUESTS, FAMILY, AND INVITEES (INCLUDING, WITHOUT LIMITATION, OCCUPANTS) OF THE PARKING RESTRICTIONS. EACH OWNER AGREES TO INDEMNIFY, DEFEND AND SAVE HARMLESS THE ASSOCIATION AND ITS OFFICERS AND DIRECTORS FROM AND AGAINST (i) THE COST OF TOWING IMPROPERLY PARKED VEHICLES BELONGING TO THE OWNER'S GUESTS, FAMILY, OR INVITEES (INCLUDING, WITHOUT LIMITATION, OCCUPANTS), AND (ii) ALL CLAIMS, DEMANDS, DAMAGES AND JUDGMENTS ARISING FROM, OR RELATED TO, THE TOWING OF IMPROPERLY PARKED VEHICLES BELONGING TO THE OWNER'S GUESTS, FAMILY, OR INVITEES (INCLUDING, WITHOUT LIMITATION, OCCUPANTS). ANY COSTS INCURRED BY THE ASSOCIATION TO TOW IMPROPERLY PARKED VEHICLES SHALL BE IMPOSED ON THE OWNER AS A BENEFITED ASSESSMENT AGAINST THE UNIT SECURED BY A LIEN IN THE MANNER DESCRIBED IN SECTION 9.6.

13.10 Storm Preparations. Storm preparations to prevent or reduce damage to a Unit shall not be installed by Owners more than ninety-six (96) hours in advance of the storm and shall be removed within forty-eight (48) hours after the storm, subject to extenuating circumstances arising from the weather event as determined in the sole discretion of the Board. In the event that an Owner is unable to comply with the 48-hour limit for removal of storm protection for reasons other than the condition of the Condominium or the status of the weather, the Board shall have the right to remove any remaining storm protections at the expense of the Owner. Any costs incurred by the Association for the removal of storm protections shall be imposed on the Owner as a benefited assessment against the Unit secured by a lien in the manner described in Section 9.6.

13.11 Grilling. The use of outdoor grills (including, without limitation, those which use propane, any other gas, or charcoal) or chimneys, is prohibited, unless otherwise permitted by the Board in writing.

13.12 Abandoned Personal Property. Personal property, other than vehicles as provided for in Section 13.9, shall not be kept or allowed to remain for more than twenty-four (24) hours upon any portion of the Common Elements, other than on Limited Common Elements, without the prior written permission of the Board. THIS PROVISION APPLIES TO ALL PERSONAL PROPERTY, INCLUDING, WITHOUT LIMITATION, BICYCLES, ROLLER BLADES, SKATEBOARDS, TOYS, TOWELS, CLOTHING, GOLF CARTS, WAGONS, TRAILERS, COOLERS, LAWN FURNITURE, WATER SKIS, AND ALL OTHER TANGIBLE PERSONAL PROPERTY. OWNERS ARE REQUIRED TO GATHER THEIR PERSONAL PROPERTY AND STORE IT WITHIN THEIR UNIT OR STORAGE SPACE WHEN NOT IN USE.

(a) If the Board or its designee, in its sole discretion, determines that property is kept, stored or allowed to remain on the Common Elements or Limited Common Elements in violation of this Section, then the Board may remove and either discard or store the personal property in a location which the Board may determine. Any costs incurred by the Association to remove and/or store or discard property in accordance with this Section shall be assessed against the Unit Owner to whom such property belongs or whose guests or invitees (including, without limitation, Occupants) own such property in the same manner as a benefited assessment pursuant to Section 9.6. Prior to taking any such action, the Board shall place a notice on the personal property and/or on the front door of the Unit of the owner of such property, if known, specifying the nature of the violation and stating that after twenty-four (24) hours, the property may be removed and either discarded or stored. The notice shall include the name and telephone number of the person or entity which will remove the property and the name and telephone number of a person to contact regarding the alleged violation. Notwithstanding anything to the contrary herein, if the Board, in its sole and absolute discretion, determines that the property kept, stored or otherwise located on the Common Elements or Limited Common Elements presents a safety or health risk, the Board shall have the right without the obligation, to remove such property prior to providing the notice required by the subsection (a) and shall instead provide such notice within twenty-four hours after removing the property.

(b) If twenty-four (24) hours after such notice is placed on the personal property and/or the front door of the Unit, the violation continues or thereafter occurs again within six (6) months of such notice, the personal property may be removed in accordance with the original notice, without further notice to the owner or user of the personal property.

(c) Notwithstanding anything to the contrary, in the event the Board, in its discretion, determines either that an emergency situation or an undue burden on another Unit Owner or Occupant exists then in either such event, the personal property abandoned or stored in violation of this Section may, without prior notice to the owner or user of the personal property, be removed and either discarded or stored by the Board in a location which the Board may determine; provided, however, that the Board shall give to the owner, if known, notice of the removal of the property and the location of the personal property within three (3) days after the personal property is removed.

(d) If personal property is removed in accordance with this Section, neither the Association nor any officer or agent of the Association shall be liable to any Person for any claim of damage or loss resulting from the removal activity. Notwithstanding anything to the

contrary herein, the Board may elect to impose fines or use other available sanctions, rather than exercise its authority to remove abandoned or improperly stored personal property, as set forth herein.

13.13 Signs. Except as may be provided for herein or as may be required by legal proceedings, no signs (including, without limitation “for sale” and “for rent” signs and realtor signs), advertising posters, political placards and signs, or billboards of any kind shall be erected, placed or permitted to remain on the Condominium (including, without limitation, windows, doors and carports within the Limited Common Elements) without the prior written consent of the Board or its designee. The Board shall have the right to erect reasonable and appropriate signs on behalf of the Association and to enact reasonable rules and regulations governing the general placement of signs on the Condominium.

Notwithstanding the restrictions contained in this Section, Declarant may approve and erect signs for the purpose of carrying on business related to the development, improvement and/or sale of Units in the Condominium, and such signs shall not be subject to approval or regulation by the Association or by the Board.

13.14 Rubbish, Trash and Garbage. All rubbish, trash and garbage shall be regularly removed from the Unit by the Owner or Occupant thereof and shall not be allowed to accumulate therein. Rubbish, trash and garbage shall be disposed of in sealed bags and placed in the trash receptacles designated by the Board for collection or removed from the Condominium. No garbage or trash shall be placed on the Common Elements or Limited Common Elements outside the Unit, temporarily or otherwise, except in such areas as may be designated from time to time by the Board.

13.15 Impairment of Units and Easements. An Owner shall do no act nor any work that will impair the structural soundness or integrity of another Unit or impair any easement or other interest in real property, nor do any act nor allow any condition to exist which will adversely affect the other Units or their Owners or Occupants unless such act or work has been approved by the ARB pursuant to this Declaration and the Master ARB pursuant to the Master Documents.

13.16 Unsightly or Unkempt Conditions. The pursuit of hobbies or other activities, including, but not limited to the assembly and disassembly of motor vehicles and other mechanical devices, which might tend to cause disorderly, unsightly or unkempt conditions, shall not be pursued or undertaken on any part of the Condominium. Clothing, bedding, rugs, mops, appliances, indoor furniture, and other household items shall not be placed or stored outside the Unit, including, without limitation, any Limited Common Elements.

13.17 Yard Sales. Yard sales, garage (carport) sales, flea markets and similar activities are prohibited. Notwithstanding the foregoing, the Board, in its sole and absolute discretion, may elect to permit community-wide sales on such dates and within such portions of the Common Elements, as the Board may designate in writing; provided, however, that during the Development and Sale Period, such community-wide sales shall require the prior written approval of Declarant, which may be withheld or granted in Declarant’s sole and absolute discretion.

13.18 Antennas and Satellite Equipment. Placement of antennas, satellite dishes and any other apparatus for the transmission or reception of television, radio, satellite or other signals of any kind may be regulated only in strict compliance with any requirements of the ARB, the Master Declaration and all applicable laws and regulations. Declarant and/or the Association shall have the right, without obligation, to erect an aerial, satellite dish, or other apparatus for a master antenna, cable, or other communication system for the benefit of all or a portion of the Condominium.

13.19 Window Treatments. The color of all window treatments visible from outside the Unit must comply with the Community-Wide Standard established by the Association or in the ARB or in the absence of such a standard, the Community-Wide Standard established by the Master Association.

13.20 Seasonal Decorations. No Owner shall display holiday or religious lights and/or decorations inside a Unit or on balconies, patios or other Limited Common Elements or Common Elements in a manner in which such lights or decorations are visible to an observer outside the Unit, except in accordance with any rules and regulations and for any limited duration that the Board may establish (but in no event shall any such lights or decorations violate the Master Documents). Notwithstanding the foregoing, the Board (or Declarant during the Development and Sale Period) shall have the right to display holiday decorations and/or lights on the exteriors of Units or Common Elements provided that such decorations or lights (i) are not erected or displayed more than forty-five (45) days in advance of the holiday and are removed within thirty (30) days after the holiday, and (ii) such decorations and lights do not unreasonably interfere with the peaceful enjoyment of any Unit by emitting light or sound disturbing any bedroom of a Unit. No Owner shall remove, interfere with, move or rearrange decorations placed by Declarant or the Association.

13.21 Replacing Carpet with Tile or Hardwood Floors. Other than Declarant, no Owner, Occupant or any other person may replace carpeting with a tile, marble, vinyl, or hardwood floor, or other hard surfaced flooring material, on the interior of a Unit without first obtaining written approval of Declarant, Master ARB or the ARB, as applicable, as set forth in Article 12. Among other factors, Declarant, Master ARB or the ARB, as applicable, may consider whether the change will cause noise to any Unit below or adjacent to the Unit, which will exceed the average noise level in Units that are situated below or adjacent to Units with carpeted floors.

The Owner applying for such approval shall provide the appropriate review body(ies) with information requested regarding the proposed flooring and its effect. In addition, any Owners installing hard surfaced floors in Units located above another Unit shall acknowledge and agree that not less than fifty percent (50%) of the walkable, hard-surfaced, floor space of the Unit shall be covered with rugs or other similar floor coverings. For purposes of this Section, walkable, hard-surfaced, floor space shall mean that portion of the flooring surface within a Unit (the interior flooring surface, not including the concrete subflooring) not covered by furniture over which an Owner, Occupant or any other person routinely walks.

The Owner applying for such approval shall provide the appropriate reviewing body(ies) with information regarding these factors, as well as other information requested regarding the

proposed flooring and its effect; provided, however, the noise level requirements shall be considered to be met if the Owner provides a sound transmission test that the proposed flooring will create a noise level less than a standard level set by reasonable regulation of Declarant or the ARB, as applicable, and the Master ARB.

13.22 Sale Period. Notwithstanding any provisions contained in this Declaration to the contrary, during the Development and Sale Period it shall be expressly permissible for Declarant and its designees, contractors, agents, employees, assigns and representatives, to maintain and carry on, upon such portion of the Condominium as Declarant may deem necessary, such facilities and activities as in the sole opinion of Declarant may be reasonably required, convenient or incidental to the completion and sale of the Condominium Units, including, but without limitation, business/sales/management offices, signs and model Units. The right to maintain and carry on such facilities and activities shall include specifically the right to use the parking facilities on the Condominium for such purposes and to use any number of the Units in any location and any size owned by Declarant as model Units and as offices for business, sales, or management purposes related to the marketing and sale of the Condominium Units and related activities. Declarant reserves the right from time to time to change the use or combination of uses of such business/sales/management offices and/or models, provided the same are used only for business/sales/management offices or models or sold to a purchaser.

13.23 Number of Occupants. The maximum number of Occupants in a Unit shall be limited to two (2) natural persons per bedroom. "Occupancy," for purposes hereof, shall be defined as staying overnight in a Unit for a total of more than thirty (30) days, either consecutive or nonconsecutive, in any calendar year. Upon written application, the Board shall grant variances to this restriction if necessary to comply with provisions of the Fair Housing Amendments Act of 1988, 42 U.S.C. § 3601, *et seq.*, or any amendments thereto.

If an Owner of a Unit is a corporation, partnership, limited liability company, trust, or other legal entity not being a natural person, the entity shall designate in writing to the Board the name(s) of the natural person(s) who will occupy the Unit. The natural person(s) designated to occupy any such Unit may not be changed more frequently than once every six (6) months.

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

13.25 Heating and Air Conditioning. Each Owner shall be responsible for maintaining an appropriate temperature inside such Owner's Unit as the weather may dictate in order to help prevent the freezing of pipes in winter weather or the settling of the building or the growth of mold during summer weather. The Board may, from time to time, establish minimum and maximum temperatures and require the dripping of water in order to avoid the freezing of pipes in each Unit, and each Owner shall comply with such requirements as the Board may establish. As of the date hereof, such requirements include, without limitation, each Owner maintaining a minimum temperature inside such Owner's Unit of no lower than 50-55° Fahrenheit during winter weather. Each Owner shall maintain the temperature inside such Owner's Unit during the

summer weather no higher than 78° Fahrenheit during the summer, or in accordance with any rules and regulations as may be adopted by the Board.

ARTICLE 14: LEASING AND SHORT TERM RENTAL

14.1 In General. It is intended that the Units may be used for transient rentals. As such, leasing of Units or portions thereof shall not be subject to the approval of the Association and/or any other limitations, other than as expressly provided herein. There shall be no minimum lease term, nor any maximum number of times that a Unit may be leased. Each Occupant shall comply with the covenants, terms, conditions and restrictions of the Condominium Instruments, the Master Documents, and any and all rules and regulations adopted by Declarant and/or Hotel Services Provider from time to time, including, without limitation, any and all regulations and/or procedures adopted regarding check-in for Occupants, coordination of any charging privileges which the Hotel Services Provider may elect to afford Owners and Occupants, and other matters reasonably necessary to allow Owners and Occupants to be part of a unified structure and operation and to ensure that the Units and the Common Elements are integrated and operated efficiently to the extent contemplated by this Declaration and the Master Declaration, provided, however, the Condominium Instruments, the Master Documents, or any such rules and regulations adopted from time to time by Declarant and/or the Hotel Services Operator shall not be interpreted as making any representations, warranties, or promises regarding any such rental program including, without limitation, the ability of any Owner to rent such Owner's Unit, and by accepting a deed for a Unit in the Condominium, each Owner shall be deemed to have waived, to the fullest extent permitted by law, any and all express and implied warranties applicable thereto. The Owner will be jointly and severally liable with the Occupant to the Condominium Association for any amount which is required by the Association, Declarant, and/or Hotel Services Provider, as applicable to repair any damage to the Common Elements resulting from acts or omissions of the Occupant and to pay any claim for injury or damage to property caused by the negligence of the Occupant and special charges may be levied against the Unit. All tenancies are hereby made subordinate to any lien filed by the Association, whether prior or subsequent to such lease. By this provision, it is expressly understood and agreed that rental of Units is expressly authorized and permitted. There shall be no amendment to this Article 14, or to any other provision of this Declaration which shall impair the rights established in this Article, without the prior approval of eighty percent (80%) of the total Eligible Association Vote and during the Development and Sale Period, without the prior written approval of Declarant.

14.2 Leasing and Rental Provisions. Leasing or rental of Units shall be governed by the following provisions:

(a) General. All lease or rental agreements shall be in writing and shall include an acknowledgment by the Occupant that such Occupant is bound by and obligated to comply with the Condominium Instruments. The Unit Owner must make available to the Occupant copies of this Declaration, By-Laws, and the rules and regulations prior to execution of the lease or rental agreement and shall monitor enforcement and compliance with the Condominium Instruments by the Occupants. Declarant may, from time to time during the Development and Sale Period, adopt and modify reasonable rules regulating leasing, subleasing or rental consistent with this subsection (a). Such rules shall be distributed to all Owners prior to

the date that they are to become effective and shall thereafter be binding upon all Owners and Occupants. Unless adopted by Declarant pursuant to the foregoing, leases rental agreements shall not be subject to any minimum lease terms.

(b) Compliance With Condominium Instruments, Use of Common Elements, and Liability for Assessments. A Unit Owner may lease his or her Unit on such terms and conditions as such Unit Owner may determine, provided that the Occupant shall be bound by all terms and conditions of the Condominium Instruments. Any lease or rental agreement shall be deemed to contain the following provisions, whether or not expressly therein stated, and each Owner and each Occupant of a Unit, covenants and agrees that any lease or rental agreement shall contain the following language and agrees that if such language is not expressly contained therein, then such language shall be incorporated into the lease or rental agreement by existence of this covenant on the Unit.

(i) Compliance with Condominium Instruments. The lessee shall comply with all provisions of the Condominium Instruments and shall control the conduct of all other Occupants and guests of the leased Unit in order to ensure compliance with the foregoing. The Owner shall cause all Occupants of his or her Unit to comply with the Condominium Instruments, and shall be responsible for all violations by such Occupants, notwithstanding the fact that such Occupants of the Unit are fully liable and may be sanctioned for any violation of the Condominium Instruments. In the event that any Occupant violates the Condominium Instruments for which a fine is imposed, notice of the violation shall be given to the Owner and/or the Occupant, and such fine shall be assessed against the Occupant in accordance with Section 3.22 of the By-Laws. If the fine is not paid by the Occupant within the time period set by the Board, the Board may assess the fine against the Owner and the Owner shall pay the fine upon notice from the Association of the Occupant's failure to pay the fine. Unpaid fines shall constitute a lien against the Unit.

Any violation of the Condominium Instruments by any Occupant is deemed to be a default under the terms of the lease or rental agreement and authorizes the Owner to terminate the lease or rental agreement without liability and to evict any Occupant in accordance with North Carolina law.

(ii) Use of Common Elements. Except where the Owner also occupies the Unit, the Owner transfers and assigns to the lessee, for the term of the lease or rental agreement, any and all rights and privileges that the Owner has to use the Common Elements of the Condominium, including, but not limited to, the use of any and all recreational facilities, and any such Owner's rights and privileges to use the Club Facilities.

14.3 Liability for Assessments. When a Unit Owner who is leasing his or her Unit fails to pay any annual, special, or benefited assessment or any other charge, including without limitation, Social Dues and Charges (as defined herein below) for a period of more than thirty (30) days after it is due and payable, then the delinquent Owner hereby consents to the assignment of any rent received from the Occupant during the period of delinquency, and, upon request by the Board, the Occupant shall pay to the Association all unpaid annual, special and benefited assessments and other charges payable during and prior to the term of the lease and any other period of occupancy by the Occupant. However, the Occupant need not make such

payments to the Association in excess of, or prior to the due dates for, monthly rental payments unpaid at the time of the Board's request. All such payments made by the Occupant shall reduce, by the same amount, the Occupant's obligation to make monthly rental payments to the Owner. If lessee fails to comply with the Board's request to pay assessments or other charges, the Occupant shall pay to the Association all amounts authorized under this Declaration as if the Occupant were an Owner. The above provision shall not be construed to release the Owner from any obligation, including the obligation for assessments, for which he or she would otherwise be responsible.

14.4 Check In. Declarant reserves the right, without obligation, to develop a central check in facility within the Condominium and, Declarant shall have the right, at its sole and absolute discretion, to establish check in and check out procedures and require the Occupants to check in and check out during their period of stay in the Condominium.

14.5 Applicability. This Article 14 shall not apply to any leasing transaction entered into by Declarant, the Association or the holder of any first Mortgage who becomes the Owner of a Unit through foreclosure or any other means pursuant to the satisfaction of the indebtedness secured by such Mortgage.

ARTICLE 15: SALE OF UNITS

A Unit Owner (other than Declarant) intending to make a transfer or sale of a Unit or any interest in a Unit shall give written notice to the Board of such intention within seven (7) days after execution of the (i) transfer document, or (ii) purchase and sale agreement, whichever is earlier. The Unit Owner shall furnish to the Board as part of the notice (i) the name and address of the intended grantee; and (ii) such other information as the Board may reasonably require. This Article shall not be construed to create a right of first refusal in the Association or in any third party.

Within seven (7) days after receiving title to a Unit, the purchaser of the Unit shall give written notice to the Board of his or her ownership of the Unit. Upon failure of an Owner to give the required notice within the seven (7) day time period provided herein, the Board may levy fines against the Unit and the Owner thereof, and assess the Owner for all costs incurred by the Association in determining his or her identity.

ARTICLE 16: MAINTENANCE RESPONSIBILITY

16.1 By the Owner. Each Owner shall have the obligation to maintain and keep in good repair all portions of his or her Unit and all improvements made by the Owner to the Limited Common Elements assigned to the Unit, except any portion of the Unit or any Limited Common Element which is expressly made the maintenance obligation of the Association as set forth in Section 16.2 below. This maintenance responsibility shall include, but not be limited to, the following: all glass surfaces (including, without limitation, exterior cleaning of any glass doors or windows leading to any Limited Common Element balcony or patio, but excluding the exterior cleaning of all other glass surfaces); windows, window frames, casings and locks (including caulking of windows); tile, carpet and any floor covering above the material supporting the padding beneath the carpet, and any matting or material beneath any hard

surfaced flooring of the Unit; painting and finishing of all interior walls and ceilings within the Unit; all doors, doorways, door frames and hardware that are part of the entry system of the Unit or a Limited Common Element carport or storage space assigned to the Unit (except that the Association shall be responsible for periodic painting and/or staining of the exterior surface of entry doors, door frames facing the hallway of the building and any carport structure as set forth in Section 16.2(ii) below); all portions of the heating and air conditioning system exclusively serving the Unit, including the air conditioning compressor and the fan coil and routine replacement of filters; all pipes, lines, ducts, conduits or other apparatus which serve only the Unit, whether located within or outside of a Unit's boundaries (including all gas, electricity, water, sewer or air conditioning pipes, lines, ducts, conduits or other apparatus serving only the Unit); and any carport lighting within an assigned Limited Common Element carport.

(a) Some Units may contain interior support beams which are load bearing beams. No Owner or Occupant shall do any act which jeopardizes or impairs the integrity of such beams.

(b) In addition, each Owner shall have the responsibility:

(i) to keep in a neat, clean and sanitary condition any Limited Common Elements serving his or her Unit including, without limitation, patios, terraces, balconies (except for periodic painting and/or staining), storage spaces and carport, if any;

(ii) to perform his or her responsibility in such manner so as not to unreasonably disturb other persons in other Units;

(iii) to promptly report to the Association or its agent any defect or need for repairs for which the Association is responsible;

(iv) to clear and remove snow and ice or debris from all decks, terraces, patios and balconies serving his or her Unit; and

(v) to pay for the cost of repairing, replacing or cleaning up any item which is the responsibility of the Owner but which responsibility such Owner fails or refuses to discharge (which the Association shall have the right, but not the obligation, to do), or to pay for the cost of repairing, replacing or cleaning up any item which, although the responsibility of the Association, is necessitated by reason of the willful or negligent act of the Unit Owner, his or her family, invitees, tenants, Occupants or guests, with the cost thereof to be added to and become part of the Owner's next chargeable assessment.

16.2 By the Association. The Association shall maintain and keep in good repair as a Common Expense the "Area of Common Responsibility," which includes the following:

(i) all Common Elements including any Limited Common Elements (except the interiors of carports), but excluding all improvements made to such Limited Common Elements by an Owner; provided, however, the cost of maintenance and repair of Limited Common Elements may be specifically assessed against the Unit Owner to whom the Limited Common Element is assigned pursuant to Sections 9.2 and 9.6. The Association and its agents and other duly authorized contractors are hereby granted a non-exclusive easement of access,

ingress and egress to and from said Limited Common Elements for the purpose of reading utility meters and for performing the maintenance responsibility set forth herein;

(ii) periodic cleaning, painting and/or staining of exterior surfaces of the Condominium buildings and of entry doors and door frames facing the hallway of the buildings and balconies, and exterior carport structure, on a schedule to be determined by the Board;

(iii) periodic cleaning of exterior glass surfaces (except any glass doors or windows leading to any Limited Common Element balcony or patio), as determined appropriate in the sole discretion of the Board and pursuant to a schedule to be determined by the Board; and

(iv) such additional portions of any 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 or assumed by the Association

(b) Subject to the maintenance responsibilities herein provided, any maintenance or repair performed on or to the Common Elements by an Owner or Occupant which is the responsibility of the Association hereunder (including, but not limited to, landscaping of Common Elements) shall be performed at the sole expense of such Owner or Occupant, and the Owner or Occupant shall not be entitled to reimbursement from the Association even if the Association accepts the maintenance or repair.

(c) The Association shall not be liable for injury or damage to person or property caused by the elements or by the Owner of any Unit, or any other person, or resulting from any utility, rain, snow or ice which may leak or flow from any portion of the Common Elements or from any pipe, drain, conduit, appliance or equipment which the Association is responsible to maintain hereunder. The Association shall not be liable to the Owner of any Unit or any guest, family or invitee (including, without limitation, Occupants), for loss or damage, by theft or otherwise, of any property which may be stored in or upon any of the Common Elements or Limited Common Elements. The Association shall not be liable to any Owner, or any guest, family, or invitee (including, without limitation, Occupants) for any damage or injury caused in whole or in part by the Association's failure to discharge its responsibilities under this Article where such damage or injury is not a foreseeable, natural result of the Association's failure to discharge its responsibilities. No diminution or abatement of assessments shall be claimed or allowed by reason of any alleged failure of the Association to take some action or perform some function required to be taken or performed by the Association under this Declaration, or for inconvenience or discomfort arising from the action taken by the Association to comply with any law, ordinance or with any order or directive of any municipal or other governmental authority.

(d) The Association shall repair incidental damage to any Unit resulting from performance of work which is the responsibility of the Association. As finished levels can have varying degrees, such repairs will be complete only to the extent of being "paint-ready." Components that may require repair or replacement, such as tile and trim, will be reinstated only to the extent that matching or similar materials are readily available at reasonable costs, as

determined in the sole discretion of the Board. Accessibility around personal belongings for workers to perform such repairs is the responsibility of the Unit Owner or Occupant. Removal, storage or other protective measures of personal items are also the responsibility of the Unit Owner or Occupant. If the removal, storage or other protective measures are not taken by the Unit Owner or Occupant and damage occurs due to the repair process, neither the Association nor the Board will be liable for such damage. Upon completion of such repairs, the Association will perform cursory cleaning but shall not be responsible for a detailed cleaning. The Board has sole discretion in defining the reasonable level, quality and extent of the repair and subsequent cleaning. In performing its responsibilities hereunder, the Association shall have the authority to delegate to such Persons, firms or corporations of its choice, such duties as are approved by the Board.

16.3 Failure to Maintain. If the Board determines that any Owner has failed or refused to discharge properly such Owner's obligation with regard to the maintenance, repair and/or replacement of items of which such Owner is responsible hereunder, then the Association shall give the Owner written notice of the Owner's failure or refusal and of the Association's right to provide necessary maintenance, repair or replacement at the Owner's cost and expense. The notice shall set forth with reasonable particularity the maintenance, repair or replacement deemed necessary by the Board. Unless the Board determines that an emergency exists, the Owner shall have ten (10) days within which to complete maintenance, repair or replacement, or if the maintenance, repair or replacement is not capable of completion within such time period, to commence such maintenance, repair or replacement within ten (10) days. If the Board determines that: (i) an emergency exists; or (ii) that an Owner has not complied with the demand given by the Association as herein provided, the Association may provide any such maintenance, repair or replacement at the Owner's sole cost and expense, and such costs shall be added to and become a part of the assessment to which such Owner is subject and shall become a lien against the Unit and shall be collected as provided herein for the collection of assessments.

If the Board determines that the need for maintenance, repair or replacement is in the Common Elements and is caused through the willful or negligent act of an Owner the guests, family, or invitee (including, without limitation, Occupants) of an Owner, then the Association may assess the cost of any such maintenance, repair or replacement against the Owner or Occupant, which shall become a lien against the Unit, and shall be collected as provided herein for the collection of assessments.

16.4 Maintenance Standards and Interpretation. The maintenance standards and the enforcement thereof and the interpretation of maintenance obligations under this Declaration may vary from one term of the Board to another. These variances shall not constitute a waiver by the Board of the right to adopt and enforce maintenance standards under this Section. No decision or interpretation by the Board shall constitute a binding precedent with respect to subsequent decisions or interpretations of the Board. All maintenance of a Unit and Limited Common Areas shall be in conformance with the Community-Wide Standard of the Association. No Owner shall perform any maintenance which may result in a change or alteration to the exterior of the Unit or any Limited Common Area servicing the Unit without the prior written approval of the ARB and/or Master ARB as provided in Article 12 hereof.

16.5 Measures Related to Insurance Coverage. The Board, upon resolution, shall have the authority to require all or any Unit Owner(s) to do any act or perform any work involving portions of the Condominium which are the maintenance responsibility of the Unit Owner, which will, in the Board's sole discretion, decrease the possibility of fire or other damage in the Condominium, reduce the insurance premium paid by the Association for any insurance coverage or otherwise assist the Board in procuring or maintaining such insurance coverage. This authority shall include, but need not be limited to, requiring all Owners to install smoke detectors; requiring Owners to make improvements to the Owner's Unit; and such other measures as the Board may reasonably require so long as the cost of such work does not exceed five hundred dollars (\$500.00) per Unit in any twelve (12) month period.

In addition to, and not in limitation of, any other rights the Association may have, if any Unit Owner does not comply with any reasonable requirement made by the Board pursuant to this Section 16.5, the Association, upon ten (10) days' written notice (during which period the Unit Owner may perform the required act or work without further liability), may perform such required act or work at the Unit Owner's sole cost. Such cost shall be an assessment and a lien against the Unit as provided herein. The Association shall have all rights necessary to implement the requirements mandated by the Board pursuant to this Section 16.5, including, but not limited to, a right of entry during reasonable hours and after reasonable notice to the Owner or Occupant of the Unit, except that access may be had at any time without notice in an emergency situation.

ARTICLE 17: EMINENT DOMAIN

In the event of a taking by eminent domain of any portion of the Common Elements on which improvements have been constructed, unless within sixty (60) days after such taking, at least seventy-five percent (75%) of the Owners (and, during the Development and Sale Period, with the prior written approval of Declarant) shall otherwise agree, the Association shall restore or replace such improvements so taken on the remaining land included in the Common Elements to the extent lands are available therefor, and each Owner agrees that such Owner's undivided interest in any award for such taking of the Common Area shall be used for the purposes of such restoration. The provisions of Article 11, applicable to Common Elements improvements damage, shall govern replacement or restoration and the actions to be taken in the event that the improvements are not restored or replaced. This Article shall be subject to Section 1-107 of the Act.

ARTICLE 18: MORTGAGEE RIGHTS

18.1 Amendments to Documents; Mortgagees Consent. Subject to the provisions of Section 21.5, the consent of (a) members holding at least sixty-seven percent (67%) of the Total Eligible Association Vote, (b) Declarant, during the Development and Sale Period, and (c) Eligible Mortgagees representing at least fifty-one percent (51%) of the total voting power attributable to Units subject to a Mortgage held by an Eligible Mortgagee, shall be required to amend any material provisions of this Declaration, the By-Laws or Articles of Incorporation, or to add any material provisions thereto which establish, provide for, govern or regulate any of the following:

- (a) voting;

(b) assessments (including any increase in the annual assessment by more than twenty-five percent (25%) of the previous year's assessment), assessment liens or subordination of such liens;

(c) reductions in reserves for maintenance, repair and replacement of the Common Elements;

(d) responsibility for maintenance and repair of the Condominium;

(e) reallocation of interests in Common Elements in a manner other than as provided herein;

(f) redefinition of Unit boundaries in a manner other than as provided herein;

(g) convertibility of Units into Common Elements or vice versa;

(h) expansion or contraction of the Condominium or the addition, annexation or withdrawal of property to or from the Condominium in a manner other than as provided herein;

(i) insurance or fidelity bonds;

(j) leasing of Units;

(k) imposition of any right of first refusal or similar restriction of the right of any Owner to sell, transfer or otherwise convey his or her Unit;

(l) establishment of self-management by the Association where professional management has been required by an Eligible Mortgagee;

(m) rights to use the Common Elements;

(n) repair or restoration of the Condominium (after damage or partial condemnation) in a manner other than as provided herein; or

(o) any provisions included in the Declaration, By-Laws or Articles of Incorporation which are for the express benefit of holders, guarantors or insurers of first Mortgages on Units.

18.2 Mortgagee Consent. Unless at least sixty-seven percent (67%) of the first Mortgagees and Unit Owners other than Declarant, and Declarant during the Development and Sale Period, give their consent, the Association or the membership shall not:

(a) by act or omission seek to abandon or terminate the Condominium. Notwithstanding the foregoing, pursuant to Section 2-118 of the Act, the Condominium shall not be terminated unless the Owners of Units to which eighty percent (80%) of the votes in the Association are allocated agree to terminate the Condominium;

(b) except as provided herein and in the Act for condemnation and substantial damage and destruction, and annexation of additional property to the Condominium, change the pro rata interest or obligations of any individual Unit for the purpose of (1) levying assessments or changes or allocating distributions of hazard insurance proceeds or condemnation awards; or (2) determining the pro rata share of undivided ownership of each Unit in the Common Elements;

(c) partition or subdivide any Unit in any manner inconsistent with the provisions of this Declaration;

(d) by act or omission seek to abandon, partition, subdivide, encumber, sell or transfer the Common Elements (the granting of easements or licenses, as authorized herein, shall not be deemed a transfer within the meaning of this clause); or

(e) use hazard insurance proceeds for losses to any portion of the Condominium (whether to Units or to Common Elements) for other than the repair, replacement or reconstruction of such portion of the Condominium.

The provisions of this Section shall not be construed to reduce the percentage vote that must be obtained from Mortgagees or Unit Owners where a larger percentage vote is otherwise required by the Act or the Condominium Instruments for any of the actions contained in this Section.

18.3 Liability of First Mortgagees. Where the Mortgagee holding a first Mortgage of record or other purchaser of a Unit obtains title pursuant to judicial or non-judicial foreclosure of the Mortgage, it shall not be liable for the share of the Common Expenses or assessments by the Association chargeable to such Unit which became due prior to such acquisition of title. If the Association is unable to recover any amounts due from the responsible party, such unpaid share of Common Expenses or assessments shall be deemed to be a Common Expense collectible from Owners of all the Units, including such acquirer, its successors and assigns. Additionally, such acquirer shall be responsible for all charges accruing subsequent to the passage of title, including, but not limited to, all charges for the month in which title is passed.

18.4 Mortgagee Notice. Upon written request to the Association, identifying the requesting party's name and address of the holder and the Unit number or address to which the related Mortgage pertains, any Eligible Mortgagee or insurer or guarantor of a first Mortgage will be entitled to timely written notice of:

(a) any proposed amendment to the Condominium Instruments effecting a change in (i) the boundaries of any Unit or the exclusive easement rights appertaining thereto; (ii) the interests in the Common Elements, including Limited Common Elements, appertaining to any Unit, or the liability for Common Expenses appertaining thereto; (iii) the number of votes allocated to any Unit; or (iv) the purposes to which any Unit or the Common Elements are restricted;

(b) any proposed termination of the Condominium;

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

(d) any delinquency in the payment of assessments or charges owed by an Owner of a Unit subject to a first Mortgage held, insured or guaranteed by such Eligible Mortgagee or party which remains unsatisfied for a period of sixty (60) days, and any default in the performance by an individual Unit Owner of any other obligation under the Condominium Instruments which is not cured within sixty (60) days;

(e) any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association; or

(f) any proposed action which would require the consent of a specified percentage of Eligible Mortgagees, as specified herein.

18.5 Financial Statements. Pursuant to the terms of Section 6.4 of the By-Laws, any holder of a first Mortgage shall be entitled, upon written request, to receive within a reasonable time after request, a copy of the financial statement of the Association for the immediately preceding fiscal year, free of charge to the Mortgagee so requesting.

18.6 Additional Mortgagee Rights. Notwithstanding anything to the contrary herein contained, the provisions of Articles 14 and 15 governing leases and sales shall not apply to impair the right of any first Mortgagee to:

(a) foreclose or take title to a Unit pursuant to remedies contained in its Mortgage; or

(b) take a deed or assignment in lieu of foreclosure; or

(c) sell, lease or otherwise dispose of a Unit acquired by the Mortgagee.

18.7 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.

18.8 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 sixty (60) 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.

18.9 Construction of Article. 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 19: DECLARANT RIGHTS

19.1 Right to Appoint and Remove Directors. Declarant shall have the right to appoint and remove any officer or member of the Board subject to such limitations set forth below and in Section 3.4 of the By-Laws. Pursuant to Section 3-103(d) of the Act, Declarant's authority to appoint and remove members of the Board of the Association shall expire no later than the earlier of the following:

(a) one hundred twenty (120) days after conveyance of seventy-five percent (75%) of the Units (including, without limitation, Units which may be created pursuant to special declarant rights or other rights reserved to Declarant as set forth in this Declaration) to Unit Owners other than a Declarant. Pursuant to Article 4, up to a total of one hundred fifty-two (152) Units may be created in the Condominium;

(b) the date on which Declarant voluntarily relinquishes such right by executing and recording in the Public Records an amendment to this Declaration, which shall become effective as specified in such amendment;

(c) two (2) years after Declarant has ceased to offer Units for sale in the ordinary course of business; or

(d) two (2) years after any development right to add new Units was last exercised.

19.2 Number and Terms of Directors Appointed by Declarant. The Board of the Association shall be comprised initially of no more than three (3) directors, who shall be appointed, removed and/or reappointed by Declarant, and whose terms shall expire at the time of expiration of the rights of Declarant as set forth above. To the extent and only if required by the Act (including, without limitation, Section 3-103(e)), (a) not later than sixty (60) days after conveyance of twenty-five percent (25%) of the Units (including, without limitation, Units which may be created pursuant to special declarant rights or other rights reserved to Declarant as set forth in this Declaration) to Unit Owners other than a Declarant, at least one (1) member and not less than twenty-five percent (25%) of the members of the Board shall be elected by Unit Owners other than the Declarant; and (b) not later than sixty (60) days after conveyance of fifty percent (50%) of the Units (including, without limitation, Units which may be created pursuant to special declarant rights or other rights reserved to Declarant as set forth in this Declaration) to Unit Owners other than a Declarant, not less than thirty-three percent (33%) of the members of the Board shall be elected by Unit Owners other than the Declarant.

19.3 Sale and Leasing of Units. Notwithstanding anything to the contrary contained herein, Declarant shall have the right to sell or lease Units and to erect and maintain signs to facilitate such sales or leases as it, in its sole discretion, deems appropriate and shall not be required to comply with the provisions of this Declaration regarding signs, sales and leases.

19.4 Development and Sale Period. Notwithstanding any provisions in the Condominium Instruments and any related documents, during the Development and Sale Period, it shall be expressly permissible for Declarant and/or any builder or developer approved by Declarant to maintain and carry on, upon such portion of the Condominium as Declarant may

deem necessary (and a non-exclusive easement within the Condominium shall exist in favor of the foregoing), such facilities and activities as in the sole opinion of Declarant may be required, convenient or incidental to Declarant's and/or such builder's or developer's development, construction and sales activities related to property described on Exhibits "A" and "C" to this Declaration, including, but without limitation, the right of access, ingress or egress for vehicular and pedestrian traffic over, under, on or in the Condominium; the right to tie into any portion of the Condominium with streets, driveways, parking areas and walkways; the right to tie into and/or otherwise connect and use (without a tap-on or any other fee for so doing), install, lay, replace, relocate, maintain and repair any device which provides utility or similar services including, without limitation, electrical, telephone, natural gas, water, sewer and drainage lines, and facilities constructed or installed in, on, under and/or over the Condominium; the right to carry on sales and promotional activities in the Condominium and the right to construct and operate business offices, signs, construction trailers, model Units and sales/rental offices. Declarant and/or any such builder or developer may use an unlimited number of Units or offices owned or leased by Declarant and/or such builder or developer as model Units and sales offices (including, without limitation, rights and easements set forth in Section 2-115 and Section 2-116 of the Act), which may be of any size and on any location of the Condominium, and which offices may be initially designated by Declarant as Common Elements pursuant to the Act. Rights exercised pursuant to such reserved easement shall be exercised with a minimum of interference to the quiet enjoyment of affected property, reasonable steps shall be taken to protect such property, and damage shall be repaired by the Person causing the damage at its sole expense.

19.5 Transfer or Assignment. Any or all of the special rights and obligations of Declarant set forth in the Condominium Instruments 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 Declarant has under this Declaration or the Act. Upon any such transfer and to the maximum extent permitted by law and the Act, 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 Declarant and duly recorded in the Public Records.

19.6 Residence Club Program. Notwithstanding anything herein to the contrary, Declarant hereby reserves the right to develop, operate, use, and/or sell one (1) or more Units as part of a vacation club, residence club, or similar program, to the extent permitted by applicable law. The Association is prohibited from taking any action or adopting any amendment or rule that interferes with such rights hereby reserved by Declarant.

ARTICLE 20: EASEMENTS

20.1 Use and Enjoyment. Each Unit Owner and Occupant shall have a right and non-exclusive easement of use and enjoyment in and to the Common Elements (including the right of access, ingress and egress to and from his or her Unit over those portions of the Condominium designated for such purposes), and such easement shall be appurtenant to and shall pass with the title to each Unit, subject to the rights of the Unit Owners to the exclusive use of the Limited Common Elements assigned to their respective Units and to the right of the Association to control the use and enjoyment of the Common Elements as provided by the terms of this

Declaration including, but not limited to, the right of the Association to suspend voting and use privileges as provided herein. Every portion of a Unit and all Limited Common Elements contributing to the support of an abutting Unit shall be burdened with an easement of support for the benefit of such abutting Unit.

20.2 Utilities and Drainage. To the extent that the sprinkler system or any utility or drainage line, pipe, wire or conduit serving any Unit, Units or the Common Elements shall lie wholly or partially within the boundaries of another Unit or the Common Elements, such other Unit, Units or the Common Elements shall be burdened with an easement for the use, maintenance, repair, and replacement of such sprinkler system, utility or drainage line, pipe, wire, or conduit, such easement to be in favor of the Unit, Units or Common Elements served by the same and the Association. It shall be the obligation of the benefited Owner to maintain, replace and repair any pipe, line, conduit, duct, or wire owned by such Owner, even if such pipe, line, conduit, duct, or wire is located in the Unit of another Owner. In such circumstance, the benefited Owner shall repair all incidental damage to any Unit or the Common Elements resulting from performance of any such work. All Unit Owners hereby covenant and agree that, as finished levels can have varying degrees, such repairs will be complete only to the extent of being "paint-ready." Components that may require repair or replacement, such as tile or trim, will be reinstated only to the extent that matching or similar materials are readily available at reasonable costs, as determined in the sole discretion of the Board.

20.3 Pest Control. The Association may, but shall not be obligated to, as a Common Expense, dispense chemicals for the extermination of insects and pests within the Units, Common Elements and Limited Common Elements. In the event the Association chooses to provide such pest control, the Association and its duly authorized contractors, representatives and agents shall have an easement to enter Units for the purpose of dispensing chemicals for the extermination of insects and pests within the Units, Common Elements and Limited Common Elements. Each Unit Owner shall either provide a key to the Unit or Limited Common Element for purpose of such entry or have someone available at such times as are designated by the Board to allow entry into the Unit or Limited Common Element for this purpose. The Association shall not be liable for any illness, damage or injury caused by the dispensing of these chemicals for this purpose.

20.4 Declarant Easements. During the Development and Sale Period, Declarant and its duly authorized designees, contractors, representatives, agents, and employees shall have: (a) an easement to exercise those Declarant rights reserved pursuant to Section 13.22, or elsewhere in this Declaration, including without limitation for the placement and maintenance of signs, a sales office, a business office, a management office, promotional facilities, and/or model Units on the Condominium, together with such other facilities as in the opinion of Declarant may be reasonably required, convenient or incidental to the completion, renovation, improvement, development, and/or sale of Units (including, without limitation, those set forth in Section 2-115 and Section 2-116 of the Act); and (b) a transferable non-exclusive easement on, over, through, under, and across the Common Elements and Limited Common Elements for the purpose of making improvements on the Condominium or any portion thereof, for the purpose of making such improvements and changes as permitted in Article 3, for the purpose of installing, replacing, repairing and maintaining all utilities serving the Condominium, and for the purpose of doing all things reasonably necessary and proper in connection therewith and for any other

purpose which Declarant may find useful or helpful (including, but not limited to, any easements needed or desirable to facilitate the installation, operation, use, repair, and replacement of recreational facilities). In addition, Declarant and its authorized designees, contractors, representatives, agents, and employees shall have an easement to conduct all activities and for exercising all rights set forth in Article 19 or elsewhere in this Declaration of this Declaration. The easements set forth herein shall be exercised with a reasonably minimum interference to the Owners' right and non-exclusive easement of use and enjoyment in and to the Common Elements and/or Limited Common Elements.

20.5 Additional Easements. Declarant hereby reserves, creates, establishes, promulgates and declares non-exclusive, perpetual, reciprocal, appurtenant easements of encroachment and for maintenance and use of any permitted encroachment, between adjoining Units and between each Unit and the Common Elements as set forth in Section 2-114(a) of the Act. Declarant hereby also reserves any easements in the Permitted Exceptions, and each Owner, by acceptance of a deed to a Unit, acknowledges and agrees that its ownership of a Unit and its undivided interest in the Common Elements shall be subject to the Permitted Exceptions. In addition, to the extent that the easements contained in the Permitted Exceptions are covenants running with the property comprising the Condominium, the Association hereby assumes all of the rights and obligations related to the Condominium set forth therein.

20.6 Perpetual Nonexclusive Easement to Public Ways, the Condominium and the Common Elements. The walks and other rights-of-way located within the Condominium shall be, and the same are hereby declared to be, subject to a perpetual, nonexclusive easement for ingress and egress and access to, over and across the same, to public ways, streets, the Common and Elements, which easement is hereby created in favor of the Owners and Occupants for their use and for the use of Declarant, Club Owner, Hotel Service Provider and such other service providers as herein listed, for all proper and normal purposes and for the furnishing of services and facilities for which the same are reasonably intended.

20.7 Reservation of Easement for Periodic Inspections, Repairs and Maintenance. Declarant shall, at all times, have the right to inspect the condition of the Common Elements, and the Limited Common Elements, and the improvements and facilities thereon, if any, and to perform any maintenance and/or any repairs thereto as Declarant deems necessary and/or appropriate in Declarant's discretion. If Declarant desires to inspect, maintain and/or repair a Limited Common Element which is appurtenant to only one (1) Unit, Declarant shall provide reasonable prior notice to the affected Owner except in any situation deemed, in Declarant's sole and absolute discretion, to be an emergency. If Declarant determines, in its sole and absolute discretion, that the Association has failed to maintain and/or repair any portion of the Common Elements and/or Limited Common Elements in a manner consistent with the Community-Wide Standard established pursuant to this Declaration, it may so notify the Association, in writing, and the Association shall promptly perform the required maintenance and/or repairs. Failure of the Association to maintain and/or repair the Common Elements and/or the Limited Common Elements in a manner consistent with the Community-wide Standard shall relieve Declarant and any predecessor Declarant of any liability to the Association and/or to any Owner or Occupant of a Unit for any condition of the Common Elements or Limited Common Elements. Declarant shall have the right to make a record of its inspections, maintenance and/or repairs made by any means available, including, but not limited to, photographing and/or videotaping the Common

Elements and Limited Common Elements, and shall have the right to perform tests or examinations to determine the condition of the same. Notwithstanding the foregoing, nothing herein shall impose upon Declarant any independent obligation to perform inspections, maintenance and/or repairs of the Common Elements and/or Limited Common Elements, and the Association shall not be relieved of its obligation to maintain the Common Elements and/or Limited Common Elements because of the election of Declarant or any predecessor Declarant to inspect or not to inspect or report to the Association the condition of the Common Elements, and/or Limited Common Elements or to perform or not to perform any inspection maintenance and/or repair.

ARTICLE 21: GENERAL PROVISIONS

21.1 Security. The Association may, but shall not be required to, from time to time, provide measures or take actions which directly or indirectly improve safety on the Condominium; however, each Owner, on behalf of such Owner and guests, family and invitees (including, without limitation, Occupants) of the Unit acknowledges and agrees that neither the Association, Declarant, the Hotel Services Provider, nor their respective managing agents is a provider of security and the aforementioned shall have no duty to provide security in and to the Condominium. It shall be the responsibility of each Owner to protect such Owner's person and property and all responsibility to provide security shall lie solely with each Unit Owner. The Association, Declarant, and the Hotel Services Providers and their respective managing agents shall not be held liable for any loss or damage by reason of failure to provide adequate security or ineffectiveness of safety measures undertaken.

Neither the Association, the Declarant, the Hotel Services Provider nor their respective managing agents shall in any way be considered insurers or guarantors of security within the Condominium, 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 measures cannot 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 guests, family, and invitees (including, without limitation, Occupants) of its Unit that neither the Association, its Board committees, Declarant and the Hotel Services Provider, nor their respective managing agents, are insurers and that each Person using the Condominium 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.

21.2 Carpports, Parking Spaces, and Storage Spaces. Neither Declarant nor the Association nor the Hotel Services Provider nor their respective managing agents shall be held liable for loss or damage, including water damage, to any property placed or kept in any carport, storage space or parking space in the Condominium. Each Owner or Occupant with use of a carport, storage space or any parking space that may be made available within the Condominium, who places or keeps a vehicle and/or any personal property in the vehicle, carport, parking space or storage space does so at his or her own risk.

21.3 Unit Keys. Each Unit Owner may provide the Association with a key to the Unit to be used by the Association for maintenance, emergency, security or safety purposes as provided in Section 8.1 of this Declaration and for pest control, if necessary, as provided in Section 20.3 of this Declaration. Neither Declarant nor the Association shall be liable for any loss or damage due to its holding such key, or use of such key for the purposes described above and each Unit Owner shall indemnify and hold harmless Declarant, the Association and its officers and directors against any and all expenses, including, without limitation, attorneys' fees, reasonably incurred by or imposed upon Declarant, the Association or its officers or directors in connection with any action, suit or other proceeding (including settlement of any such action, suit or proceeding) brought by the Unit Owner's guests, family, or invitees (including, without limitation, Occupants) against Declarant, the Association, its officers or directors arising out of or relating to its holding or use of such key for the purposes described above.

21.4 Implied Rights. The Association may exercise any right or privilege given to it expressly by this Declaration, the By-Laws, the Articles of Incorporation, any use restriction or rule, and every other right or privilege reasonably to be implied from the existence of any right or privilege given to it therein or reasonably necessary to effectuate any such right or privilege.

21.5 Amendment. Except where a higher vote is required for action under any other provisions of this Declaration or by the Act, in which case such higher vote shall be necessary to amend such provision, or where otherwise permitted elsewhere herein or under the Act, this Declaration, the By-Laws, the Plat and the Plans may be amended by the affirmative vote, written consent, or any combination of affirmative vote and written consent of the members of the Association holding sixty-seven percent (67%) of the Total Eligible Association Vote. As long as Declarant has the right to appoint any director of the Association as provided in Article 19, any amendment to this Declaration, the Plat and the Plans or the By-Laws shall also require the written consent of Declarant. In addition, no amendment to this Declaration shall alter the easement rights contained in Section 20.4 or elsewhere in this Declaration without the consent of the Person(s) holding such easement rights. Notice of any meeting at which a proposed amendment will be considered shall state the facts of consideration and the subject matter of the proposed amendment. No amendment shall be effective until certified by the president and secretary of the Association and recorded in the Public Records.

Except as permitted or required elsewhere herein or under the Act, an amendment to the Declaration may not create or increase Declarant's rights, increase the number of Units beyond the maximum stated in Article 4, change the boundaries of a Unit, alter or destroy a Unit or Limited Common Element, change a Unit's allocated interest, or change the use restrictions on a Unit unless the amendment is approved by the affirmative vote, written consent, or any combination of affirmative vote and written consent of the members of the Association holding one hundred percent (100%) of the Total Eligible Association Vote. As long as Declarant has the right to appoint any director of the Association as provided in Article 20, such amendment shall also require the written consent of Declarant. In addition, an amendment may not increase or otherwise modify the obligations imposed on Declarant, or reduce or otherwise modify any rights granted herein to Declarant, without prior written consent of Declarant.

In addition to the above, material amendments to this Declaration, as set forth in Section 19.1, must be approved by Eligible Mortgagees who represent at least fifty-one percent (51%) of

the votes of Units that are subject to Mortgages held by Eligible Mortgagees. Notwithstanding the above, the approval of any proposed amendment by an Eligible Mortgagee shall be deemed implied and consented to if the Eligible Mortgagee fails to submit a response to any written proposal for an amendment within thirty (30) days after the Eligible Mortgagee receives notice of the proposed amendment sent by certified or registered mail, return receipt requested.

Notwithstanding the foregoing, Declarant or the Board, without the necessity of a vote from the Owners, may amend this Declaration or the By-Laws to comply with any applicable state, city or federal law and/or to bring the Condominium into compliance with applicable guidelines of the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Federal Housing Administration, the Department of Housing and Urban Development, and the Veterans Administration.

Any action to challenge the validity of an amendment adopted under this Section must be brought within one (1) year of the effective date of such amendment. No action to challenge such amendment may be brought after such time.

21.6 Fair Housing Amendments Act. The provisions of the Condominium Instruments shall be subordinate to the Fair Housing Amendments Act of 1988, 432 U.S.C. § 3601, *et seq.*, (hereinafter referred to as "FHAA"), and shall be applied so as to comply with the FHAA. In the event that there is a conflict between or among the Condominium Instruments and the FHAA, the FHAA shall prevail. Notwithstanding anything to the contrary contained herein, in the event that any provision of this Declaration conflicts with the FHAA, the Board of Directors, without the consent of the Owners or of Declarant, shall have the unilateral right to amend this Declaration for the purpose of bringing this Declaration into compliance with the FHAA. Furthermore, notwithstanding Section 6.2 hereof, the Board shall have the unilateral right to assign portions of the Common Elements as Limited Common Element to one (1) or more Owners or Occupants should such action be required in order to make a reasonable accommodation under the FHAA.

21.7 Compliance. Every Owner and Occupant of any Unit shall comply with this Declaration, the By-Laws and the rules of the Association. Failure to comply shall be grounds for an action by the Association or, in a proper case, by any aggrieved Unit 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 8.3.

21.8 Severability. Whenever possible, each provision of this Declaration shall be interpreted in such manner as to be effective and valid, but if the application of any provision of this Declaration to any Person or to any property shall be prohibited or held invalid, such prohibition or invalidity shall not affect any other provision or the application of any provision which can be given effect without the invalid provision or application and, to this end, the provisions of this Declaration are declared to be severable.

21.9 Captions. The captions of each Article and Section hereof, as to the contents of each Article and Section, are inserted only for convenience and are in no way to be construed as defining, limiting, extending or otherwise modifying or adding to the particular Article or Section to which they refer.

21.10 Notices. Notices provided for in this Declaration or the Articles or By-Laws shall be in writing, and shall be addressed to any Owner or Occupant at the address of the Unit and to Declarant or the Association at the address of their respective registered agents in the State of North Carolina. Any Owner may designate a different address for notices to such Owner by giving written notice to the Association. Notices addressed as above shall be deemed delivered three (3) business days after mailing by United States registered or certified mail, postpaid, or upon delivery when delivered in person, including delivery by Federal Express or other reputable courier service. Notwithstanding the foregoing, to the extent Article 12 provides otherwise, notices required by the ARB shall be governed Article 12 of this Declaration, as may be amended from time-to-time.

21.11 Perpetuities. 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 twenty-one (21) years after the death of the last survivor of the now living descendants of Elizabeth II, Queen of England.

21.12 Indemnification. To the fullest extent allowed by the North Carolina Nonprofit Corporation Act, and in accordance therewith, the Association shall indemnify every current and former officer, director and committee member against any and all expenses, including, but not limited to, attorneys' fees, imposed upon or reasonably incurred by any officer, director or committee member in connection with any action, suit or other proceeding (including settlement of any suit or proceeding, if approved by the Board) to which such officer, director or committee member may be a party by reason of being or having been an officer, director or committee member. The officers, directors and 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 committee members shall have no personal liability with respect to any contract or other commitment made by them, in good faith, on behalf of the Association and the Association shall indemnify and forever hold each such officer, director and committee member free and harmless against any and all liability to others on account of any such contract or commitment. Any right to indemnification provided for herein shall not be exclusive of any other rights to which any officer, director or committee member, or former officer, director or committee member, may be entitled. The Association shall maintain adequate general liability and officers' and directors' liability insurance to fund this obligation, if such coverage is reasonably available.

21.13 Rights to Use Names; License Agreements. The Condominium name, the Project name, the names "Centex Homes," "Centex Destination Properties," "Centex Hospitality Group," and all similar or derivative names, along with all logos associated therewith, are the proprietary trade names and service marks of Centex Homes, Declarant, or their affiliates. No Person shall use such trade names, service marks or logos for advertising or any other purpose in any promotional material, whether printed, audio, video, or otherwise, in any signage, or in any logo or depiction or in any other fashion or manner without the prior written consent of the Person who owns such mark in each instance. In addition, due to the integrated nature of the Project as a planned community, and the public identification of the Units with the Project, any name or "logo" to be used in connection with or displayed on any Unit, and any sales or other materials or documentation related to the use of the Unit, shall be subject to Declarant's prior written consent in each instance. Such approval may be given or withheld in Declarant's

discretion and may be subject to such terms and conditions as Declarant deems appropriate in Declarant's discretion. The Declarant specifically reserves the right for itself and the Hotel Services Provider the right to use the name of the Association in connection with the marketing of the Condominium, the Project, or any services provide by the Hotel Services Provider to Owners or other residential property owners within the Project. The Association shall not in any way hinder marketing of the Hotel Services Provider.

Notwithstanding the above, Owners may use the Project name where such term is used solely to specify that their particular Unit is located within the Project (subject, however, to such terms and conditions as Declarant may impose in order to protect any registered trade names and service marks).

The mark or trademark owner may condition such use of the mark by the Association or any Owner upon the signing of one or more license agreement(s) that are intended to protect the trade names and service marks from unauthorized use by others. Such license agreement(s) shall be non-exclusive, non-transferable, in form and substance acceptable to the owner of the mark.

ARTICLE 22: EXPANSION OF THE CONDOMINIUM

Declarant reserves the option to expand the Condominium by adding to the Condominium all or any part of the Additional Property on one or more occasions. Except as set forth herein, there are no limitations on this option. Except for zoning and other governmental requirements, there are no limitations as to the location of improvements on the Additional Property. The Additional Property may be added as a whole at one time or by one or more portions at different times. There are no limitations fixing the boundaries of any portion of the Additional Property which may be submitted to the Condominium, and there are no limitations regulating the order in which portions of the Additional Property may be submitted to the Condominium. There is no obligation to add all or any portion of the Additional Property to the Condominium. This option shall expire seven (7) years from the date of recording this Declaration. The maximum number of Units that may be created on the Additional Property and added to the Condominium is one hundred forty-eight (148) for a total one hundred fifty-two (152) Units in the Condominium. No assurances are made that any improvements will be made on all or any portion of the Additional Property which may be submitted to this Declaration. No assurances are made that the Units which may be built on all or any portion of the Additional Property will be substantially identical to the Units on the submitted property. All improvements to be located on each portion of the Additional Property which is being submitted to the Condominium shall be substantially complete prior to its submission to the Condominium. Declarant shall have the right to assign Limited Common Elements on the Additional Property in accordance with the provisions hereof. The undivided interests in the Common Elements and the liability for Common Expenses are allocated among the Units equally, and, upon the expansion of the Condominium to include any portion of the Additional Property, shall be reallocated among the Units on the submitted property and the Additional Property on that same basis. Each Owner is entitled to one (1) equally weighted vote in the Association for each Unit in which such Owner holds an interest, which vote is appurtenant to the Unit, and, upon expansion of the Condominium to include any portion of the Additional Property, votes in the Association shall continue to be allocated on the same basis. Notwithstanding anything herein to the contrary, any expansion under this Article shall be effected by Declarant's executing and recording an

amendment or supplement to this Declaration, and the Plats and Plans required by the Act, at Declarant's sole expense and without further need of approval from the Owners; provided that, any such supplemental declaration may supplement, create exceptions to, or otherwise modify the terms of this Declaration as it applies to the property subject to such supplemental declaration for such purposes as deemed appropriate in Declarant's sole discretion. Such modifications may reflect the different character and intended use of such property, including, but not limited to, the establishment of a vacation club, residence club or such similar structure, and such program shall not be deemed to be inconsistent with the overall plan of development of the Condominium as set forth in this Declaration. The Units created and added as set forth herein shall be owned by Declarant until conveyed, but the Common Elements shall be owned by all of the Unit Owners.

ARTICLE 23: UNIT RENTAL PROGRAM

Although certain Owners may participate in a Unit Rental Program, no Owner shall be required to (a) participate in any rental management program or other similar arrangement for the renting of such Owner's Unit, (b) use an exclusive rental agreement for the renting of its Unit, or (c) be otherwise materially restricted in its occupancy or rental of its Unit in a manner which is inconsistent with the terms of this Declaration. Each Owner hereby understands and agrees that the Unit will be used only in accordance with the purposes permitted by governmental zoning ordinances and use restrictions applicable to the Condominium. All rental agents, management companies and Rental Management Company doing business at the Condominium must meet and adhere to the standards established by the Association and be approved, during the Development and Sale Period, by Declarant. Declarant hereby reserves the right to assign Declarant's rights hereunder to establish and/or operate a Unit Rental Program to the Club Owner or such other third party as Declarant may determine. The Association is prohibited from operating a rental program. Therefore, no expense associated with any rental program shall be a common expense of the Association. Developer makes no representations as to whether any modifications to the Units or other portion of the Condominium are required before Units may be placed into a rental program or whether other legal requirements apply to the renting of a Unit. Each Unit Owner should perform his/her own investigations in that regard.

ARTICLE 24: WITHDRAWAL OF PROPERTY

Declarant reserves the right to amend this Declaration during the Development and Sale Period for the purpose of removing any portion of property previously submitted to the Condominium from the coverage of this Declaration and the Act. Except as set forth herein, there are no limitations on this option. Except for zoning and other governmental requirements, there are no limitations as to the location of which portion or portions may be withdrawn. The withdrawn property may be withdrawn as a whole at one time or by one or more portions at different times. There are no limitations fixing the boundaries of any portion of the property which may be withdrawn, and there are no limitations regulating the order in which portions of any such property must be withdrawn. This option shall expire seven (7) years from the date of recording this Declaration. The boundaries of the portions of the Condominium that may be withdrawn shall be fixed and are set forth on the Plat and on Exhibits "A" and "C". Any such amendment to withdraw property from the Condominium shall not require the consent of any person other than the owner of the property to be withdrawn, if not Declarant. The undivided interest in the Common Elements and the liability for Common Expenses are allocated among

the Units equally, and, upon withdrawal of any portions of the Condominium shall be reallocated among the Units and Owners on that same basis. Upon withdrawal of any portion of the Condominium affecting the number of Units entitled to vote pursuant to Article 7, votes in the Association shall continue to be allocated on the basis of one vote per Unit remaining in the Condominium.

ARTICLE 25: CLUB MEMBERSHIP AND OTHER CLUB MATTERS

25.1 Mandatory Social Membership. Every Owner of a Unit acknowledges that Declarant or a Declarant affiliate may in the future form a private membership club. Upon formation of any Club by Declarant or a Declarant affiliate, every Owner of a Unit, other than Declarant, shall be required to maintain, at a minimum, a Social Membership (as defined by the Club Documents) in the Club. Should the Club amend the Club Documents to rename the Social Membership, then the renamed category of membership in the Club Documents shall be deemed to be the Social Membership for purposes of this Declaration without the need to amend this Declaration to identify the renamed category. Pursuant to the terms hereof and in accordance with the Club Documents and the Master Documents, the Club shall issue one (1) Social Membership for each Unit. If a Unit is owned by more than one (1) Person, the Club may issue additional memberships as provided in the Club Documents; however, only the Social Membership may be transferred upon the sale or conveyance of a Unit. Upon the closing of a Unit and in accordance with the Club Documents, the Social Membership shall entitle the Owner of a Unit and all family members, domestic partners, tenants, renters and guests (collectively, the "Permittees") of such Owner to membership privileges in the Club in accordance with the terms and conditions set forth in the Club Documents, including but not limited to provisions regarding dues, fees and other charges and restrictions on use. All Owners of a Unit and their Permittees shall be subject to the usage requirements established by the Club in the Club's sole discretion. Every Owner of a Unit shall be subject to the Club Documents. Owners shall have no right of reimbursement or refund for initiation fees or deposits related to the Social Membership, and the Social Membership is non-transferable except in connection with the sale of the Unit relating to such Social Membership.

25.2 Mandatory Social Membership Dues. Every Owner shall be responsible for the payment of an initiation fee, if any, and any and all dues, fees and other charges established or allocated by the Club presently or in the future in accordance with the Club Documents, including but not limited to annual dues for a Social Membership (collectively "Social Dues and Charges"). The obligation to pay the Social Dues and Charges shall be enforceable pursuant to the terms of the Club Documents and this Declaration. The Club shall be entitled to directly charge and collect Social Dues and Charges from each Owner of a Unit in accordance with the Club Documents. Social Dues and Charges shall be payable by each Unit Owner to the Club without offset, diminution or abatement for any reason. By accepting a deed or entering into a contract of sale for a Unit, each Owner is deemed to have notice of liability for the Social Dues and Charges and to covenant and agree to pay the Social Dues and Charges as established by the Club.

Unless paid in full when due, Social Dues and Charges shall be subject to interest, at a rate to be set by the Club (computed from the due date of the Social Dues and Charges and subject to the maximum interest rate limitations of North Carolina law), and a monthly service

charge of one and one-half percent (1½%), computed from the date of the statement. All Social Dues and Charges, together with any interest, applicable service charges, legal costs of collection (including, without limitation, attorneys' fees and expenses) shall be the personal obligation of the Owner of such Unit at the time the Social Dues and Charges arose. Upon a transfer of title to a Unit, the grantee shall be jointly and severally liable for any annual dues for a Social Membership applicable to the Unit and related costs of collection and legal costs (including, without limitation, attorneys' fees and expenses) due to the Club at the time of conveyance. No Owner of a Unit shall be exempt from liability for Social Dues and Charges by non-use of the Club Facilities, suspension of such Owners use privileges at the Club, abandonment of such Owner's Unit or any other means, except as may be provided in the Club Documents. The obligation to pay Social Dues and Charges is a separate and independent covenant on the part of each Unit Owner, which covenant touches and concerns each Unit and runs with title to each Unit.

Notwithstanding anything to the contrary contained herein, at the Club Owner's election the Association shall be responsible for collecting all Social Dues and Charges levied against the Units. The Association shall pay the full amount of such Social Dues and Charges to the Club Owner on or before the date that such Social Dues and Charges are due. The Association may not claim set-off based upon the Association's inability or failure to collect such Social Dues and Charges from the Owners. Also, the collection of Social Dues and Charges through the Association shall not diminish or reduce the liability for Social Dues and Charges by the Members.

25.3 Lien for Social Membership Dues.

(a) The Club shall have a lien against each Unit to secure payment of delinquent Social Dues and Charges, as well as interest at a rate to be set by the Club (subject to the maximum interest rate limitations of North Carolina law), service charges, costs of collection and reasonable attorneys' fees. Such lien shall have priority as provided in Section 3-116(b) of the Act and shall be superior to all other liens, except (a) liens for real estate taxes and other governmental assessments or charges against the Unit, (b) lien(s) and encumbrances (specifically including, but not limited to a Mortgage) recorded before the docketing of the lien in the office of the clerk of the superior court, (c) the liens of the Master Association for delinquent assessments and other charges due under the Master Documents, and (d) the lien(s) of the Association pursuant to Section 9.2 of this Declaration. Such lien may be enforced by suit, judgment and/or judicial or non-judicial foreclosure to the same extent permitted a Mortgagee under and in accordance with, the laws of North Carolina including, without limitation, foreclosure by power of sale under Article 2A of Chapter 45 of the North Carolina General Statutes. This subsection does not affect the priority of mechanics' or materialmen's liens, unless otherwise permitted by law.

The sale or transfer of any Unit shall not affect the Club's assessment lien or relieve such Unit from the lien for any subsequent Club assessments. No first Mortgagee who obtains title to a Unit by exercising the remedies provided in its Mortgage shall be liable for unpaid Social Dues and Charges or other charges which accrued prior to such acquisition of title to the Unit and shall not be liable for Social Dues and Charges that would otherwise accrue to the Unit while Mortgagee holds title to the Unit. Such Mortgagee shall have no right to exercise the Club

membership rights appurtenant to the Unit. Upon conveyance of the Unit by Mortgagee to a bona fide purchaser, such purchaser shall be subject to the obligations of a Unit Owner to maintain a Social Membership and to pay Social Dues and Charges and shall have the right to exercise the privileges of a Social Membership in accordance with this Declaration, the Master Declaration and the Club Documents.

25.4 Club Membership Agreement. The Club Owner may require Unit Owners to sign a membership agreement prior to using the Club Facilities. An Owner's failure to sign a membership agreement shall not excuse the Owner from any obligations set forth in the Declaration, as amended, including but not limited to the Owner's obligation to pay the Social Dues and Charges and such other fees or charges established by the Club and assessed against the Owner's Unit. Use of the Club Facilities shall at all times be subject to the Club Documents.

25.5 Upgraded Membership. The Club may offer a variety of memberships levels over and above the mandatory Social Membership. If offered, each Unit Owner may be provided the opportunity to upgrade such Owner's Social Membership, subject to availability and the Club Documents. Any Owner upgrading such Owner's Social Membership shall receive a credit against the required Social Membership Dues upon the payment of dues related to the upgraded membership category, but shall not be excused from paying Social Membership Dues. If a Unit Owner terminates such upgraded membership, the Social Membership and the obligation to pay Social Dues and Charges shall continue and shall not be terminated.

25.6 Conveyance to Association and Assumption of Maintenance Responsibilities. The Association is obligated to accept any and all conveyances to it by the Club Owner of fee simple title, easements or leases to all or portions of the Club Facilities. The Association is further obligated to assume any and all permits related to such conveyed Club Facilities issued by a government or quasi-governmental authority and the related responsibilities thereunder to the extent such permits apply to the conveyed Club Facilities. Following such conveyance, the portion of the costs of operating, maintaining, repairing, replacing and insuring the conveyed property that is allocated to the Owners shall be assessed as a Common Expense in accordance with this Declaration. Any conveyance of Club Facilities, or a portion thereof, to the Association will be subject to any rights of Club members and to the Club Documents, including without limitation, any membership agreements entered into by Developer or Club Owner prior to, or subsequent to, conveyance of such Club Facilities, or portion thereof, to the Association.

[Signatures Appear on the Next Page]

IN WITNESS WHEREOF, Declarant has executed this Declaration under seal this 6th
day of March, 2007.

DECLARANT:

CENTEX HOMES, a Nevada general partnership,
d/b/a Centex Destination Properties

By: Centex Real Estate Corporation, a
Nevada corporation,
its managing general partner

By: David W. Earley
David W. Earley, Division President
Centex Destination Properties –
Mid-Atlantic Division

[Corporate Seal]

STATE OF FLORIDA

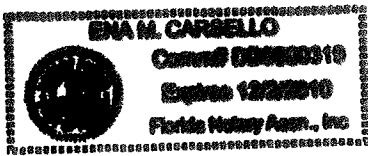
COUNTY OF SEMINOLE

This instrument was acknowledged before me on the 6th day of
March, 2007, by David W. Earley, Division President of Centex Real Estate
Corporation, a Nevada corporation, the managing general partner of Centex Homes, a Nevada
general partnership, on behalf of said partnership.

Gram M. Carvello

Notary Public, State of FLORIDA

Commission Expiration Date: 12-2-2010



[Notary Seal]

EXHIBIT "A"

LEGAL DESCRIPTION

ALL OF THAT CERTAIN TRACT OR PARCEL OF LAND containing 2.23 acres as shown on that certain plat prepared by Ed Holmes & Associates, dated February 27, 2007, and recorded in Plat Cabinet 16, Slide 153, Jackson County, North Carolina Registry.

Note: Areas labeled "Common Area" within in the boundaries of the Condominium as depicted on that certain Plat of Mountain Lodges at Bear Lake Reserve, a Condominium titled Bear Lake Reserve Subdivision Mountain Lodges - "B-1" Condominium recorded in the Jackson County, North Carolina Registry are Common Elements as such term is defined in the Declaration.

EXHIBIT "B"

ADDITIONAL PROPERTY

ALL THOSE TRACTS OR PARCELS OF LAND containing 692.2 acres and designated "Parcel B" as shown on that certain plat prepared by Lindsey & Associates, Inc. dated August 28, 2002, last revised April 14, 2003, and recorded in Plat Cabinet 12, Slide 138, Jackson County, North Carolina Registry.

Note to clerk and title examiners:

This Declaration is not intended to create an encumbrance on title to the property described on this Exhibit "B." Such title may be encumbered only with the consent of the owner by filing a Supplemental Declaration in accordance with Article 22.

EXHIBIT "C"

**BY-LAWS
OF
MOUNTAIN LODGES AT BEAR LAKE RESERVE
CONDOMINIUM ASSOCIATION, INC.**

Attached

BY-LAWS
OF
MOUNTAIN LODGES AT BEAR LAKE RESERVE
CONDOMINIUM ASSOCIATION, INC.

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**BY-LAWS
OF
MOUNTAIN LODGES AT BEAR LAKE RESERVE
CONDOMINIUM ASSOCIATION, INC.**

**ARTICLE I
Name, Principal Office, and Definitions**

1.1. Name.

The name of the nonprofit corporation is Mountain Lodges at Bear Lake Reserve Condominium Association, Inc. (the "Association"). The corporation is a non-profit corporation incorporated under the laws of North Carolina.

1.2. Principal Office.

The Association's principal office shall be located in the State of North Carolina in such location as the Board of Directors (the "Board"), determines or as the Association's affairs require.

1.3. Definitions.

The words used in these By-Laws shall have their normal, commonly understood definitions. Capitalized terms shall have the same meaning as set forth in the Declaration of Condominium for Mountain Lodges at Bear Lake Reserve, a Condominium as it may be amended, supplemented and/or amended and restated, from time to time ("Declaration"), unless the context indicates otherwise. The interpretation of certain references, as set forth in Section 2.2 of the Declaration, shall also apply to the words used in these By-Laws.

**ARTICLE II
Membership: Meetings, Quorum, Voting, Proxies**

2.1. Membership.

All Owners, by virtue of their ownership of an interest in a Unit, are members of the Association and shall be entitled to vote on all matters upon which members of the Association are entitled to vote pursuant to these By-Laws and the Act and in accordance with the Declaration (individually a "Member;" collectively, the "Members"). Provisions of the Declaration pertaining to membership are incorporated herein by this reference.

2.2. Change of Membership.

Change of membership in the Association shall be established by recording a deed or other instrument conveying record fee title to any Unit. The grantee named in such instrument shall, by acceptance of such instrument, become a Member of the Association, and the membership of the prior Owner shall terminate. The new Owner shall give written notice to the Association and deliver a copy of the conveyance instrument to the Association within seven (7) days after the conveyance and the new Owner shall not be entitled to voting privileges until the same has been received by the Association. The

foregoing shall not, however, limit the Association's powers or privileges and the new Owner shall be liable for accrued and unpaid fees and assessments attributable to the Unit acquired.

2.3. Place of Meetings.

The Association shall hold meetings at its principal office or at such other place as the Board may designate. Meetings may be conducted electronically (*i.e.*, via the Internet, intranet, or teleconference) if and to the extent permitted by law.

2.4. Annual Meetings.

The Association shall hold its first meeting, whether a regular or special meeting, within one year after the date of the Association's incorporation. The Board shall set the date and time of subsequent regular annual meetings to occur during the third quarter of each year thereafter.

2.5. Special Meetings.

The President may call a special meeting of the Association. It also shall be the President's duty to call a special meeting if so directed by Board resolution or upon written petition of Members representing at least 10% of the votes in the Association describing the purpose or purposes for which the special meeting is to be held. If the President does not call a special meeting pursuant to this Section within 30 days after the date such written petition is delivered to the Association's Secretary, any Member signing the petition may set the time and place of the special meeting and give the Association notice pursuant to Section 2.6.

2.6. Notice of Meetings.

The Association's Secretary shall cause written notice stating the place, day, and hour of any Association meeting to be given in any manner permitted by applicable law. If permitted by law, notice may be published in a newspaper, or by radio, television, or other form of public broadcast communication in the County, delivered by hand delivery, or sent by facsimile, electronic mail, or other electronic communication device, or such other manner which is reasonably calculated, as the Board determines in its discretion, to provide personal notice to Members. Notice shall be given at least 30 and, in any event, not more than 60, days before the date of the meeting, by or at the direction of the President, the Secretary, or the officers or Persons calling the meeting.

The notice of any meeting shall state the items on the agenda, including, without limitation, the general nature of any proposed amendment to the Declaration, Articles or these By-laws, any budget changes, and any proposal to remove a director or officer. No other business shall be transacted at a special meeting except as stated in the notice for the special meeting. Unless one-third (1/3) or more of the votes entitled to be cast in the election of directors are represented in person or by proxy, the only matters that may be voted upon at an annual or regular meeting of Members are those matters that are described in the meeting notice.

If mailed, the notice of a meeting shall be deemed given when deposited in the United States mail addressed to the Member at his or her address as it appears on the Association's records, with postage prepaid. If sent by facsimile, electronic mail, or other electronic communication device, notice shall be deemed delivered when transmitted to the Member at his or her address, e-mail address, or telephone or fax number as it appears on the Association's records. Failure to receive actual notice of an Association meeting shall not affect the validity of any action taken at such meeting.

2.7. Waiver of Notice.

Waiver of lack of proper notice of an Association meeting shall be the equivalent of proper notice. Any Member may waive, in writing, lack of proper notice of any Association meeting, either before or after such meeting. A Member's attendance at a meeting shall be deemed a waiver by such Member of lack of proper notice of the meeting, unless the 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 a waiver of lack of proper notice of all business transacted at the meeting, unless an objection on the basis of lack of proper notice is raised before the business is put to a vote.

2.8. Adjournment of Meetings.

If the Association cannot hold a meeting because a quorum is not present, or if the Members otherwise elect (with the approval of Declarant during Declarant Control Period), a majority of the Members who are present may adjourn the meeting to a time at least 5 but not more than 30 days from the date called for the original meeting. 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. At the reconvened meeting, if a quorum is present, any business may be transacted which might have been transacted at the meeting originally called. If those in attendance at the original meeting do not fix a time and place for reconvening the meeting, or if for any reason a new date is fixed for reconvening the meeting after adjournment, the Association shall give the Members notice of the time and place for reconvening the meeting in the manner prescribed for regular meetings.

2.9. Voting.

Members shall have such voting rights as are set forth in the Declaration, which provisions are incorporated herein 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.

2.10 List for Voting. After setting 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.

2.11. Proxies.

On any matter as to which a Member is entitled personally to cast the vote for his or her Unit, such vote may be cast in person or by proxy, subject to applicable law.

Every proxy shall be in writing specifying the Unit(s) for which it is given, signed by the Member or his or her duly authorized attorney-in-fact, dated, and filed with the Association's Secretary or person presiding over the meeting prior to or during the roll call for the meeting for which it is to be effective. In accordance with Section 55A-7-24 of the North Carolina Nonprofit Corporation Act, a Member may deliver one or more proxies by an electronic mail message or other form of electronic, wire, or wireless communication that provides a written statement appearing to have been sent by the Member. 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 2 or more proxies purporting to cover the same voting rights, the later dated proxy shall prevail, or if dated as of the same date, the later, if the timing of the execution thereof can be determined, shall prevail, otherwise both shall be deemed invalid.

Every proxy shall be revocable and shall automatically cease upon: (a) conveyance of any Condominium(s) for which it was given; (b) the receipt of written notice of revocation of the proxy or of the death or judicially declared incompetence of a Member who is an individual by the Secretary or the person presiding over a meeting of the Association; (c) 90 days from the meeting date for which the proxy was originally given, unless the proxy specifies a shorter period; or (d) 11 months after the date of the proxy, unless the proxy specifies a shorter period.

2.12. Majority.

As used in these By-Laws, the term "Majority" shall mean those votes, Owners, or other group as the context may indicate, totaling more than 50% of the total eligible number.

2.13. Quorum.

Except as these By-Laws or the Declaration otherwise provide, Members or their proxies entitled to cast 10% of the total votes in the Association held by Members other than Declarant, and Declarant during Declarant Control Period, shall constitute a quorum at all Association meetings. If no quorum is present at a meeting, the meeting may be adjourned and reconvened on a later date by the affirmative vote of a majority of those Members present in person or by proxy. At such reconvened meeting, the quorum requirement shall be 5% of the total votes in the Association held by Members other than Declarant, and Declarant during Declarant Control Period. The quorum shall continue to be reduced by 50% from that required at the previous meeting as previously reduced, until such time as a quorum is present and business can be conducted.

2.14. Conduct of Meetings.

The President shall preside over all Association meetings at which he or she is present, and the Secretary shall keep (or cause to be kept) the minutes of the meetings and record in a minute book all resolutions adopted and all other transactions occurring at such meetings.

2.15. Action Without a Meeting.

Without holding a meeting pursuant to Sections 2.4 or 2.5, Members may take any action that applicable law requires or permits the Members to take at a meeting (subject to any limitations in the Condominium Instruments), if the action is approved by Members representing at least the minimum number of votes in the Association necessary to authorize such action at a meeting, assuming the number of votes cast equals or exceeds the quorum required to be present at a meeting authorizing the action. Such approval shall be evidenced by one or more written consents specifically authorizing the proposed action, dated and signed by Members holding the requisite votes. The Association need not give prior notice before soliciting such consent; provided, however, that the Association must send written consent forms to all Members for action authorized pursuant to this section to be valid. Members shall sign, date, and deliver such consents to the Association within 60 days after the Association's receipt of the earliest dated consent. The Association's Secretary shall file (or cause to be filed) such consents with the Association's minutes and the consents shall have the same force and effect as a vote of the Members at a meeting. Within 10 days after receiving authorization for any action by written consent, the Secretary shall give (or cause to be given) written notice to all Members entitled to vote, fairly summarizing the material features of the authorized action.

2.16. Order of Business.

The order of business at all annual meetings of the Members shall be as follows: (a) roll call to determine whether a quorum is represented; (b) proof of notice of the meeting or waiver of notice; (c) reading of (or waiver of reading) minutes of the preceding annual meeting; (d) reports of officers, if any; (e) reports of committees, if any; (f) election of inspector(s) of election if an election is to be held; (g) election of Class "A" Directors (as defined in Section 3.4 below) if applicable; (h) unfinished business, if any; and (i) new business.

ARTICLE III

Board of Directors: Selection, Meetings, Powers

A. Composition and Selection.

3.1. Governing Body; Composition.

The Board shall govern the Association's affairs. Each director shall have one vote. Directors must be Members of Mountain Lodges at Bear Lake Reserve, a Condominium, except in the case of directors that Declarant appoints. A director must be at least 18 years old. No more than one representative of any Member which is a legal entity, nor more than one occupant of any Unit shall serve on the Board at a time, except in the case of directors that Declarant appoints.

3.2. Number of Directors.

The initial Board shall consist of the three directors identified in the Articles of Incorporation. Upon termination of Declarant Control Period, the number of directors shall be increased to five. The Board may, by resolution, increase or decrease the number of directors.

3.3. Nomination and Election Procedures.

(a) Nominations and Declarations of Candidacy. After Declarant Control Period, prior to each election of directors, the Board shall prescribe the opening date and the closing date of a reasonable filing period in which every eligible person who has an interest in serving as a director may file as a candidate for any position to be filled by election by the Unit Members other than Declarant. Nominations for election to the Board also may be made by a nominating committee. The nominating committee, if any, shall consist of a Chairman, who shall be a Member, and two or more Members or representatives of Members, all appointed by a majority of the Board. The nominating committee, if any, may make as many nominations for election to the Board as it shall in its discretion determine. The Board shall also permit nominations from the floor at any election meeting.

The Board shall give each candidate a reasonable, equal opportunity to communicate his or her qualifications to the Members and to solicit votes.

(b) Election Procedures. A Member may cast the vote(s) assigned to the Unit(s) which he or she owns for each position to be filled at an election. That number of candidates equal to the number of positions to be filled who receive the greatest number of votes shall be elected.

3.4 Election and Term of Office.

(a) Except as set forth in this subsection (a), Declarant shall have complete discretion in appointing, removing, and replacing directors during Declarant Control Period.

To the extent and only if required by the Act (including, without limitation, Section 3-103(e)):

(1) not later than sixty (60) days after conveyance of twenty-five percent (25%) of the Units to Unit Owners other than Declarant, at least one (1) member and not less than twenty-five percent (25%) of the members of the Board shall be elected by Unit Owners other than the Declarant; and

(2) not later than sixty (60) days after conveyance of fifty percent (50%) of the Units to Unit Owners other than a Declarant, not less than thirty-three percent (33%) of the members of the Board shall be elected by Unit Owners other than the Declarant.

(b) Upon termination of Declarant Control Period, the President shall call for an election at which the Members shall be entitled to elect all of the directors. The two directors receiving the largest number of votes by Members other than Declarant shall be elected for a term of two years and the remaining three directors shall be elected for a term of one year.

Notwithstanding the stated length of any term, directors shall hold office until their respective successors have been elected. Directors elected by the Members other than Declarant are referred to herein as the "Class "A" Directors."

Upon expiration of the term of each Class "A" Director elected pursuant to this subsection and thereafter, a successor shall be elected for a term of two years.

3.5. Removal of Directors and Vacancies.

Any Class "A" Director may be removed, with or without cause, by the vote of Members other than Declarant holding a majority of the votes entitled to be cast for the election of such Class "A" Director. Any Class "A" Director whose removal is sought shall be given notice prior to any meeting called for that purpose. Upon removal of a Class "A" Director, a successor shall be elected by Members other than Declarant entitled to elect the Class "A" Director so removed to fill the vacancy for the remainder of such Class "A" Director's term. Class "A" Directors may not be removed by Declarant.

Any Class "A" Director who has three consecutive unexcused absences from Board meetings, or who is more than 60 days delinquent in the payment of any assessment or other charge due the Association may be removed by a majority vote of the Board, excluding the Class "A" Director at issue. If the Class "A" Director is removed, the Board may appoint a successor to fill the vacancy 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 Members other than Declarant entitled to fill such directorship may elect a successor for the remainder of the term. If they fail to do so, the Board may appoint another director to fill the vacancy until filled by election.

This Section shall not apply to directors Declarant appoints nor to any director serving as Declarant's representative. Such directors may be removed and replaced only by Declarant. 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 Declarant.

B. Meetings.

3.6. Organizational Meetings.

Following termination of the Declarant Control Period and within 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.

3.7. Regular Meetings.

The Board may hold regular meetings at such time and place as the Board shall determine, but the Board shall hold at least one such meeting during each fiscal year.

3.8. Special Meetings.

The Board shall hold special Board meetings when called by written notice signed by the President, Vice President, or any two directors.

3.9. Notice; Waiver of Notice.

(a) Notices of Board meetings 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. The Board shall give notice to each director by: (i) personal delivery; (ii) first class mail, postage prepaid; (iii) telephone (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); or (iv) facsimile, electronic mail, or other electronic communication device, with confirmation of transmission. All such notices shall be given at the director's telephone number, fax number, electronic mail address, or sent to the director's address, each as shown on the Association's records. Notices sent by first class mail shall be deposited into a United States mailbox at least 7 business days before the time set for the meeting, except in the event of an emergency. Notices given by personal delivery, telephone, or other device shall be delivered or transmitted at least 72 hours before the time set for the meeting.

(b) Except for emergency meetings, notice of a Board meeting shall be posted in a conspicuous place within the Condominium at least 48 hours in advance of the meeting or provided in any other manner reasonably anticipated to provide notice to all Members, including, without limitation, posting on any Bear Lake Reserve Community cable television channel or publication in any newsletter with Condominium-wide circulation. In lieu of notice of each regular Board meeting, the Board may post or publish a schedule of upcoming Board meetings.

(c) Transactions of any Board meeting, 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 (i) a quorum is present, and (ii) either before or after the meeting each director 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 meeting's purpose. Notice of a meeting shall be deemed given to any director who attends the meeting without protesting before or at its commencement about the lack of adequate notice.

3.10. Telephonic Participation in Meetings.

Members of the Board or any committee designated by the Board may participate in a Board or committee meeting by means of telephone or other electronic means, through which all persons participating in the meeting can converse with each other at the same time. Participation in this manner

shall constitute presence at the meeting for all purposes. Participants attending by electronic means may vote by electronic transmission.

3.11. Quorum of Board.

At all Board meetings, 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 Board's decision, unless these By-Laws or the Declaration specifically provide otherwise. A meeting at which a quorum is initially present may continue, notwithstanding the withdrawal of directors, if at least a majority of the required quorum for that meeting approves any action taken. If the Board cannot hold a meeting 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.

3.12. Conduct of Meetings.

The President shall preside over all Board meetings at which he or she is present, and the Secretary shall keep (or cause to be kept) a minute book of Board meetings, recording all Board resolutions and all transactions and proceedings occurring at such meetings.

3.13. Open Meetings; Executive Session.

Subject to the provisions of Section 3.14, all Board meetings shall be open to all Members. However, attendees other than directors may not participate in any discussion or deliberation unless a director requests that they be granted permission to speak, and the Board concurs. In such case, the President (or other officer conducting the meeting) may limit the time any such individual may speak.

Notwithstanding the above, the President may call a special Board meeting, or adjourn any Board meeting and reconvene in executive session, and may exclude persons other than directors, to discuss with the Association's attorney matters relating to pending or threatened litigation which are protected by the attorney-client privileges, or to discuss among the Board any other matter of a sensitive nature, if applicable law permits. In such cases, no recording will be permitted.

3.14. Action Without a Formal Meeting.

Any action to be taken or which may be taken at a Board meeting may be taken without a meeting if all directors sign a consent in writing, setting forth the action so taken. Such consent shall have the same force and effect as a unanimous vote.

C. Powers and Duties.

3.15. Powers.

The Board shall have all of the powers and duties necessary for administering the Association's affairs and for performing all of the Association's responsibilities and exercising all of the Association's rights as set forth in the Condominium Instruments, and as provided by law. The Board may do or cause to be done on the Association's behalf all acts and things except those which the Condominium Instruments or applicable law require to be done and exercised exclusively by the membership generally.

3.16. Duties.

The Board's duties shall include, without limitation:

- (a) those obligations set forth in the Declaration, Articles, and elsewhere in these By-Laws;
- (b) depositing all funds received on the Association's behalf in a bank depository which it shall approve, and using such funds to operate the Association; provided, however, that any reserve funds may be deposited, in the Board's business judgment, in depositories other than banks;
- (c) enforcing by legal means the provisions of the Condominium Instruments and bringing any proceedings which may be instituted on behalf of or against the Owners concerning the Association if, in the exercise of its business judgment, it deems it prudent to do so;
- (d) keeping books with detailed accounts of the Association's receipts and expenditures; and
- (e) maintaining, and retaining for the time periods required, the official records of the Association, as provided in Chapters 47F and 55A, North Carolina General Statutes, or such other applicable law.

3.17. Compensation.

The Association shall not compensate a director for acting as such. The Association may reimburse any director for expenses incurred on the Association's behalf if approved by a majority of the other directors. In addition, nothing herein shall prohibit the Association from compensating a director for services or supplies he or she furnishes to the Association in a capacity other than as a director pursuant to a contract or agreement with the Association. The foregoing also applies to any entity with which a director is affiliated.

3.18. Right of Declarant to Disapprove Actions.

After any termination of the Declarant Control Period and for a period extending for five (5) years thereafter, Declarant shall have a right, to the extent not prohibited by law, to veto any action, policy, or program of the Association, the Board, and/or any committee which, in Declarant's discretion, would tend to impair rights or interests of Declarant, any affiliate of Declarant's, the Club Owner, any owner of a Private Amenity, any Hotel Services Provider, or any builders, interfere with development, construction and/or operation of any portion of the Condominium, or diminish the level of services the Association provides.

(a) Notice. The Association, the Board, and each committee shall give Declarant written notice of their meetings and proposed actions to be approved at their meetings (or by written consent in lieu of a meeting). The notice shall comply with the requirement for notice to directors under Section 3.9 and 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.

(b) Opportunity to be Heard. The Association, the Board, and each committee shall give Declarant the opportunity at any meeting to join in, or to have its representatives or agents join in, discussion from the floor concerning any prospective action, policy, or program which would be subject to the veto right described in this Section.

(c) Exercise of Rights. Declarant may exercise its veto right at any time within 30 days following the meeting at which such action was proposed or, if the action is approved without a meeting, at any time within 30 days following receipt of written notice of the proposed action. Declarant, its representatives or agents, may make its concerns, thoughts, and suggestions known to the Board and/or the members of the subject committee. This veto right may be used to block proposed actions but shall not include a right to require any action or counteraction by the Association, the Board, or any committee. Declarant shall not use its veto right to prevent expenditures required to comply with applicable laws.

(d) Condition of Implementation. No action, policy, or program subject to Declarant's veto right shall become effective or be implemented until and unless the requirements of subsections (a) and (b) above have been met, and then subject to Declarant's rights under subsection (c).

3.19. Management.

During the Declarant Control Period, the Board may, but shall not be obligated to, employ a professional managing agent or agents, at such compensation as the Board may establish, to perform such duties and services as the Board shall authorize and as are otherwise within the scope of the Board's authority. The Board may delegate such powers as are necessary to perform the manager's duties, but shall not delegate policy-making authority or the obligation to adopt a budget. The Board may contract with or employ Declarant or any of its affiliates as managing agent or manager.

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

The Members other than Declarant shall have no right to terminate a management contract during Declarant Control Period. Unless the Board otherwise grants such right, or unless the management contract otherwise provides, the Board may act in its discretion with respect to executing and terminating management contracts during Declarant Control Period. Any management contract may, among other things, authorize the managing agent to act as the Association's agent with respect to the expenditure of Association funds within the scope of the approved Association budget; however, the managing agent shall not be permitted to spend money in excess of the budget or reallocate greater than 10% of any budget line item without the Board's prior written approval.

The Board shall be obligated to engage a professional managing agent or agents at all times after any termination of Declarant Control Period. The management company may be Declarant or any Declarant affiliate. After termination of Declarant Control Period, this provision may be amended only if approved by (a) the unanimous consent of the Board and (b) Members, other than Declarant, representing 80% of the votes present in person or by proxy at a duly called meeting of the Owners at which a quorum is present.

After Declarant Control Period terminates, the Association may not terminate any management contract, or retain a new managing agent, without the approval of a majority of the Board of Directors.

3.20. Accounts and Reports.

The following management standards of performance shall be followed unless the Board specifically determines otherwise:

(a) Commencing at the end of the quarter in which the first Unit is sold and closed, the Board may prepare financial reports for the Association at least quarterly containing:

(i) an income statement reflecting all income and expense activity for the preceding period on a cash or accrual basis;

(ii) a statement reflecting all cash receipts and disbursements for the preceding period;

(iii) a variance report reflecting the status of all accounts in an “actual” versus “approved” budget format;

(iv) a balance sheet as of the last day of the preceding period; and

(v) a delinquency report listing all Owners who are delinquent in paying any assessments at the time of the report and describing the status of any action to collect such assessments which remain delinquent (any assessment or installment thereof shall be considered to be delinquent on the 15th day following the due date unless otherwise specified by Board resolution); and

(b) An annual financial report consisting of at least the following shall be prepared within 60 days (or such longer period as is permitted by law) after the close of the fiscal year: (i) a balance sheet showing actual receipts and expenditures; (ii) an operating (income) statement; and (iii) a statement of changes in financial position for the fiscal year. Such annual report shall be prepared on an audited, reviewed, or compiled basis, as the Board determines, by an independent public accountant.

The Association shall provide each Owner or its authorized agent a copy of the annual financial report within 5 business days following receipt of a written request for same. In addition, if applicable law requires, the Association shall send a copy of the annual financial report to each Member by mail or personal delivery following the close of the fiscal year.

3.21. 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 other owners or residents associations.

3.22. Fines and Sanctions.

The Association may impose fines, in such amounts as permitted by law, for any violation of the Condominium Instruments except with regard to assessments. To the extent the Declaration or applicable law specifically requires, the Board shall comply with the following procedures prior to imposition of sanctions:

(a) Notice. The Board or its delegate shall serve the alleged violator with written notice describing (i) the nature of the alleged violation; (ii) the proposed sanction to be imposed; (iii) a period of not less than 14 days within which the alleged violator may present a written request for a hearing; and (iv) a statement that the proposed sanction shall be imposed as contained in the notice unless the alleged violator challenges the violation within 14 days of the notice. If a timely request for a hearing is not made, or if otherwise permitted by the Condominium Instruments and applicable law, the sanction stated in the notice shall be imposed. The Board or Covenants Committee (as defined in Section 5.2 below), may suspend any proposed sanction if the violation is cured, or if a diligent effort is being made to cure, within the 14-day period. Such suspension shall not constitute a waiver of the right to sanction future violations of the same or other provisions and/or rules by any Person. If a violator repeats the violation,

or engages in a similar violation, for which notice was given within 12 months after the date of the first notice, the Board shall have the discretion to impose the proposed sanctions if the alleged violations were one continuous violation without the need to serve the alleged violator with additional notice. The Board may adopt a schedule of sanctions for violations of the Condominium Instruments; provided, however, that the Board shall not impose a fine that exceeds the limits prescribed by § 47F-3-107.1 of the Act.

(b) Hearing. If the alleged violator requests a hearing within the allotted 14-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. Proof of proper notice shall be placed in the minutes of the meeting. A copy of the notice, together with a statement of the date and manner of delivery signed by the officer, director, or agent who delivered such notice shall be considered adequate proof of notice. The notice requirement shall be deemed satisfied if the alleged violator or its representative appears at the meeting. A written statement of the results of the hearing and the sanction, if any, imposed shall be filed with the minutes of the Covenants Committee's meetings, or if no such committee has been established, then with the minutes of the Board's meetings.

(c) Additional Enforcement Rights. Notwithstanding anything to the contrary in this Article, subject to any limitations set forth in the Declaration, the Board may elect to enforce any provision of the Condominium Instruments by self-help (specifically including, but not limited to, towing vehicles that violate parking rules) or, following compliance with the Declaration's dispute resolution procedures, if applicable, by suit at law or in equity to enjoin any violation or to recover monetary damages or both. In any such action, to the maximum extent permissible, the Owner or occupant responsible for the violation of which abatement is sought shall pay all costs, including, without limitation, reasonable Legal Costs actually incurred.

3.23. Board Training Seminar

The Board may provide, or provide for, as a Common Expense, seminars and continuing educational opportunities designed to educate and inform directors of their responsibilities as directors. Such programs may include instruction on applicable corporate and fiduciary law principles, other issues relating to administering the Condominium's affairs, and upholding and enforcing the Condominium Instruments. The Board may retain industry professionals, including property managers, attorneys, and accountants, as appropriate or necessary for such purpose. Each newly elected director and each re-elected director may be required to complete a training seminar within the first six months of assuming the director position.

3.24. Board Standards

In performing their duties, directors and officers shall act in accordance with § 55A-8-30 of the North Carolina Nonprofit Corporation Act (the "business judgment rule") and are entitled to insulation from liability as provided for directors and officers of corporations by applicable law and as otherwise provided by the Condominium Instruments.

A director or officer acting in accordance with the business judgment rule shall not be personally liable to the Association or its Members for errors in judgment made in the director's or officer's capacity as such. Unless the Condominium Instruments require that specific action be taken, the failure to take such specific action shall not, without further showing that the Board acted in violation of the business judgment rule, be deemed a violation of a Board duty.

Board determinations of the meaning, scope, and application of Condominium Instrument provisions shall be upheld and enforced so long as such determinations are reasonable. The Board shall

exercise its power in a fair, nondiscriminatory manner and shall adhere to the procedures established in the Condominium Instruments.

3.25. Conflicts of Interest; Code of Ethics.

Unless otherwise approved by a majority of the other directors, no Class "A" Director may transact business with the Association or a contractor engaged by the Association during his or her term as director. A Class "A" Director shall promptly disclose in writing to the Board any actual or potential conflict of interest affecting the director relative to his or her performance as a director. A Class "A" Director's failure to make such disclosure shall be grounds for removal by a majority vote of the other Board members. The Board may void any contract which creates a prohibited conflict of interest.

Notwithstanding the above, the directors appointed by Declarant may be employed by or otherwise transact business with Declarant or any of its Affiliates, and Declarant and its affiliates may transact business with the Association or its contractors.

**ARTICLE IV
Officers**

4.1. Officers.

The Association's officers shall include a President, Vice President, Secretary, and Treasurer. The officers may, but need not, be Board members, or Owners of the Condominium; provided, however, that so long as there is a Declarant membership, the appointment of officers who are not residents of the Condominium shall require the prior written consent of Declarant. The Board may appoint such other officers, including, without limitation, one or more Vice Presidents, Assistant Secretaries or 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 Association's officers at the first Board meeting following each Association annual meeting. Officers shall serve until their successors are elected.

4.3. Removal and Vacancies.

Any officer may be removed with or without cause by a vote of at least a majority of the directors. The Board shall appoint a replacement to fill any vacancy in any office for the unexpired portion of the term.

4.4. Powers and Duties.

The Association's officers each shall have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as the Board may specifically confer or impose. The President shall be the Association's chief executive officer. The Treasurer shall supervise the preparation of the Association's budget, but may delegate all or part of the preparation and notification duties to a finance committee, managing agent, or both. The Secretary shall prepare or supervise the preparation of meeting minutes as required by applicable law.

4.5. Resignation.

Any officer may resign at any time by giving written notice to the Board, the President, or the Secretary. 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, 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 Association instruments shall be executed by at least two (2) officers, unless the Board provides otherwise, or by such other person or persons as the Board may designate by resolution.

4.7. Compensation.

Compensation of officers shall be subject to the same limitations as compensation of directors under Section 3.17.

4.8. President.

The President shall be the chief executive officer of the Association. He or she shall preside at all meetings of the Association and of the Board at which he or she is present. He or she shall have all of the general powers and duties which are usually vested in the office of the President of a corporation, including, but not limited to, the power, subject to the provisions of Article V, to appoint committees from among the Members from time to time as he or she may in his or her discretion decide is appropriate to assist in the conduct of the affairs of the Association. The President shall, subject to the control of the Board, have general supervision, direction, and control of the business of the Association. The President shall be ex-officio a member of all standing committees, and shall have such other powers and duties as may be prescribed by the Board or these By-Laws.

4.9. Vice President.

The Vice President shall take the place of the President and perform his or her duties whenever the President is absent, disabled, or refuses or is unable to act. If neither the President nor the Vice President is able to act, the Board shall appoint some other member of the Board to do so on an interim basis. The Vice President shall also perform such other duties as shall from time to time be conferred upon him or her by the Board or these By-Laws.

4.10. Secretary.

The Secretary shall keep (or cause to be kept) the minutes of all meetings of the Board and the minutes of all meetings of the Association at the Association's principal office or at such other places as the Board may order. The Secretary shall keep (or cause to be kept) the seal of the Association in safe custody and shall have charge of such books and papers as the Board may direct. The Secretary shall, in general, perform (or cause to be performed) all of the duties incident to the office of Secretary. The Secretary shall give, or cause to be given, notice of meetings of the Members of the Association and of the Board required by these By-Laws or by law to be given. The Secretary shall maintain (or cause to be maintained) a book of record Owners, listing the names and addresses of the Owners furnished by the Association, and such books shall be changed only at such time as satisfactory evidence of a change in ownership of a Lot is presented to the Secretary. The Secretary shall perform such other duties as may be

prescribed by the Board or these By-Laws. The Secretary may delegate all or a part of such duties to the managing agent.

4.11. Treasurer.

The Treasurer shall have responsibility for Association funds and securities and shall be responsible for keeping, or causing to be kept, full and accurate accounts, tax records, and business transactions of the Association, including accounts of all assets, liabilities, receipts, and disbursements in books belonging to the Association. The Treasurer shall be responsible for the deposit (or cause to be deposited) of all monies and other valuable effects in the name and to the credit of the Association in such depositories as may from time to time be designated by the Board, in accordance with the Declaration and these By-Laws, shall render to the President and the directors, upon request, an account of all of his or her transactions as Treasurer and of the financial conditions of the Association, and shall have such other powers and perform such other duties as may be prescribed by the Board or these By-Laws. The Treasurer may delegate a part of such duties to the managing agent.

**ARTICLE V
Committees**

5.1. General.

The Board may create such committees and appoint its members, as it deems appropriate to perform such tasks and to serve for such periods as the Board may designate by resolution.

Committees shall exercise only such authority as granted by Board resolution; provided, however, that the Board may elect not to follow a committee's advice on any matter. Committees may not act without specific Board authority and may not bind the Association contractually or financially.

5.2. Covenants Committee.

The Board shall, from time to time, appoint a Covenants Committee consisting of three persons to serve as a hearing tribunal pursuant to Section 3.22 of these By-laws. The Covenants Committee shall be comprised of Members of the Association who are not directors, officers, or employees of the Association or the spouse, parent, child, brother, or sister of a director, officer, or employee.

5.3. Other Committees.

In addition to the above, the Board may create additional committees, as it deems necessary and useful. The following are some examples of types of committees, along with their purpose, in which the Board may create:

(a) Finance Committee – to assist the Board, the Treasurer, and the Association's managing agent, if any, in preparing the Association's budget.

(b) Physical Maintenance Committee – to assist the Board with maintenance of the Common Elements.

(c) Dispute Resolution Committee – to assist in the mediation of disputes concerning the interpretation of Use Restrictions, rules, and other Condominium Instrument provisions and advise the Board on initiating litigation involving the Association (as provided in the Declaration); provided, however, that the Dispute Resolution Committee shall not preside over matters relating to the collection

of assessments or other fees and charges. Each member of the Dispute Resolution Committee shall attend a Board-approved course on dispute resolution, if the Board so requires.

The Board may establish by resolution the specific scope and limitations on the authority of the above committees.

ARTICLE VI Miscellaneous

6.1. Fiscal Year.

The Association's fiscal year shall be the calendar year unless otherwise established by Board resolution.

6.2. Parliamentary Rules.

Except as may be modified by Board resolution, *Robert's Rules of Order* (the edition published on the date closest to the meeting) shall govern the conduct of Association proceedings when not in conflict with applicable law or the Condominium Instruments.

6.3. Conflicts.

Conflicts between or among the Condominium Instruments and applicable law shall be resolved as directed in the Declaration.

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 Member, or the duly appointed representative of any of the foregoing at reasonable times: the Condominium Instruments, the membership register, books of account, and the minutes of meetings of the Members, the Board, and committees. The Board shall provide for such inspection to take place at the Association's office or at such other place within the Condominium as the Board shall designate.

(b) Rules for Inspection. The Board may establish reasonable 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; (iii) payment of the cost of reproducing documents requested; and (iv) such other matters as the Board deems appropriate. Records shall be made available within 5 business days of the receipt of a written request by an Owner or his or her authorized agent, or as otherwise required by law.

(c) Inspection by Directors. Every director shall have the absolute right at any reasonable time to inspect all Association books, records, and documents and the physical properties the Association owns or controls. The director's right of inspection includes the right to make a copy of relevant documents at the Association's expense. The Board shall provide for such inspection to take place at the Association's office, the managing agent's office, or at a place within the Condominium as the Board shall designate.

6.5. Notices.

(a) Form of Notice and Method of Delivery. Except as otherwise provided in the Declaration or these By-Laws or by applicable law, all notices, demands, bills, statements, or other communications under the Declaration or these By-Laws shall be in writing and may be delivered in

person, by United States mail, by private carrier, by facsimile, electronic mail or other electronic communication device with written confirmation of transmission.

(b) Delivery Address. Notices shall be delivered or sent to the intended recipient as follows:

(i) if to a Member, at the address, facsimile number, or e-mail 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;

(ii) if to the Association, the Board, or a committee of either, at the address, facsimile number, or e-mail address of the principal office of the Association or its managing agent, or at such other address as the Association shall designate by notice in writing to the Members pursuant to this Section; or

(iii) if to Declarant, at the principal address of Declarant as it appears on the Secretary of State's records, or at such other address as Declarant shall designate by notice in writing to the Association pursuant to this Section.

(c) Effective Date. Notice sent in accordance with subsections (a) and (b) shall be deemed to have been duly given and effective:

(i) if sent by United States mail, when deposited with the U. S. Postal Service, correctly addressed, with first class or higher priority postage prepaid;

(ii) if delivered personally or by private carrier, when actually delivered to the address of the intended recipient, as evidenced by the signature of the person at such address who accepts such delivery; however, if such delivery is refused or if the intended recipient has contracted with the private carrier to leave any deliveries without obtaining a signature evidencing receipt, the notice shall be deemed duly given and effective if the attempt to deliver was timely made;

(iii) if sent by facsimile or electronic mail, upon transmission, as evidenced by a printed confirmation of transmission.

6.6. Amendment.

(a) By Declarant. During Declarant Control Period, Declarant may amend these By-Laws unilaterally.

(b) By the Membership. Except as provided above, these By-Laws may be amended only by the affirmative vote or written consent of Members representing at least 67% of the total Class "A" votes in the Association, and the consent of Declarant during the Development and Sale Period. 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 of Amendments. Amendments to these By-Laws shall become effective upon recordation unless a later effective date is specified therein. In no event shall a change of conditions or circumstances operate to amend any provisions of these By-Laws.

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

EXHIBIT "D"

CARPORTS AND STORAGE UNITS

UNIT NO.	CARPORT	UNIT NO.	STORAGE UNIT

No carports or storage units are assigned to units located within the initial phase (building 1) of the Condominium. This exhibit will be updated in accordance with the terms of the Declaration as carports and/or storage units are assigned or reassigned to Units within the Condominium in accordance with Article 6 of the Declaration.

EXHIBIT "E"

PERMITTED EXCEPTIONS

1. Taxes for the year 2006, and subsequent years, not yet due and payable.
2. Easements, Setbacks and rights of way as shown on survey/plat dated 08/28/02 by Lindsey & Associates, Inc., as recorded in Plat Cabinet 12, Slide 138, aforesaid County Registry.
3. SUBJECT TO rights-of-way for access to Duke Power Company transmission towers upon the access roads designated "ACCESS ROAD T-95/CANOE CREEK ROAD", "ACCESS ROAD T-95", "ACCESS ROAD T-93", "ACCESS ROAD T-92", "ACCESS ROAD T-91" AND "ACCESS ROAD T-85" on the above referenced plat and as described in the Right-of-way Agreements recorded in Book 816, Page 655 and Book 816, Page 659, Jackson County Registry, to which reference is specifically made, as re-recorded in Book 910, Page 172 and Book 910, Page 177, Jackson County Registry, to which reference is specifically made.
4. Subject to the easements reserved for the benefit of Grantor (designated "Reservations") in that certain deed to insured recorded in Book 1459, Page 747, Jackson County Registry.
5. Any and all matters of survey subsequent to 08/28/02, by Lindsey & Associates, Inc., PLS.

**RESOLUTION OF DECLARANT
MOUNTAIN LODGES AT BEAR LAKE RESERVE, A CONDOMINIUM**

WHEREAS, MDR Bear Lake, LLC is the Declarant under that certain Declaration of Condominium for Mountain Lodges at Bear Lake Reserve, A Condominium recorded in the Official Public Records of Jackson County, North Carolina at Book 1658 Page 270 (as amended and supplemented, the "Declaration");

WHEREAS, Section 3.4(a) of the Bylaws of Mountain Lodges at Bear Lake Reserve Condominium Association, Inc. (the "Bylaws") authorizes Declarant to appoint, remove and replace the directors during the Declarant Control Period, as defined in the Declaration, until such right automatically expires in accordance with the terms of the Declaration or is surrendered by Declarant; and

WHEREAS, such rights of Declarant have not expired under the terms of the Declaration and have not been relinquished by Declarant.

NOW, THEREFORE, Declarant makes the following resolutions:

RESOLVED, that Declarant hereby removes Joseph Smith and Todd Erickson from the Board of Directors of the Mountain Lodges at Bear Lake Reserve Condominium Association, Inc. (the "Association");

RESOLVED, that Declarant hereby appoints Mac Macfarlan and Todd White as members of the Board of Directors of the Association with full authority to conduct the business of the Association in accordance with the terms of the Declaration, Bylaws and the Articles of Incorporation of the Association as such documents may have been or may hereafter be amended. Accordingly, effective as of the date herein, the following shall serve as members of the Board of Directors of the Association:

Mickey Luker
Mac Macfarlan
Todd White

IN WITNESS WHEREOF, the undersigned Declarant has set its hand and seal as of the 29th day of July, 2009.

DECLARANT:

MDR Bear Lake, LLC

BY: 
NAME: John L. Jenkins
ITS: President



Doc ID: 004733030006 Type: GRP
 Recorded: 01/29/2014 at 01:35:51 PM
 Fee Amt: \$26.00 Page 1 of 6
 Jackson County, NC
 Joe Hamilton Register of Deeds

BK **2022** PG **751-756**

Upon recording, please return to:

MAG Bear Lake, LLC
 Suite 500W
 5001 Spring Valley Road
 Dallas, Texas 75244

Cross-References:

Book 1658, Page 270
~~Book~~ Page 1982, Page 511
 Jackson County, North Carolina Records

**AMENDMENT TO THE DECLARATION OF CONDOMINIUM
 FOR MOUNTAIN LODGES AT BEAR LAKE RESERVE, A CONDOMINIUM**

THIS AMENDMENT TO THE DECLARATION OF CONDOMINIUM FOR MOUNTAIN LODGES AT BEAR LAKE RESERVE, A CONDOMINIUM is made this 25th day of November, 2013, by MAG BEAR LAKE, LLC, a Texas limited liability company (the "Declarant").

WITNESSETH:

WHEREAS, that certain Declaration of Condominium for Mountain Lodges at Bear Lake Reserve, a Condominium was filed of record at Book 1658, Page 270 in the Official Public Records of Jackson County, North Carolina (such instrument as amended and supplemented is hereinafter referred to as the "Declaration");

WHEREAS, pursuant to that certain Assignment and Assumption of Declarant's Rights and Obligations recorded at Book 1982, Page 511 in the Official Public Records of Jackson County, North Carolina, MAG Bear Lake, LLC acquired the rights of the "Declarant" pursuant to the Declaration;

WHEREAS, Declarant simultaneously acquired certain Units within the Condominium as well as portions of the Additional Property;

WHEREAS, Declarant also recently acquired the rights of the "declarant" under the Master Declaration and title to additional property within Bear Lake Reserve;

WHEREAS, as a result of the recent economic downturn, development of the Condominium has taken longer than anticipated;

WHEREAS, in response to significant changes in market conditions, Declarant deems it appropriate to build a different product type on portions of the Additional Property and for such property to be subjected to the jurisdiction of the Master Documents rather than the Condominium Instruments;

WHEREAS, pursuant to Article 24 of the Declaration, Declarant may amend the Declaration during the Development and Sale Period for the purpose of removing any portion of property previously submitted to the Condominium from the coverage of the Declaration and the Act, and whereas there are no limitations on this option and no limitations as to the location of which portions may be withdrawn;

WHEREAS, the option to withdraw property expires seven (7) years from the date of recording the Declaration;

WHEREAS, the Declaration was originally recorded on March 8, 2007, and thus, the period of seven (7) years from the date of recording the Declaration has not yet passed;

WHEREAS, Declarant deems it appropriate to withdraw the property described on Exhibit "A" attached to this Amendment (the "Withdrawn Property");

WHEREAS, no Unit or proposed Unit in the Withdrawn Property has been created or conveyed to a purchaser; and

NOW, THEREFORE, pursuant to the powers retained by Declarant under the Declaration, Declarant hereby amends the Declaration for the purpose of withdrawing the property described on Exhibit "A" attached to this Amendment, the Withdrawn Property, from coverage of the Declaration. The Declaration is hereby amended by deleting and withdrawing the Withdrawn Property described on Exhibit "A" to this Amendment from Exhibit "A" as attached to the Declaration. Declarant is simultaneously amending the Plats and Plans of the Condominium to reflect such withdrawal. Declarant hereby affirms that the Withdrawn Property remains subject to the Master Documents and a part of Bear Lake Reserve.

The undivided interests in the Common Elements and the liability for Common Expenses shall remain the same. Except as specifically modified herein, the definitions set forth in Article 2 of the Declaration are incorporated herein by reference. Except as specifically amended hereby, the Declaration and all terms thereof, including but not limited to all exhibits, shall remain in full force and effect.

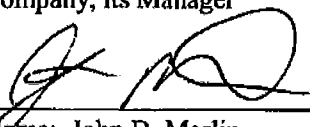
[SIGNATURES APPEAR ON THE NEXT PAGE]

IN WITNESS WHEREOF, Declarant has caused this instrument to be executed on the day and year first written above.

DECLARANT:

MAG BEAR LAKE, LLC, a Texas limited liability company

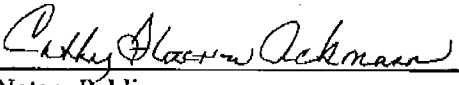
By: CapRock Dev, LLC, a Delaware limited liability company, its Manager

By: 
Print Name: John D. Marlin
Title: Executive Manager

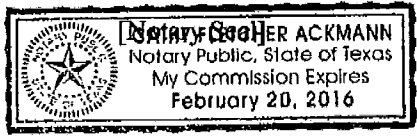
STATE OF TEXAS)
)
COUNTY OF DALLAS) ACKNOWLEDGMENT

I, the undersigned, a Notary Public of the County and State aforesaid, certify that John D. Marlin personally came before me this day and acknowledged that he is the Executive Manager of CapRock Dev, LLC, a Delaware limited liability company, the Manager of MAG BEAR LAKE, LLC, a Texas limited liability company, and that he being authorized to do so, voluntarily executed the foregoing on behalf of said limited liability company for the purposes stated therein.

Witness my hand and notarial seal, this 25th day of November, 2013.


Notary Public

My Commission Expires February 20, 2016



[SIGNATURES CONTINUE ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the President of the Association hereby certifies this Amendment as of the day and year first written above.

The Mountain Lodges at Bear Lake Reserve Condominium Association, Inc., a North Carolina nonprofit corporation

By: [Signature]
Wyatt Henderson
President

STATE OF Texas

COUNTY OF Dallas

This instrument was acknowledged before me on the 25th day of November, 2013, by Wyatt Henderson, as the President of The Mountain Lodges at Bear Lake Reserve Condominium Association, Inc., a North Carolina nonprofit corporation.

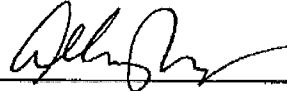
[Signature]
Notary Public, State of Texas

Commission Expiration Date: February 20, 2016



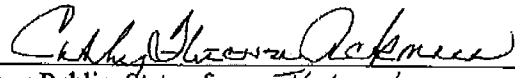
IN WITNESS WHEREOF, the Secretary of the Association hereby certifies this Amendment as of the day and year first written above.

The Mountain Lodges at Bear Lake Reserve
Condominium Association, Inc., a North Carolina
nonprofit corporation

By: 
Allen Jones
Secretary

STATE OF Texas
COUNTY OF Dallas

This instrument was acknowledged before me on the 25th day of November, 2013, by Allen Jones, as the Secretary of The Mountain Lodges at Bear Lake Reserve Condominium Association, Inc., a North Carolina nonprofit corporation.


Notary Public, State of Texas

Commission Expiration Date February 20, 2016



EXHIBIT "A"

WITHDRAWN PROPERTY

Being a 5.40 acre tract of land, a portion of the former Mountain Lodges Condominium tract shown on Plat Cabinet 16, Slide 756; and situate in Canada Township of Jackson County of the State of North Carolina and being more particularly described as follows:

Beginning on a five-eighths inch rebar with yellow plastic cap stamped: "ED HOLMES & ASSOC.", hereinafter called: "EHA rebar", said rebar having North Carolina Grid (NAD 83) coordinates of N 563215.62 feet and E 790043.41 feet, and said rebar being a Control Corner of the property shown on Plat Cabinet 15, Slide 923 as recorded in the Jackson County Register of Deeds office, said rebar being the common corner of Lots 452 and 453 of said plat, thence from said point of Beginning thus established and along boundary lines of Lots 453 and 454 of said plat the following three courses and distances: S37°52'25"E 258.22 feet to an EHA rebar at the common corner of said lots; thence S37°52'25"E 100.92 to an EHA rebar; thence S16°21'28"W passing an EHA rebar at 265.59 feet a total of 301.45 feet to an EHA rebar, a common corner of Lots 454 and 667; thence S48°31'52"W 230.38 feet to an EHA rebar, said rebar being a corner on the boundary of Well P2-1 recorded in Plat Cabinet 15, Slide 847 of said registry; thence with said boundary the following three courses and distances: on a curve to the left having a radius of 100.00 feet, an arc length of 166.23 feet, a chord bearing of N15°37'13"W, and a chord distance of 147.74 feet to an EHA rebar; thence on a curve to the left having a radius of 100.00 feet, an arc length of 166.23 feet, a chord bearing of S69°08'13"W, and a chord distance of 147.74 feet to an EHA rebar; thence on a curve to the left having a radius of 100.00 feet, an arc length of 67.45 feet, a chord bearing of S02°11'30"W, and a chord distance of 66.18 feet to an EHA rebar on the eastern right-of-way of Lake Forest Drive, said right-of-way being 60 feet wide; thence leaving said well boundary and with said right-of-way the following six courses and distances: on a curve to the left having a radius of 230.00 feet, an arc length of 179.93 feet, a chord bearing of N39°32'36"W, and a chord distance of 175.37 feet to an unmarked point, hereinafter called: "point"; thence on a curve to the right having a radius of 10.00 feet, an arc length of 20.24 feet, a chord bearing of N39°32'36"W, and a chord distance of 16.96 feet to a point; thence N53°59'24"E 48.18 feet to a point; thence on a curve to the left having a radius of 94.00 feet, an arc length of 153.73 feet, a chord bearing of N07°08'16"E, and a chord distance of 137.16 feet to a point; thence N39°42'53"W 23.34 feet to a point; thence on a curve to the right having a radius of 200.00 feet, an arc length of 109.47 feet, a chord bearing of N24°02'02"W, and a chord distance of 108.11 feet to a point on said right-of-way at the new southeasterly boundary of the Mountain Lodges Condominium; thence leaving said right-of-way and with the said new boundary the following four courses and distances: N73°24'26"E 78.46 feet to a point; thence N36°59'02"E 166.88 feet to a point; thence N44°05'21"E 61.06 feet to a point; thence N59°05'13"E 134.16 feet to the point and place of Beginning.

BY-LAWS
OF
MOUNTAIN LODGES AT BEAR LAKE RESERVE
CONDOMINIUM ASSOCIATION, INC.

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**BY-LAWS
OF
MOUNTAIN LODGES AT BEAR LAKE RESERVE
CONDOMINIUM ASSOCIATION, INC.**

**ARTICLE I
Name, Principal Office, and Definitions**

1.1. Name.

The name of the nonprofit corporation is Mountain Lodges at Bear Lake Reserve Condominium Association, Inc. (the "Association"). The corporation is a non-profit corporation incorporated under the laws of North Carolina.

1.2. Principal Office.

The Association's principal office shall be located in the State of North Carolina in such location as the Board of Directors (the "Board"), determines or as the Association's affairs require.

1.3. Definitions.

The words used in these By-Laws shall have their normal, commonly understood definitions. Capitalized terms shall have the same meaning as set forth in the Declaration of Condominium for Mountain Lodges at Bear Lake Reserve, a Condominium as it may be amended, or amended and restated, from time to time ("Declaration"), unless the context indicates otherwise. The interpretation of certain references, as set forth in Section 2.2 of the Declaration, shall also apply to the words used in these By-Laws.

**ARTICLE II
Membership: Meetings, Quorum, Voting, Proxies**

2.1. Membership.

All Owners, by virtue of their ownership of an interest in a Unit, are members of the Association and shall be entitled to vote on all matters upon which members of the Association are entitled to vote pursuant to these By-Laws and the Act and in accordance with the Declaration (individually a "Member;" collectively, the "Members"). Provisions of the Declaration pertaining to membership are incorporated herein by this reference.

2.2. Change of Membership.

Change of membership in the Association shall be established by recording a deed or other instrument conveying record fee title to any Unit. The grantee named in such instrument shall, by acceptance of such instrument, become a Member of the Association, and the membership of the prior Owner shall terminate. The new Owner shall deliver a copy of the conveyance instrument to the Association within 14 days after the conveyance and the new Owner shall not be entitled to voting privileges until the same has been received by the Association. The foregoing shall not, however, limit

the Association's powers or privileges and the new Owner shall be liable for accrued and unpaid fees and assessments attributable to the Condominium acquired.

2.3. Place of Meetings.

The Association shall hold meetings at its principal office or at such other place as the Board may designate. Meetings may be conducted electronically (*i.e.*, via the Internet, intranet, or teleconference) if and to the extent permitted by law.

2.4. Annual Meetings.

The Association shall hold its first meeting, whether a regular or special meeting, within one year after the date of the Association's incorporation. The Board shall set the date and time of subsequent regular annual meetings to occur during the third quarter of each year thereafter.

2.5. Special Meetings.

The President may call a special meeting of the Association. It also shall be the President's duty to call a special meeting if so directed by Board resolution or upon written petition of Members representing at least 10% of the votes in the Association describing the purpose or purposes for which the special meeting is to be held. If the President does not call a special meeting pursuant to this Section within 30 days after the date such written petition is delivered to the Association's Secretary, any Member signing the petition may set the time and place of the special meeting and give the Association notice pursuant to Section 2.6.

2.6. Notice of Meetings.

The Association's Secretary shall cause written notice stating the place, day, and hour of any Association meeting to be given in any manner permitted by applicable law. If permitted by law, notice may be published in a newspaper, or by radio, television, or other form of public broadcast communication in the County, delivered by hand delivery, or sent by facsimile, electronic mail, or other electronic communication device, or such other manner which is reasonably calculated, as the Board determines in its discretion, to provide personal notice to Members. Notice shall be given at least 30 and, in any event, not more than 60, days before the date of the meeting, by or at the direction of the President, the Secretary, or the officers or Persons calling the meeting.

The notice of any meeting shall state the items on the agenda, including, without limitation, the general nature of any proposed amendment to the Declaration, Articles or these By-laws, any budget changes, and any proposal to remove a director or officer. No other business shall be transacted at a special meeting except as stated in the notice for the special meeting. Unless one-third (1/3) or more of the votes entitled to be cast in the election of directors are represented in person or by proxy, the only matters that may be voted upon at an annual or regular meeting of Members are those matters that are described in the meeting notice.

If mailed, the notice of a meeting shall be deemed given when deposited in the United States mail addressed to the Member at his or her address as it appears on the Association's records, with postage prepaid. If sent by facsimile, electronic mail, or other electronic communication device, notice shall be deemed delivered when transmitted to the Member at his or her address, e-mail address, or telephone or fax number as it appears on the Association's records. Failure to receive actual notice of an Association meeting shall not affect the validity of any action taken at such meeting.

2.7. Waiver of Notice.

Waiver of lack of proper notice of an Association meeting shall be the equivalent of proper notice. Any Member may waive, in writing, lack of proper notice of any Association meeting, either before or after such meeting. A Member's attendance at a meeting shall be deemed a waiver by such Member of lack of proper notice of the meeting, unless the 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 a waiver of lack of proper notice of all business transacted at the meeting, unless an objection on the basis of lack of proper notice is raised before the business is put to a vote.

2.8. Adjournment of Meetings.

If the Association cannot hold a meeting because a quorum is not present, or if the Members otherwise elect (with the approval of Declarant during Declarant Control Period), a majority of the Members who are present may adjourn the meeting to a time at least 5 but not more than 30 days from the date called for the original meeting. 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. At the reconvened meeting, if a quorum is present, any business may be transacted which might have been transacted at the meeting originally called. If those in attendance at the original meeting do not fix a time and place for reconvening the meeting, or if for any reason a new date is fixed for reconvening the meeting after adjournment, the Association shall give the Members notice of the time and place for reconvening the meeting in the manner prescribed for regular meetings.

2.9. Voting.

Members shall have such voting rights as are set forth in the Declaration, which provisions are incorporated herein 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.

2.10 List for Voting

After setting 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.

2.11. Proxies.

On any matter as to which a Member is entitled personally to cast the vote for his or her Unit, such vote may be cast in person or by proxy, subject to applicable law.

Every proxy shall be in writing specifying the Unit(s) for which it is given, signed by the Member or his or her duly authorized attorney-in-fact, dated, and filed with the Association's Secretary or person presiding over the meeting prior to or during the roll call for the meeting for which it is to be effective. In accordance with Section 55A-7-24 of the North Carolina Nonprofit Corporation Act, a Member may deliver one or more proxies by an electronic mail message or other form of electronic, wire, or wireless communication that provides a written statement appearing to have been sent by the Member. 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 2 or more proxies purporting to cover the same voting rights, the later dated proxy shall prevail, or if dated as of the same date, the later, if the timing of the execution thereof can be determined, shall prevail, otherwise both shall be deemed invalid.

Every proxy shall be revocable and shall automatically cease upon: (a) conveyance of any Condominium(s) for which it was given; (b) the receipt of written notice of revocation of the proxy or of the death or judicially declared incompetence of a Member who is an individual by the Secretary or the person presiding over a meeting of the Association; (c) 90 days from the meeting date for which the proxy was originally given, unless the proxy specifies a shorter period; or (d) 11 months after the date of the proxy, unless the proxy specifies a shorter period.

2.12. Majority.

As used in these By-Laws, the term “Majority” shall mean those votes, Owners, or other group as the context may indicate, totaling more than 50% of the total eligible number.

2.13. Quorum.

Except as these By-Laws or the Declaration otherwise provide, Members or their proxies entitled to cast 10% of the total votes in the Association held by Members other than Declarant, and Declarant during Declarant Control Period, shall constitute a quorum at all Association meetings. If no quorum is present at a meeting, the meeting may be adjourned and reconvened on a later date by the affirmative vote of a majority of those Members present in person or by proxy. At such reconvened meeting, the quorum requirement shall be 5% of the total votes in the Association held by Members other than Declarant, and Declarant during Declarant Control Period. The quorum shall continue to be reduced by 50% from that required at the previous meeting as previously reduced, until such time as a quorum is present and business can be conducted.

2.14. Conduct of Meetings.

The President shall preside over all Association meetings at which he or she is present, and the Secretary shall keep (or cause to be kept) the minutes of the meetings and record in a minute book all resolutions adopted and all other transactions occurring at such meetings.

2.15. Action Without a Meeting.

Without holding a meeting pursuant to Sections 2.4 or 2.5, Members may take any action that applicable law requires or permits the Members to take at a meeting (subject to any limitations in the Condominium Instruments), if the action is approved by Members representing at least the minimum number of votes in the Association necessary to authorize such action at a meeting, assuming the number of votes cast equals or exceeds the quorum required to be present at a meeting authorizing the action. Such approval shall be evidenced by one or more written consents specifically authorizing the proposed action, dated and signed by Members holding the requisite votes. The Association need not give prior notice before soliciting such consent; provided, however, that the Association must send written consent forms to all Members for action authorized pursuant to this section to be valid. Members shall sign, date, and deliver such consents to the Association within 60 days after the Association’s receipt of the earliest dated consent. The Association’s Secretary shall file (or cause to be filed) such consents with the Association’s minutes and the consents shall have the same force and effect as a vote of the Members at a meeting. Within 10 days after receiving authorization for any action by written consent, the Secretary shall give (or cause to be given) written notice to all Members entitled to vote, fairly summarizing the material features of the authorized action.

2.16. Order of Business.

The order of business at all annual meetings of the Members shall be as follows: (a) roll call to determine whether a quorum is represented; (b) proof of notice of the meeting or waiver of notice; (c) reading of (or waiver of reading) minutes of the preceding annual meeting; (d) reports of officers, if any; (e) reports of committees, if any; (f) election of inspector(s) of election if an election is to be held; (g) election of Class "A" Directors if applicable; (h) unfinished business, if any; and (i) new business.

ARTICLE III

Board of Directors: Selection, Meetings, Powers

A. Composition and Selection.

3.1. Governing Body; Composition.

The Board shall govern the Association's affairs. Each director shall have one vote. Directors must be Members or residents of Mountain Lodges at Bear Lake Reserve, a Condominium, except in the case of directors that Declarant appoints. A director must be at least 18 years old. No more than one representative of any Member which is a legal entity, nor more than one occupant of any Unit shall serve on the Board at a time, except in the case of directors that Declarant appoints.

3.2. Number of Directors.

The initial Board shall consist of the three directors identified in the Articles of Incorporation. Upon termination of Declarant Control Period, the number of directors shall be increased to five. The Board may, by resolution, increase or decrease the number of directors.

3.3. Nomination and Election Procedures.

(a) Nominations and Declarations of Candidacy. After Declarant Control Period, prior to each election of directors, the Board shall prescribe the opening date and the closing date of a reasonable filing period in which every eligible person who has an interest in serving as a director may file as a candidate for any position to be filled by election by the Unit Members other than Declarant. Nominations for election to the Board also may be made by a nominating committee. The nominating committee, if any, shall consist of a Chairman, who shall be a Member, and two or more Members or representatives of Members, all appointed by a majority of the Board. The nominating committee, if any, may make as many nominations for election to the Board as it shall in its discretion determine. The Board shall also permit nominations from the floor at any election meeting.

The Board shall give each candidate a reasonable, equal opportunity to communicate his or her qualifications to the Members and to solicit votes.

(b) Election Procedures. A Member may cast the vote(s) assigned to the Unit(s) which he or she owns for each position to be filled at an election. That number of candidates equal to the number of positions to be filled who receive the greatest number of votes shall be elected.

3.4 Election and Term of Office.

(a) Declarant shall have complete discretion in appointing, removing, and replacing directors during Declarant Control Period.

(b) Upon termination of Declarant Control Period, the President shall call for an election at which the Members shall be entitled to elect four of the five directors. The remaining director shall be appointed by Declarant. The two directors receiving the largest number of votes by Members other than Declarant shall be elected for a term of two years and the remaining two directors shall be elected for a term of one year.

(c) Until termination of the Development and Sale Period, Declarant shall be entitled to appoint one director. Upon termination of the Development and Sale Period, the director elected by Declarant shall resign and the remaining directors shall be entitled to appoint a director to serve until the next annual meeting, at which the Members other than Declarant shall be entitled to elect a director to fill such position. Such director shall be elected for a term of two years.

Notwithstanding the stated length of any term, directors shall hold office until their respective successors have been elected. Directors elected by the Members other than Declarant are hereafter referred to as the "Class "A" Directors."

Upon expiration of the term of each Class "A" Director elected pursuant to this subsection and thereafter, a successor shall be elected for a term of two years.

3.5. Removal of Directors and Vacancies.

Any Class "A" Director may be removed, with or without cause, by the vote of Members other than Declarant holding a majority of the votes entitled to be cast for the election of such Class "A" Director. Any Class "A" Director whose removal is sought shall be given notice prior to any meeting called for that purpose. Upon removal of a Class "A" Director, a successor shall be elected by Members other than Declarant entitled to elect the Class "A" Director so removed to fill the vacancy for the remainder of such Class "A" Director's term. Class "A" Directors may not be removed by Declarant.

Any Class "A" Director who has three consecutive unexcused absences from Board meetings, or who is more than 60 days delinquent (or occupies a Unit for which assessments are so delinquent) in the payment of any assessment or other charge due the Association may be removed by a majority vote of the Board, excluding the Class "A" Director at issue. If the Class "A" Director is removed, the Board may appoint a successor to fill the vacancy 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 Members other than Declarant entitled to fill such directorship may elect a successor for the remainder of the term. If they fail to do so, the Board may appoint another director to fill the vacancy until filled by election.

This Section shall not apply to directors Declarant appoints nor to any director serving as Declarant's representative. Such directors may be removed and replaced only by Declarant. 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 Declarant.

B. Meetings.

3.6. Organizational Meetings.

Within 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.

3.7. Regular Meetings.

The Board may hold regular meetings at such time and place as the Board shall determine, but the Board shall hold at least one such meeting during each fiscal year.

3.8. Special Meetings.

The Board shall hold special Board meetings when called by written notice signed by the President, Vice President, or any two directors.

3.9. Notice; Waiver of Notice.

(a) Notices of Board meetings 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. The Board shall give notice to each director by: (i) personal delivery; (ii) first class mail, postage prepaid; (iii) telephone (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); or (iv) facsimile, electronic mail, or other electronic communication device, with confirmation of transmission. All such notices shall be given at the director's telephone number, fax number, electronic mail address, or sent to the director's address, each as shown on the Association's records. Notices sent by first class mail shall be deposited into a United States mailbox at least 7 business days before the time set for the meeting, except in the event of an emergency. Notices given by personal delivery, telephone, or other device shall be delivered or transmitted at least 72 hours before the time set for the meeting.

(b) Except for emergency meetings, notice of a Board meeting shall be posted in a conspicuous place within the Condominium at least 48 hours in advance of the meeting or provided in any other manner reasonably anticipated to provide notice to all Members, including, without limitation, posting on any Bear Lake Reserve Community cable television channel or publication in any newsletter with Condominium-wide circulation. In lieu of notice of each regular Board meeting, the Board may post or publish a schedule of upcoming Board meetings.

(c) Transactions of any Board meeting, 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 (i) a quorum is present, and (ii) either before or after the meeting each director 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 meeting's purpose. Notice of a meeting shall be deemed given to any director who attends the meeting without protesting before or at its commencement about the lack of adequate notice.

3.10. Telephonic Participation in Meetings.

Members of the Board or any committee designated by the Board may participate in a Board or committee meeting by means of telephone or other electronic means, through which all persons participating in the meeting can converse with each other at the same time. Participation in this manner shall constitute presence at the meeting for all purposes. Participants attending by electronic means may vote by electronic transmission.

3.11. Quorum of Board.

At all Board meetings, 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 Board's decision, unless these By-Laws or the Declaration specifically provide

otherwise. A meeting at which a quorum is initially present may continue, notwithstanding the withdrawal of directors, if at least a majority of the required quorum for that meeting approves any action taken. If the Board cannot hold a meeting 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.

3.12. Conduct of Meetings.

The President shall preside over all Board meetings at which he or she is present, and the Secretary shall keep (or cause to be kept) a minute book of Board meetings, recording all Board resolutions and all transactions and proceedings occurring at such meetings.

3.13. Open Meetings; Executive Session.

Subject to the provisions of Section 3.14, all Board meetings shall be open to all Members. However, attendees other than directors may not participate in any discussion or deliberation unless a director requests that they be granted permission to speak, and the Board concurs. In such case, the President (or other officer conducting the meeting) may limit the time any such individual may speak.

Notwithstanding the above, the President may call a special Board meeting, or adjourn any Board meeting and reconvene in executive session, and may exclude persons other than directors, to discuss with the Association's attorney matters relating to pending or threatened litigation which are protected by the attorney-client privileges, or to discuss among the Board any other matter of a sensitive nature, if applicable law permits. In such cases, no recording will be permitted.

3.14. Action Without a Formal Meeting.

Any action to be taken or which may be taken at a Board meeting may be taken without a meeting if all directors sign a consent in writing, setting forth the action so taken. Such consent shall have the same force and effect as a unanimous vote.

C. Powers and Duties.

3.15. Powers.

The Board shall have all of the powers and duties necessary for administering the Association's affairs and for performing all of the Association's responsibilities and exercising all of the Association's rights as set forth in the Condominium Instruments, and as provided by law. The Board may do or cause to be done on the Association's behalf all acts and things except those which the Condominium Instruments or applicable law require to be done and exercised exclusively by the membership generally.

3.16. Duties.

The Board's duties shall include, without limitation:

- (a) those obligations set forth in the Declaration and elsewhere in these By-Laws;
- (b) depositing all funds received on the Association's behalf in a bank depository which it shall approve, and using such funds to operate the Association; provided, however, that any reserve funds may be deposited, in the Board's business judgment, in depositories other than banks;

(c) enforcing by legal means the provisions of the Condominium Instruments and bringing any proceedings which may be instituted on behalf of or against the Owners concerning the Association if, in the exercise of its business judgment, it deems it prudent to do so;

(d) keeping books with detailed accounts of the Association's receipts and expenditures; and

(e) maintaining, and retaining for the time periods required, the official records of the Association, as provided in Chapters 47F and 55A, North Carolina General Statutes, or such other applicable law.

3.17. Compensation.

The Association shall not compensate a director for acting as such. The Association may reimburse any director for expenses incurred on the Association's behalf if approved by a majority of the other directors. In addition, nothing herein shall prohibit the Association from compensating a director for services or supplies he or she furnishes to the Association in a capacity other than as a director pursuant to a contract or agreement with the Association. The foregoing also applies to any entity with which a director is affiliated.

3.18. Right of Declarant to Disapprove Actions.

After any termination of the Development Control Period and for a period extending for five (5) years thereafter, Declarant shall have a right, to the extent not prohibited by law, to veto any action, policy, or program of the Association, the Board, and/or any committee which, in Declarant's discretion, would tend to impair rights or interests of Declarant, any affiliate of Declarant's, the Club Owner, any owner of a Private Amenity or any builders, interfere with development, construction and/or operation of any portion of the Condominium, or diminish the level of services the Association provides.

(a) Notice. The Association, the Board, and each committee shall give Declarant written notice of their meetings and proposed actions to be approved at their meetings (or by written consent in lieu of a meeting). The notice shall comply with the requirement for notice to directors under Section 3.9 and 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.

(b) Opportunity to be Heard. The Association, the Board, and each committee shall give Declarant the opportunity at any meeting to join in, or to have its representatives or agents join in, discussion from the floor concerning any prospective action, policy, or program which would be subject to the veto right described in this Section.

(c) Exercise of Rights. Declarant may exercise its veto right at any time within 30 days following the meeting at which such action was proposed or, if the action is approved without a meeting, at any time within 30 days following receipt of written notice of the proposed action. Declarant, its representatives or agents, may make its concerns, thoughts, and suggestions known to the Board and/or the members of the subject committee. This veto right may be used to block proposed actions but shall not include a right to require any action or counteraction by the Association, the Board, or any committee. Declarant shall not use its veto right to prevent expenditures required to comply with applicable laws.

(d) Condition of Implementation. No action, policy, or program subject to Declarant's veto right shall become effective or be implemented until and unless the requirements of subsections (a) and (b) above have been met, and then subject to Declarant's rights under subsection (c).

3.19. Management.

The Board may employ a professional managing agent or agents, at such compensation as the Board may establish, to perform such duties and services as the Board shall authorize and as are otherwise within the scope of the Board's authority. The Board may delegate such powers as are necessary to perform the manager's duties, but shall not delegate policy-making authority or the obligation to adopt a budget. The Board may contract with or employ Declarant or any of its affiliates as managing agent or manager.

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

The Members other than Declarant shall have no right to terminate a management contract during Declarant Control Period. Unless the Board otherwise grants such right, or unless the management contract otherwise provides, the Board may act in its discretion with respect to executing and terminating management contracts during Declarant Control Period. Any management contract may, among other things, authorize the managing agent to act as the Association's agent with respect to the expenditure of Association funds within the scope of the approved Association budget; however, the managing agent shall not be permitted to spend money in excess of the budget or reallocate greater than 10% of any budget line item without the Board's prior written approval.

The Board shall be obligated to engage a professional managing agent or agents at all times after any termination of Declarant Control Period. Any management company retained by the Board after termination of Declarant Control Period shall provide the services outlined in Exhibit "D" to the Declaration and shall perform such additional duties and services as the Board shall authorize and as are otherwise within the scope of the Board's authority. The management company may be Declarant or any Declarant affiliate. After termination of Declarant Control Period, this provision may be amended only if approved by (a) the unanimous consent of the Board and (b) Members, other than Declarant, representing 80% of the votes present in person or by proxy at a duly called meeting of the Owners at which a quorum is present.

After Declarant Control Period terminates, the Association may not terminate any management contract, or retain a new managing agent, without the approval of a majority of the Board of Directors.

3.20. Accounts and Reports.

The following management standards of performance shall be followed unless the Board specifically determines otherwise:

(a) Commencing at the end of the quarter in which the first Unit is sold and closed, the Board may prepare financial reports for the Association at least quarterly containing:

(i) an income statement reflecting all income and expense activity for the preceding period on a cash or accrual basis;

(ii) a statement reflecting all cash receipts and disbursements for the preceding period;

(iii) a variance report reflecting the status of all accounts in an “actual” versus “approved” budget format;

(iv) a balance sheet as of the last day of the preceding period; and

(v) a delinquency report listing all Owners who are delinquent in paying any assessments at the time of the report and describing the status of any action to collect such assessments which remain delinquent (any assessment or installment thereof shall be considered to be delinquent on the 15th day following the due date unless otherwise specified by Board resolution); and

(b) An annual financial report consisting of at least the following shall be prepared within 60 days (or such longer period as is permitted by law) after the close of the fiscal year: (i) a balance sheet showing actual receipts and expenditures; (ii) an operating (income) statement; and (iii) a statement of changes in financial position for the fiscal year. Such annual report shall be prepared on an audited, reviewed, or compiled basis, as the Board determines, by an independent public accountant.

The Association shall provide each Owner or its authorized agent a copy of the annual financial report within 5 business days following receipt of a written request for same. In addition, if applicable law requires, the Association shall send a copy of the annual financial report to each Member by mail or personal delivery following the close of the fiscal year.

3.21. 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 other owners or residents associations.

3.22. Fines and Sanctions.

The Association may impose fines, in such amounts as permitted by law, for any violation of the Condominium Instruments except with regard to assessments. To the extent the Declaration or applicable law specifically requires, the Board shall comply with the following procedures prior to imposition of sanctions:

(a) Notice. The Board or its delegate shall serve the alleged violator with written notice describing (i) the nature of the alleged violation; (ii) the proposed sanction to be imposed; (iii) a period of not less than 14 days within which the alleged violator may present a written request for a hearing; and (iv) a statement that the proposed sanction shall be imposed as contained in the notice unless the alleged violator challenges the violation within 14 days of the notice. If a timely request for a hearing is not made, or if otherwise permitted by the Condominium Instruments and applicable law, the sanction stated in the notice shall be imposed. The Board or Covenants Committee (as defined in Section 5.2 below), may suspend any proposed sanction if the violation is cured, or if a diligent effort is being made to cure, within the 14-day period. Such suspension shall not constitute a waiver of the right to sanction future violations of the same or other provisions and/or rules by any Person. If a violator repeats the violation, or engages in a similar violation, for which notice was given within 12 months after the date of the first notice, the Board shall have the discretion to impose the proposed sanctions if the alleged violations were one continuous violation without the need to serve the alleged violator with additional notice. The Board may adopt a schedule of sanctions for violations of the Condominium Instruments; provided, however, that the Board shall not impose a fine that exceeds the limits prescribed by § 47F-3-107.1 of the Act.

(b) Hearing. If the alleged violator requests a hearing within the allotted 14-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. Proof of proper notice shall be placed in the minutes of the meeting. A copy of the notice, together with a statement of the date and manner of delivery signed by the officer, director, or agent who delivered such notice shall be considered adequate proof of notice. The notice requirement shall be deemed satisfied if the alleged violator or its representative appears at the meeting. A written statement of the results of the hearing and the sanction, if any, imposed shall be filed with the minutes of the Covenants Committee's meetings, or if no such committee has been established, then with the minutes of the Board's meetings.

(c) Additional Enforcement Rights. Notwithstanding anything to the contrary in this Article, subject to any limitations set forth in the Declaration, the Board may elect to enforce any provision of the Condominium Instruments by self-help (specifically including, but not limited to, towing vehicles that violate parking rules) or, following compliance with the Declaration's dispute resolution procedures, if applicable, by suit at law or in equity to enjoin any violation or to recover monetary damages or both. In any such action, to the maximum extent permissible, the Owner or occupant responsible for the violation of which abatement is sought shall pay all costs, including, without limitation, reasonable Legal Costs actually incurred.

3.23. Board Training Seminar.

The Board may provide, or provide for, as a Common Expense, seminars and continuing educational opportunities designed to educate and inform directors of their responsibilities as directors. Such programs may include instruction on applicable corporate and fiduciary law principles, other issues relating to administering the Condominium's affairs, and upholding and enforcing the Condominium Instruments. The Board may retain industry professionals, including property managers, attorneys, and accountants, as appropriate or necessary for such purpose. Each newly elected director and each re-elected director may be required to complete a training seminar within the first six months of assuming the director position.

3.24. Board Standards.

In performing their duties, directors and officers shall act in accordance with § 55A-8-30 of the North Carolina Nonprofit Corporation Act (the "business judgment rule") and are entitled to insulation from liability as provided for directors and officers of corporations by applicable law and as otherwise provided by the Condominium Instruments.

A director or officer acting in accordance with the business judgment rule shall not be personally liable to the Association or its Members for errors in judgment made in the director's or officer's capacity as such. Unless the Condominium Instruments require that specific action be taken, the failure to take such specific action shall not, without further showing that the Board acted in violation of the business judgment rule, be deemed a violation of a Board duty.

Board determinations of the meaning, scope, and application of Condominium Instrument provisions shall be upheld and enforced so long as such determinations are reasonable. The Board shall exercise its power in a fair, nondiscriminatory manner and shall adhere to the procedures established in the Condominium Instruments.

3.25. Conflicts of Interest; Code of Ethics.

Unless otherwise approved by a majority of the other directors, no Class "A" Director may transact business with the Association or a contractor engaged by the Association during his or her term as director. A Class "A" Director shall promptly disclose in writing to the Board any actual or potential conflict of interest affecting the director relative to his or her performance as a director. A Class "A" Director's failure to make such disclosure shall be grounds for removal by a majority vote of the other Board members. The Board may void any contract which creates a prohibited conflict of interest.

Notwithstanding the above, the directors appointed by Declarant may be employed by or otherwise transact business with Declarant or any of its Affiliates, and Declarant and its affiliates may transact business with the Association or its contractors.

**ARTICLE IV
Officers**

4.1. Officers.

The Association's officers shall include a President, Vice President, Secretary, and Treasurer. The officers may, but need not, be Board members, Owners, or residents of the Condominium; provided, however, that so long as there is a Declarant membership, the appointment of officers who are not residents of the Condominium shall require the prior written consent of Declarant. The Board may appoint such other officers, including, without limitation, one or more Vice Presidents, Assistant Secretaries or 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 Association's officers at the first Board meeting following each Association annual meeting. Officers shall serve until their successors are elected.

4.3. Removal and Vacancies.

Any officer may be removed with or without cause by a vote of at least a majority of the directors. The Board shall appoint a replacement to fill any vacancy in any office for the unexpired portion of the term.

4.4. Powers and Duties.

The Association's officers each shall have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as the Board may specifically confer or impose. The President shall be the Association's chief executive officer. The Treasurer shall supervise the preparation of the Association's budget, but may delegate all or part of the preparation and notification duties to a finance committee, managing agent, or both. The Secretary shall prepare or supervise the preparation of meeting minutes as required by applicable law.

4.5. Resignation.

Any officer may resign at any time by giving written notice to the Board, the President, or the Secretary. 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, 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 Association instruments shall be executed by an officer, unless the Board provides otherwise, or by such other person or persons as the Board may designate by resolution.

4.7. Compensation.

Compensation of officers shall be subject to the same limitations as compensation of directors under Section 3.17.

4.8. President.

The President shall be the chief executive officer of the Association. He or she shall preside at all meetings of the Association and of the Board at which he or she is present. He or she shall have all of the general powers and duties which are usually vested in the office of the President of a corporation, including, but not limited to, the power, subject to the provisions of Article V, to appoint committees from among the Members from time to time as he or she may in his or her discretion decide is appropriate to assist in the conduct of the affairs of the Association. The President shall, subject to the control of the Board, have general supervision, direction, and control of the business of the Association. The President shall be ex-officio a member of all standing committees, and shall have such other powers and duties as may be prescribed by the Board or these By-Laws.

4.9. Vice President.

The Vice President shall take the place of the President and perform his or her duties whenever the President is absent, disabled, or refuses or is unable to act. If neither the President nor the Vice President is able to act, the Board shall appoint some other member of the Board to do so on an interim basis. The Vice President shall also perform such other duties as shall from time to time be conferred upon him or her by the Board or these By-Laws.

4.10. Secretary.

The Secretary shall keep (or cause to be kept) the minutes of all meetings of the Board and the minutes of all meetings of the Association at the Association's principal office or at such other places as the Board may order. The Secretary shall keep (or cause to be kept) the seal of the Association in safe custody and shall have charge of such books and papers as the Board may direct. The Secretary shall, in general, perform (or cause to be performed) all of the duties incident to the office of Secretary. The Secretary shall give, or cause to be given, notice of meetings of the Members of the Association and of the Board required by these By-Laws or by law to be given. The Secretary shall maintain (or cause to be maintained) a book of record Owners, listing the names and addresses of the Owners furnished by the Association, and such books shall be changed only at such time as satisfactory evidence of a change in ownership of a Lot is presented to the Secretary. The Secretary shall perform such other duties as may be prescribed by the Board or these By-Laws. The Secretary may delegate all or a part of such duties to the managing agent.

4.11. Treasurer.

The Treasurer shall have responsibility for Association funds and securities and shall be responsible for keeping, or causing to be kept, full and accurate accounts, tax records, and business transactions of the Association, including accounts of all assets, liabilities, receipts, and disbursements in books belonging to the Association. The Treasurer shall be responsible for the deposit of all monies and other valuable effects in the name and to the credit of the Association in such depositories as may from time to time be designated by the Board, in accordance with the Declaration and these By-Laws, shall render to the President and the directors, upon request, an account of all of his or her transactions as Treasurer and of the financial conditions of the Association, and shall have such other powers and perform such other duties as may be prescribed by the Board or these By-Laws. The Treasurer may delegate a part of such duties to the managing agent.

ARTICLE V Committees

5.1. General.

The Board may create such committees and appoint its members, as it deems appropriate to perform such tasks and to serve for such periods as the Board may designate by resolution.

Committees shall exercise only such authority as granted by Board resolution; provided, however, that the Board may elect not to follow a committee's advice on any matter. Committees may not act without specific Board authority and may not bind the Association contractually or financially.

5.2. Covenants Committee.

The Board shall, from time to time, appoint a Covenants Committee consisting of three persons to serve as a hearing tribunal pursuant to Section 3.22 of these By-laws. The Covenants Committee shall be comprised of Members of the Association who are not directors, officers, or employees of the Association or the spouse, parent, child, brother, or sister of a director, officer, or employee.

5.3. Other Committees.

In addition to the above, the Board may create additional committees, as it deems necessary and useful. The following are some examples of types of committees, along with their purpose, in which the Board may create:

(a) Finance Committee – to assist the Board, the Treasurer, and the Association's managing agent, if any, in preparing the Association's budget.

(b) Physical Maintenance Committee – to assist the Board with maintenance of the Common Elements.

(c) Dispute Resolution Committee – to assist in the mediation of disputes concerning the interpretation of Use Restrictions, rules, and other Condominium Instrument provisions and advise the Board on initiating litigation involving the Association (as provided in the Declaration); provided, however, that the Dispute Resolution Committee shall not preside over matters relating to the collection of assessments or other fees and charges. Each member of the Dispute Resolution Committee shall attend a Board-approved course on dispute resolution, if the Board so requires.

The Board may establish by resolution the specific scope and limitations on the authority of the above committees.

ARTICLE VI Miscellaneous

6.1. Fiscal Year.

The Association's fiscal year shall be the calendar year unless otherwise established by Board resolution.

6.2. Parliamentary Rules.

Except as may be modified by Board resolution, *Robert's Rules of Order* (the edition published on the date closest to the meeting) shall govern the conduct of Association proceedings when not in conflict with applicable law or the Condominium Instruments.

6.3. Conflicts.

Conflicts between or among the Condominium Instruments and applicable law shall be resolved as directed in the Declaration.

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 Member, or the duly appointed representative of any of the foregoing at reasonable times: the Condominium Instruments, the membership register, books of account, and the minutes of meetings of the Members, the Board, and committees. The Board shall provide for such inspection to take place at the Association's office or at such other place within the Condominium as the Board shall designate.

(b) Rules for Inspection. The Board may establish reasonable 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; (iii) payment of the cost of reproducing documents requested; and (iv) such other matters as the Board deems appropriate. Records shall be made available within 5 business days of the receipt of a written request by an Owner or his or her authorized agent, or as otherwise required by law.

(c) Inspection by Directors. Every director shall have the absolute right at any reasonable time to inspect all Association books, records, and documents and the physical properties the Association owns or controls. The director's right of inspection includes the right to make a copy of relevant documents at the Association's expense. The Board shall provide for such inspection to take place at the Association's office, the managing agent's office, or at a place within the Condominium as the Board shall designate.

6.5. Notices.

(a) Form of Notice and Method of Delivery. Except as otherwise provided in the Declaration or these By-Laws or by applicable law, all notices, demands, bills, statements, or other communications under the Declaration or these By-Laws shall be in writing and may be delivered in person, by United States mail, by private carrier, by facsimile, electronic mail or other electronic communication device with written confirmation of transmission.

(b) Delivery Address. Notices shall be delivered or sent to the intended recipient as follows:

(i) if to a Member, at the address, facsimile number, or e-mail 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;

(ii) if to the Association, the Board, or a committee of either, at the address, facsimile number, or e-mail address of the principal office of the Association or its managing agent, or at such other address as the Association shall designate by notice in writing to the Members pursuant to this Section; or

(iii) if to Declarant, at the principal address of Declarant as it appears on the Secretary of State's records, or at such other address as Declarant shall designate by notice in writing to the Association pursuant to this Section.

(c) Effective Date. Notice sent in accordance with subsections (a) and (b) shall be deemed to have been duly given and effective:

(i) if sent by United States mail, when deposited with the U. S. Postal Service, correctly addressed, with first class or higher priority postage prepaid;

(ii) if delivered personally or by private carrier, when actually delivered to the address of the intended recipient, as evidenced by the signature of the person at such address who accepts such delivery; however, if such delivery is refused or if the intended recipient has contracted with the private carrier to leave any deliveries without obtaining a signature evidencing receipt, the notice shall be deemed duly given and effective if the attempt to deliver was timely made;

(iii) if sent by facsimile or electronic mail, upon transmission, as evidenced by a printed confirmation of transmission.

6.6. Amendment.

(a) By Declarant. During Declarant Control Period, Declarant may amend these By-Laws unilaterally.

(b) By the Membership. Except as provided above, these By-Laws may be amended only by the affirmative vote or written consent of Members representing at least 67% of the total Class "A" votes in the Association, and the consent of Declarant during the Development and Sale Period. 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 of Amendments. Amendments to these By-Laws shall become effective upon recordation unless a later effective date is specified therein. In no event shall a change of conditions or circumstances operate to amend any provisions of these By-Laws.

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

CERTIFICATION

I, the undersigned, do hereby certify:

That I am the duly elected and acting Secretary of Mountain Lodges at Bear Lake Reserve Condominium Association, Inc., a North Carolina nonprofit corporation;

That the foregoing By-Laws constitute the original By-Laws of said Association, as duly adopted at a meeting of the Board of Directors thereof held on the ___ day of _____, 200__.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said Association this ___ day of _____, 200__.

Secretary

[CORPORATE SEAL]



NORTH CAROLINA

Department of The Secretary of State

To all whom these presents shall come, Greetings:

I, **ELAINE F. MARSHALL**, Secretary of State of the State of North Carolina, do hereby certify the following and hereto attached to be a true copy of

ARTICLES OF INCORPORATION

OF

MOUNTAIN LODGES AT BEAR LAKE RESERVE CONDOMINIUM ASSOCIATION, INC.

the original of which was filed in this office on the 22nd day of February, 2007.



IN WITNESS WHEREOF, I have hereunto
set my hand and affixed my official seal at the
City of Raleigh, this 22nd day of February, 2007

Elaine F. Marshall
Secretary of State

**ARTICLES OF INCORPORATION
OF
MOUNTAIN LODGES AT BEAR LAKE RESERVE
CONDOMINIUM ASSOCIATION, INC.**

The undersigned, by these Articles, associate themselves for the purpose of forming a nonprofit corporation under and in accordance with the provisions of Chapter 55A, North Carolina General Statutes, and certify as follows:

Article 1. Name. The name of the nonprofit corporation is Mountain Lodges at Bear Lake Reserve Condominium Association, Inc. For convenience, the corporation shall be referred to in this instrument as the "Association."

Article 2. Address. The address of the initial principal office of the Association and the initial mailing address of the Association is 124 Highway 107 South, Cashiers, Jackson County, North Carolina, 28717.

Article 3. Definitions. All capitalized terms used in these Articles of Incorporation which are not defined herein shall have the meaning set forth in the Declaration of Condominium for Mountain Lodges at Bear Lake Reserve, a Condominium, recorded or to be recorded by Centex Homes, a Nevada general partnership d/b/a Centex Destination Properties (the "Declarant"), in the public records of Jackson County, North Carolina, as such Declaration may be amended, supplemented and/or amended and restated from time to time (the "Declaration").

Article 4. Purposes. The Association does not contemplate pecuniary gain or benefit, direct or indirect, to its members. By way of explanation and not of limitation, the purposes for which the Association is organized are to own, operate and/or maintain the common elements and improvements within Mountain Lodges at Bear Lake Reserve, a Condominium (the "Condominium") created pursuant to the Declaration and to perform all other obligations and duties of the Association, and to exercise all rights and powers of the Association, as set forth in the Declaration and as otherwise permitted or provided by law.

Article 5. Powers. In furtherance of its purposes, the Association shall have the following powers, which, unless indicated otherwise by the Declaration or By-Laws of the Association, shall, if exercised at all, be exercised by the Board of Directors:

(a) all of the powers conferred upon nonprofit corporations by common law and North Carolina General Statutes in effect from time to time; and

(b) all of the powers necessary or desirable to perform the obligations and to exercise the rights and powers set out in these Articles, the By-Laws, and the Declaration, including, without limitation, the following:

(i) to establish, levy, collect, and enforce payment of all charges or assessments authorized by the Declaration by any lawful means; to pay all expenses in connection therewith and all administrative and other expenses incident to the conduct of the business of the Association including, without limitation, all licenses, taxes, or governmental charges levied or imposed against the property of the Association;

(ii) to manage, control, operate, alter, maintain, repair, improve, and replace the common areas and facilities, and any property acquired by the Association, or any property owned by another for which the Association, by rule, regulation, declaration, or agreement, has a right or duty to provide such services;

(iii) to make rules and regulations and to enforce covenants, conditions, or restrictions affecting any property within the Condominium to the extent the Association may be authorized to do so under the Declaration or By-Laws;

(iv) to engage in activities which will actively foster, promote, and advance the common interests of all owners of property within the Condominium subject to the Declaration;

(v) to buy, or otherwise acquire, sell, dedicate for public use, or otherwise dispose of, mortgage, or otherwise encumber, exchange, lease, own, hold, use, operate, grant easements and otherwise deal in and with, real and personal property of all kinds and any right or interest therein for any purpose of the Association;

(vi) to borrow money for any purpose subject to such limitations as may be contained in the Declaration and/or By-Laws;

(vii) to enter into, make, perform, and enforce agreements of every kind and description, and to do all other acts necessary, appropriate, or advisable in carrying out any purpose of the Association, with or in association with any other corporation, or other entity or agency, public or private;

(viii) to act as agent, trustee, or other representative of other corporations, firms, or individuals, and as such to advance the business or ownership interests in such corporations, firms, or individuals; and

(ix) to provide any and all supplemental municipal services to the Condominium as may be necessary or desirable.

The foregoing enumeration of powers shall not limit or restrict in any manner the exercise of other and further rights and powers which may now or hereafter be allowed or permitted by law; and the powers specified in each of the paragraphs of this Article 5 are independent powers, not to be restricted by reference to or inference from the terms of any other paragraph or provision of this Article 5.

Article 6. Members. The Association shall be a membership corporation without certificates or shares of stock. The owner of each Unit shall be a member of the Association (each a "Member") and shall be entitled to vote as authorized in the Declaration. Membership in the Association is appurtenant to, and may not be severed, from the Unit. The rights and obligations of a Member may not be assigned or delegated except as provided in these Articles or the Declaration, and shall automatically pass to the successor-in-interest of any owner upon conveyance of such owner's interest in the Unit.

Change of an owner's membership in the Association shall be established by recording in the Jackson County Registry of Deeds a deed or other instrument establishing record title to a Unit. Upon such recordation, the Owner designated by such instrument shall become a member of the Association and the membership of the prior Owner shall terminate.

Article 7. Existence and Duration. Existence of the Association shall commence with the filing of these Articles of Incorporation with the Secretary of State of the State of North Carolina. The Association shall exist in perpetuity.

Article 8. Board of Directors. The Association's business and affairs shall be conducted, managed, and controlled by a Board of Directors (the "Board"). The Board may delegate its operating authority to such companies, individuals, or committees as it, in its discretion, may determine.

The Board shall initially consist of three members, as provided in the By-Laws. The names and addresses of the initial directors, who shall hold office until their successors are elected and have qualified, or until removed, are as follows:

<u>Name</u>	<u>Address</u>
William Clark	124 Highway 107 South, Cashiers, North Carolina 28717
Andy Southards	124 Highway 107 South, Cashiers, North Carolina 28717
Gina Jenkins	1064 Greenwood Blvd., Suite 200, Lake Mary, Florida 32746

The method of election and removal of directors, filling of vacancies, and the term of office of directors shall be as set forth in the By-Laws.

Article 9. By-Laws. The initial By-Laws shall be adopted by the Board and thereafter may be altered, amended, rescinded or repealed in the manner provided in the By-Laws.

Article 10. Liability of Directors. To the fullest extent that Chapter 55A, North Carolina General Statutes, or other applicable law, as it exists on the date hereof or as they may hereafter be amended, permits the limitation or elimination of the liability of directors or officers, no director or officer of the Association shall be personally liable to the Association or its members for monetary damages for breach of duty of care or other duty as a director or officer.

Pursuant to Section 55A-2-02 of the North Carolina General Statutes, this provision shall not be effective in limiting or eliminating personal liability of any director with respect to:

- (i) acts or omissions that the director at the time of the breach knew or believed were clearly in conflict with the best interests of the corporation;
- (ii) any liability under Section 55A-8-32 or Section 55A-8-33 of the North Carolina General Statutes;
- (iii) any transaction from which the director derived an improper personal financial benefit; or
- (iv) acts or omissions occurring prior to the date the provision became effective. As used herein, the term "improper personal financial benefit" shall have the same meaning as set forth under Section 55A-2-02 of the North Carolina General Statutes.

No amendment to or repeal of this Article shall apply to or have any effect on the liability or alleged liability of any director or officer of the Association for or with respect to any acts or omissions of such director or officer occurring prior to such amendment or repeal.

Article 11. Indemnification.

(a) Indemnity. The Association shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative, by reason of the fact that he or she is or was a director, officer, employee, or agent of the Association, or otherwise retained by the Association to provide services, including without limitations any officer, director or employee of any professional management company retained by the Association. Such indemnification shall include indemnification against expenses (including, without limitation, reasonable attorneys' fees and appellate attorneys' fees), judgments, fines, and amounts paid in settlement, actually and reasonably incurred by the indemnified person in connection with such action, suit, or proceeding, if such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interest of the Association, and, with respect to any criminal action or proceedings, such person had no reasonable cause to believe his or her conduct was unlawful. Notwithstanding the foregoing, no indemnification shall be made in respect of any claim, issue, or matter as to which such person shall have been adjudged to be liable for gross negligence or misfeasance or malfeasance in the performance of his or her duty to the Association, unless, and then only to the extent that, the court in which such action or suit was brought shall determine upon application that despite the adjudication of liability, in view of all of the circumstances of the case, such person is fairly and reasonably entitled to indemnification for such expenses as such court shall deem proper. The termination of any action, suit, or proceeding by judgment, order, settlement, conviction, or upon a plea of *nolo contendere* or its equivalent shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interest of the Association, and with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful. Notwithstanding the foregoing, the Association need not indemnify the managing agent of the Condominium unless such indemnification is required to do so by the agreement between the Association and such managing agent, approved by the Board or required by law.

(b) Approval. Any indemnification under paragraph (a) above (unless ordered by a court) shall be made by the Association only as authorized in the specific case upon a determination that indemnification is proper under the circumstances because the person requesting indemnification has met the applicable standard of conduct set forth in paragraph (a) above. Such determination shall be made (i) by majority vote of the members of the Board who were not parties to such action, suit, or proceeding, if sufficient to constitute a quorum, or (ii) if a quorum of the Board is not obtainable, or, even if obtainable, if a quorum of disinterested directors so directs, in a written opinion rendered by independent legal counsel engaged by the Association, or (iii) by a majority vote of the Unit Owners and the consent of the Declarant, during the Declarant Control Period.

(c) Advances. Expenses incurred in defending a civil or criminal action, suit, or proceeding may be paid by the Association in advance of the final disposition of such action, suit, or proceeding as authorized by the Board in any specific case upon receipt of a written agreement by or on behalf of the affected director, officer, employee, or agent to repay such amount if it is ultimately determined that he or she is not entitled to be indemnified by the Association as authorized in this Article.

(d) Miscellaneous. The indemnification provided by this Article shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled by law, under the By-Laws, or pursuant to any agreement, vote of Members, or otherwise, and shall continue as to a person who has ceased to be a director, officer, employee, or agent and shall inure to the benefit of the heirs and personal representatives of such person.

(e) **Insurance.** The Association shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee, or agent of the Association, including, without limitation, as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise, against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Association would have the power to indemnify him or her against such liability under the provisions of this Article.

Article 12. Interested Directors.

(a) No contract or transaction between the Association and one or more of its directors or officers, or between the Association and any other corporation, partnership, or Association, or other organization in which one or more of its directors or officers are directors or officers or have a financial interest, shall be invalid, void, or voidable solely for such reason, or solely because the director or officer is present at or participates in the meeting of the Board at which such contract or transaction was authorized, or solely because his, her, or their votes are counted for such purpose. No director or officer of the Association shall incur liability by reason of the fact that he or she is or may be interested in any such contract or transaction.

(b) Interested directors may be counted in determining the presence of a quorum at a meeting of the Board at which a contract or transaction with an interested director is to be considered.

(c) The Association may enter into contracts and transactions with Declarant and Declarant's Affiliates.

Article 13. Amendments. The Board may amend these Articles without Member approval (a) for those specific purposes permitted under North Carolina law; (b) for the purpose of bringing any provision into compliance with any applicable governmental statute, rule, regulation, or judicial determination; (c) to enable any reputable title insurance company to issue title insurance coverage on the Units; (d) to enable any institutional or governmental lender, purchaser, insurer or guarantor of Mortgage loans, including, for example, the U.S. Department of Veterans Affairs, the U.S. Department of Housing and Urban Development, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to make, purchase, insure or guarantee Mortgage loans on the Units; or (e) to satisfy the requirements of any local, state or federal agency. Such amendments may be adopted by the Board of Directors, with the written consent of the Declarant during the Declarant Control Period. Other amendments to the Articles may be adopted by the Board of Directors with the approval of least two-thirds (2/3) of Members other than Declarant and, during the Declarant Control Period, the written consent of the Declarant. Notwithstanding anything herein to the contrary, no amendment may be in conflict with the Declaration nor be effective to impair or dilute any rights of Members that are governed by the Declaration.

Article 14. Dissolution. The Association may be dissolved only upon (a) a resolution duly adopted by the Board, and (b) the affirmative vote of members who are Owners of not less than two-thirds (2/3) of the Units, and (c) the consent of Declarant during the Declarant Control Period. Upon dissolution of the Association, if the VA is guaranteeing or HUD is insuring the Mortgage on any Unit, then unless otherwise agreed to in writing by HUD or the VA, any remaining real property of the Association shall be dedicated to an appropriate public agency or conveyed to a nonprofit organization to be used for purposes similar to those for which this Association was created. In the event that acceptance of such dedication is refused, such real property and the Association's remaining assets shall be granted, conveyed and assigned to any nonprofit corporation, association, trust, or other organization to be devoted to such similar purposes. Such requirement shall not apply if the VA is not guaranteeing and HUD is not

insuring any Mortgage; provided, if either agency has granted project approval for the Condominium, then HUD and/or the VA shall be notified of such dissolution.

Article 15. Incorporator. The name of the incorporator of the Association is David W. Earley and the incorporator's address is Centex Homes, 300 Executive Center Drive, Suite 258, Greenville, South Carolina 29615.

Article 16. Registered Agent and Office. The initial registered office of the Association is located in at 124 Highway 107 South, Cashiers, North Carolina 28717, and the initial registered agent at such address is William Clark.

IN WITNESS WHEREOF, the undersigned Incorporator has executed these Articles of Incorporation this 7th day of February, 2007.

INCORPORATOR:


David W. Earley

Upon recording, please return to:

MAG Bear Lake, LLC
15443 Knoll Trail Drive, Suite 130
Dallas, TX 75248

Cross Reference:
Deed Book 1196, Page 331
Real Estate Index for
Jackson County, North Carolina

**SUPPLEMENTAL DECLARATION OF COVENANTS, CONDITIONS,
AND RESTRICTIONS FOR BEAR LAKE RESERVE**

(Saddlenotch Service Area)

THIS SUPPLEMENTAL DECLARATION is made this 15th day of September, 2016 by MAG Bear Lake LLC, a Texas limited liability company (hereinafter referred to as "Declarant").

WITNESSETH:

WHEREAS, that certain Declaration of Covenants, Conditions, and Restrictions for Bear Lake Reserve was filed of record on August 26, 2003 in Book 1196 Page 331, et seq., in the Real Estate Index for Jackson County, North Carolina (Such instrument as amended and supplemented is herein referred to as the "Declaration");

WHEREAS, pursuant to the terms of Article VII, Section 7.11 of the Declaration, the Declarant may assign the submitted property described on Exhibit "A" to the Declaration to one or more Service Areas as Declarant deems appropriate, in Declarant's discretion, by filing a Supplemental Declaration in the aforesaid records;

WHEREAS, Declarant is the owner of the Lots described on Exhibit "A" attached hereto, which are part of the submitted property, and Declarant desires to designate these Lots as a Service Area: and

WHEREAS, upon such designation, the Association shall be required to provide certain benefits or services to these lots within the Service Area as described herein in addition to those which the Association generally provides to all Lots, and the costs of such benefits or services shall be assessed against these Lots in the Service Area as a Service Area Assessment.

NOW, THEREFORE, pursuant to the powers retained by Declarant under the Declaration, Declarant hereby subjects the Lots described on Exhibit "A" to the provisions of 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, 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 Bear Lake Reserve Owners Association, Inc. in accordance with the terms of Declaration.

ARTICLE 1

Definitions

The definitions set forth in Article II, Section 2.1 of the Declaration are incorporated herein by reference.

ARTICLE 2

Service Area Designation

The Lots described on Exhibit "A" shall be designated as a Service Area that shall be known as the "Saddlenotch Service Area." Declarant hereby reserves the right, without any obligation, to add other property described on Exhibit "A" to the Declaration to the Saddlenotch Services Area by the recording of a supplemental declaration in the aforesaid index.

ARTICLE 3

Party Walls

3.1 Each wall which is built as part of the original construction of the residential units upon the property and placed on the dividing line between the Lots shall constitute a party wall, and, to the extent not inconsistent with the provisions of this Article, the general rule of law regarding party walls and liability for property damage due to negligence or willful acts or omissions shall apply thereto.

3.2 Adjoining Owners shall be responsible for any maintenance of any party wall. The Owners shall share equally the cost of any such maintenance.

3.3 If a party wall is destroyed or damaged by fire or other casualty, any Owner who has used the wall may restore it; and if the other Owners thereafter make use of the wall, they shall contribute to the cost of restoration thereof in proportion to such use, without prejudice, however, to the right of any such Owners to call for a larger contribution from the others under any rule of law regarding liability for negligent or willful acts or omissions.

3.4 Notwithstanding any other provision of this Article, an Owner who by his neglect or willful act causes the party wall to be exposed to the elements shall bear the whole cost of furnishing the necessary protection against such elements.

3.5 The right of any Owner to receive contribution from any other Owner under this Article shall be appurtenant to the land and shall pass to such Owner's successors in title.

ARTICLE 4
Service Area Maintenance Obligations

4.1 By the Association. In addition to the maintenance responsibilities of the Association set forth in the Declaration, the Association shall be responsible for performing the following with respect to the Lots within the Saddlenotch Service Area:

(a) Maintenance (including, mowing, fertilizing, mulching, pruning and replacing, and controlling disease and insects), of all lawns and landscaping installed by Declarant within the front, rear and side yards of the Lots, specifically excluding landscaping within any enclosed courtyard, patio, fenced or other area not readily accessible from outside the dwelling and any landscaping installed by an Owner after the conveyance of the Lot by Declarant: and

(b) Maintenance, repair and replacement of any sewer tank serving any Lot within the Saddlenotch Service Area including internal parts associated with the operation of the sewer tank and pump from the sewer tank to the waste water treatment plant, but excluding any lines, cables, wires, conduits and piping from the dwelling to the sewer tank or any plumbing lines or fixtures within the dwelling.

(c) The Association shall maintain, repair, and replace as a common expense the exterior of the dwellings as follows:

- i. Exterior siding, soffits or other surfaces as decided by the Board of Directors, in its sole discretion;
- ii. Roof shingles; and
- iii. Gutters and downspouts, including cleaning as decided by the Board of Directors in its sole discretion.

4.2 Costs for the maintenance items set forth above shall be assessed to the Saddlenotch Service Area as a Service Area Assessment. In the event a Lot requires excessive maintenance or repairs due to the negligence or misconduct of the Owner, as determined in the sole discretion of the Board of Directors, such costs shall be assessed to such Lot as a Benefited Assessment.

4.3 By Owners. All other portions of the Lot (and the improvements located thereon) shall be the responsibility of the Owners, including, without limitation:

- i. Maintenance, repair, and replacement, as necessary, of all pipes, lines, wires, conduits, or other apparatus (including all utility lines and associated pipes serving only the Lot);
- ii. All glass surfaces (window panes, glass doors, etc.);
- iii. Windows and window systems, including screens;
- iv. Doors;
- v. Exterior water faucets;
- vi. Garage doors;

- vii. Weather-proof exterior electrical outlets; and
- viii. Entry doorbell.

4.4 Each Owner and Occupant acknowledges that the architectural design and selected color scheme of the exterior of the dwellings have been carefully chosen and that in order to preserve the appearance of the Lots, all maintenance and repair of the exterior of a dwelling by Owner shall be consistent with the original architectural design and color scheme unless approved by the Association and the Declarant during the Development and Sale Period.

4.5 All Maintenance and repair responsibilities described in this Supplemental Declaration shall be performed by the Association and Owners in accordance with the Community Wide Standard. The Board shall determine in its sole discretion the manner and the frequency of performing such maintenance and repair responsibilities and may establish a rotation or schedule for repairs, as deemed appropriate by the Board.

ARTICLE 5

Amendment to Supplemental Declaration

5.1 By Declarant. This supplemental Declaration may be unilaterally amended by the Declarant in accordance with Article XXI, Section 21.1 of the Declaration.

5.2 By Members. Article 3 of this Supplemental Declaration may be amended by the Board with the written consent or affirmative vote, or any combination thereof, of Members representing at least sixty-seven percent (67%) of the Class "A" votes allocated to the Lots within the Saddlenotch Service Area and, during the Development and Sale Period, with the written consent of the Declarant. Any other amendment to this Supplemental Declaration shall be subject to the requirements of Article XXI, Section 21.2 of the Declaration with the respect to amendment by Members and shall also require the written consent or affirmative vote, or any combination thereof, of Members representing at least sixty-seven percent (67%) of the Class "A" votes allocated to the Lots within the Saddlenotch Service Area.

ARTICLE 5

Declaration

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

[SIGNATURES ON NEXT PAGE]

EXHIBIT "A"

ALL THOSE TRACTS OR PARCELS OF LAND located in the Bear Lake Reserve Subdivision, which is a subdivision of a portion of Parcel 7586-92-9898, Canada Township, Jackson County, North Carolina, and being more particularly described as follows:

1. A 5.40-acre lot depicted on that certain Plat recorded in Plat Cabinet 20, Slide 424 in the plat records of Jackson County, North Carolina.
2. Further Described as Saddlenotch East Villas Lots 1-2 depicted on that certain Plat recorded in Plat Cabinet 21, Slide 479 in the plat records of Jackson County, North Carolina
3. Further Described as Lots Saddlenotch East Villas Lots 3-6 depicted on that certain Plat recorded in Plat Cabinet 21, Slide 463 in the plat records of Jackson County, North Carolina
4. Further Described as Saddlenotch East Villas Lots 7-10 depicted on that certain Plat recorded in Plat Cabinet 21, Slide 17 in the plat records of Jackson County, North Carolina
5. Further Described as Saddlenotch East Villas Lots 13-16 depicted on that certain Plat recorded in Plat Cabinet 21, Slide 94 in the plat records of Jackson County, North Carolina
6. All portions of Saddlenotch Common Area located within Parcel 7586-92-9900

BEAR LAKE RESERVE®

ARCHITECTURAL
GUIDELINES

HOMESITES

REVISED 11/06/2007



BEAR LAKE
RESERVE®

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ARTICLE 1
INTRODUCTION AND FUNCTION

These Architectural Guidelines have been established to enhance community thematic consistency and standards. Preservation of the quality and character of the Bear Lake Reserve community depends upon consistent adherence to these Architectural Guidelines which are intended to promote a community that is integrated with its natural setting.

The Bear Lake Reserve Architectural Review Board (“ARB”) is granted the authority to adopt and amend these Architectural Guidelines pursuant to Article IV of the Declaration of Covenants, Conditions, and Restrictions for Bear Lake Reserve® (as amended and supplemented, the “Covenants”). The Covenants were recorded in the Register of Deeds Office of Jackson County, North Carolina on August 26, 2003, in Book 1196, Page 331. A copy of the Covenants was delivered to the Owner when the Owner signed the purchase agreement for the homesite.

The ARB has exclusive authority to administer and enforce the policies and procedures set forth in these Architectural Guidelines. The Owner and their architect, builder and contractor must follow these Architectural Guidelines for all improvements to the homesite, whether permanent or temporary. The ARB has established certain fees for its review of plans and specifications for improvements to the homesite, in addition to other fees and deposits as set forth herein. These Architectural Guidelines are not the exclusive basis for the ARB’s decisions, and compliance with these Architectural Guidelines does not guarantee that plans will be approved.

The Jackson County Building Inspection Department, the Jackson County Department of Public Health and the Jackson County Planning Department have jurisdiction over some elements of the building process at Bear Lake Reserve. The Owner, their architect, builder and contractor are solely responsible for compliance with the rules and regulations set forth by Jackson County.

Due to the existence of steep mountain slopes, rock outcroppings, and unstable or expansive soil conditions in Bear Lake Reserve, special construction techniques may be required to build on or use the homesite. The ARB is not responsible for, and approval of plans by the ARB does not indicate any confirmation of, the structural integrity of approved new construction or modifications or compliance with building codes and other governmental requirements. In addition, approval by the ARB does not ensure approval by any Department of Jackson County.

In order to ensure that appropriate standards are maintained throughout Bear Lake Reserve, the ARB must approve the architect, builder and contractor prior to any improvements being made to the homesite, as more fully set forth in Article IV, Section 4.3(d) of the Covenants. Approval of the architect, builder or contractor is not a recommendation of a specific architect, builder or contractor by the ARB or by Centex Destination Properties (“Declarant”), nor a guarantee or endorsement of the work performed by such architect, builder or contractor. The contractor must comply with the additional requirements set forth on Exhibit F - Bear Lake Reserve Construction and Contractor Rules and will be required to execute a Construction Agreement confirming the contractor’s obligation to comply with the requirements of these Architectural Guidelines and the Covenants (See Exhibit G- Bear Lake Reserve Architectural Review Application Package).

Any construction, alteration, improvement, or other work performed in violation of these Architectural Guidelines or the Covenants is subject to enforcement action by the ARB, Declarant, and/or the Bear Lake Reserve Owners Association, Inc. (the “Association”) as more fully set forth in Article VII, Section 7.5 of the Covenants. Such actions may include, but are not limited to, imposing monetary fines against the Owner and their architect, builder and contractor, requiring the Owner to perform certain maintenance on their homesite to complete any new construction or modification approved by the ARB, or requiring removal of any structure, item, or improvement on the homesite in violation of these Architectural

Guidelines or the Covenants. These Architectural Guidelines are in addition to the requirements imposed by the Covenants. Attached to these Architectural Guidelines as Exhibit C - Bear Lake Reserve Schedule of Fines – is a list of the current fines that may be imposed by the ARB under these Architectural Guidelines.

ARTICLE 2 **PHILOSOPHY**

Bear Lake Reserve is situated in an ecologically significant region of the eastern United States, characterized by major expanses of healthy forests, diverse ecological communities, high-quality wildlife habitat and unique environmental features. The pristine beauty of Bear Creek Lake, the tributary streams flowing into the lake and the surrounding forested slopes, valleys and ridges enhance the community's position as a premier mountain destination. These Architectural Guidelines recognize the vital role that the natural environment plays in defining the community by establishing development strategies which are designed to integrate the community with its environment.

Acceptable development will include architectural designs that blend, rather than contrast, with the surrounding environment, minimize and properly manage surface-water runoff and include landscaping that preserves existing vegetation and uses native plant material rather than non-indigenous (exotic) plants.

ARTICLE 3 **GENERAL**

3.1 Improvements

ARB approval must be obtained before clearing, grading, placing, erecting, installing, or making any improvements to a homesite. Exhibit A – Bear Lake Reserve Design Review Process - outlines the process for obtaining approval of the plans and specifications for improvements to a homesite and Exhibit G – Bear Lake Reserve Architectural Review Application Package – contains a list of the materials that must be submitted in connection with the Design Review Process. Examples of improvements to which these Architectural Guidelines and the Design Review Process apply include, but are not limited to, the following:

- (a) New home construction and/or alteration, including, but not limited to, decks, patios, fire rings, fireplaces, secondary structures, garages, permanent grills, driveways, docks, lake walls, retaining walls, fences, gates, columns, statuary, fountains, swimming pools, basketball backboards, mailboxes, paint/stain color proposals or changes, landscape and hardscape.
- (b) The installation/renovation of mechanical/electrical equipment such as HVAC equipment, swimming pool equipment, spa equipment, waterfall pumps and exterior lighting.
- (c) Removal of significant trees (greater than 5" in diameter measured 6" from ground elevation at the base of the tree), evergreen or other distinctive vegetation as determined by the ARB.
- (d) Installation or alteration of well, septic or drainage systems.
- (e) Changes to topography, including, but not limited to, cut, fill and other grade changes.

- (f) Landscaping and site work including, but not limited to, irrigation systems, walls, walks, steps, patios and other hardscape elements.
- (g) Additions and modifications to existing structures or improvements.

3.2 Signs

Signs are prohibited on a homesite except for a temporary construction sign which complies with the Construction and Contractor Rules, and any sign that may be required by law or approved by the ARB in accordance with these Architectural Guidelines and the Declaration.

ARTICLE 4 **DESIGN CRITERIA**

The design and development of each homesite must adhere to the following guidelines:

4.0 Site Design

***Minimum alterations**

Earth moving shall be limited to the minimum required for building foundations, driveways, drainage control structures and immediate areas surrounding the building, road, driveway, or drainage structure required by the Jackson County Planning Department. With the exception of approved stockpiling or restoration efforts, substantial earth moving beyond that required for the installation or construction of approved buildings, structures, driveways, roads or drainage structures shall not be permitted.

***Cut and Fill**

Unless otherwise specifically approved by a qualified professional, cut slopes shall be no steeper than one foot horizontal to one foot vertical (1:1) and fill slopes shall not be steeper than one-and-one half feet horizontal to one foot vertical (1 ½ :1). Artificial slopes exceeding 35 feet in height shall be benched at 35-foot intervals.

***Compaction of Fill**

All fill shall be stabilized in conformance with generally accepted engineering standards, including a compacted density of at least ninety-five percent (95%). Vegetation which has been cut or cleared shall be removed from the homesite and shall not be covered by, or imbedded in, fill material. It is recommended that the owner obtain a certificate of compaction by a qualified testing agency.

***Land disturbance and grading**

When grading is necessary, rigid contouring should be avoided; contours should be rounded to appear undulating and natural. When grading must occur, it should blend with the natural land form as much as possible. Grading to form level pads and building sites is strongly discouraged and when required such grading should be minimized.

*Earth berms, rock forms, or stone retaining walls should be used to minimize visual impacts of cuts. Hedges and fences may also be appropriate in some locations. Large, continuous surfaces of smooth concrete and related structures are considered inappropriate. The height of any retaining wall should not exceed four feet unless required to be higher for engineering reasons. In areas where cuts are steeper, a stepped or terraced wall should be used.

4.1 Erosion Control

Erosion control designs and procedures must be implemented to minimize on-site and off-site disturbance, impacts from runoff and sediment, and suspension of sediment.

- (a) There must be no disturbance within 30 feet of Bear Creek Lake, any stream channel or wetland, including, but not limited to, grading, excavation, fill, alteration of existing vegetation and building of structures.
- (b) Erosion control plans and measures must comply with all jurisdictional government regulations as well as the ARB requirements. The ARB approval will not be issued until all practicable and necessary measures have been provided for minimizing on-site disturbance, sediment suspension, site runoff and the transport of sediment offsite or into waterways.
- (c) Erosion control measures to be utilized during construction should be designed and implemented to allow for conversion into permanent stormwater management devices or for restoration of existing vegetation after construction, when applicable.
- (d) Prior to any soil disturbance, temporary silt fences, in addition to other applicable erosion control measures, must be properly installed along disturbance limits according to existing and expected drainage patterns.
- (e) In addition to installation of the erosion controls shown on the approved plans, additional erosion controls must be installed and/or modifications must be made to existing erosion controls as necessary throughout the construction process to minimize on- or off-site sediment transport.
- (f) The builder must monitor erosion control measures on a regular basis, and inspect and maintain the same after rainfall events, throughout the construction process until final ARB sign-off of construction. Collected sediment must be removed as necessary to maintain the erosion control measures in an effective condition. The collected sediment must be disposed of and stabilized in an acceptable manner. The builder must immediately remedy, to the ARB's satisfaction and to the satisfaction of governmental authorities, any deficiencies in erosion control measures.
- (g) All site disturbances must be permanently stabilized and all temporary erosion control measures and accumulated sediment must be removed prior to final ARB sign-off of construction.
- (h) Roads must be kept clean of dirt and debris throughout the construction period.
- (i) All lots abutting streams, ponds or the lake shall be required to have at a minimum two rows of reinforced silt fence between the water and disturbed areas uphill.

4.2 Stormwater Management

The water resources of Bear Lake Reserve provide outstanding natural amenities that greatly enhance the desirability of the community as a premier mountain resort destination. From the waters of Bear Creek Lake to the prized trout hiding in the streams, these waters play a tremendous role in the overall natural beauty of Bear Lake Reserve. Much attention and care has gone into the planning of Bear Lake Reserve to protect its natural resource amenities. After an individual homesite has been developed, continued care must be exercised in managing the stormwater runoff generated by rooftops, paved surfaces and other impermeable surfaces. Methods to prevent runoff from leaving the site include either storing it for reuse (called “rain harvesting”) or providing ways for it to soak into the ground (infiltration).

Following are some of the recommended stormwater management practices that must, where practicable, be included in the architectural design of the homesite:

- (a) Installation of a roof runoff collection and distribution system.
- (b) Installation of a permeable paving and other surfacing.
- (c) Installation of vegetated depressions, infiltration trenches and/or subsurface infiltration galleries, and drainage swales to store the runoff from rooftops and paved surfaces and permit infiltration.
- (d) Implementation of design elements that prevent runoff from discharging onto adjacent property or into waterways, and which avoid disturbing existing drainage ways and impacts to soils in infiltration locations.
- (e) Infiltration elements must not be located within 150 feet of a potable water well.
- (f) *Natural drainage ways shall be preserved to the maximum extent possible.

4.3 Setbacks

Unless specified differently in the Covenants, the following are the minimum setback requirements for all homesites:

- (a) 30 feet from the 2,570 elevation line (Duke property line) of Bear Creek Lake.
- (b) 30 feet from all stream channels, ponds and wetlands.
- (c) 25 feet from the lot line along any golf course or other amenities.
- (d) 25 feet from the lot line along the road or shared driveway, unless a larger setback is shown on the plats of Bear Lake Reserve.
- (e) 25 feet from the rear lot line (except for lake homesites as stated above), unless a larger setback is shown on the plats of Bear Lake Reserve.
- (f) 15 feet from the side lot line (except for lot lines adjacent to the Bear Creek Lake, any golf course, other waterways or other amenities), unless a larger setback is shown on the plats of Bear Lake Reserve.

4.4 Limits of Disturbance and Protection of Existing Vegetation

All plans should delineate a “Limits of Disturbance” line to indicate the extents of disturbance to existing vegetation and topography.

The following are some practices that must be included in the Architectural Design of the homesite:

- (a) No disturbance of existing vegetation or topography may occur outside of the approved Limits of Disturbance line.
- (b) Site disturbance may not extend more than 15’ beyond any setback line (toward the property line).
- (c) Disturbance within the minimum setback limits must be restored per methods and plans approved by the ARB.
- (d) There must be no disturbance within 30 feet of Bear Creek Lake, any stream channel or wetland, including, but not limited to, grading, excavation, fill, alteration of existing vegetation and building of structures.
- (e) There must be no disturbance to the flow of water in any stream channel or other drainage way, including, but not limited to, diversion and pumping.
- (f) At the discretion of the ARB, trees within or adjacent to the Limits of Disturbance must be assessed by a professional arborist for inclusion in active tree preservation measures. The arborist’s assessment report and recommendations must include an implementation schedule and be submitted to the ARB for approval as part of the site plan submittal.
- (g) All existing trees within the Limits of Disturbance with a diameter of 5” or greater measured 6” from ground elevation at the base of the tree must be preserved, unless their removal is specifically approved by the ARB. Trees within the approved site plan building footprint limits may be removed and must be noted on the site plan.
- (h) Temporary barriers consisting of orange construction fencing, silt fencing, or wood posts and rails must be erected at the perimeter of all trees or vegetation masses to be preserved. A representative of the ARB must approve the location of these barriers prior to any site disturbance. The ARB may specify the barrier material and construction method whenever it deems it appropriate.
- (i) If the ARB approval is not obtained prior to the removal of existing trees or other vegetation, the ARB may require, in addition to other remedies, the replacement of said vegetation on a 1:1 basis (replacement caliper : removed caliper).
- (j) *A portion of natural on-site vegetation shall be retained sufficient to partially screen (along fifty percent of the building face, or that achieves 50 percent opacity or more along the building face) the home, structure, use, or activity from views from roads not serving the home, or landscaping shall be installed and designed to partially screen the home, structure, use, or activity from views from roads, or other measures have been included in the project and approved by the ARB to reduce the visual impacts of such development from views from roads.

Views corridors from the proposed development to surrounding areas may be provided, but such corridors shall not extend for more than fifty percent of the width of building face between the view sought and the building face from which the view is sought.

4.5 Size Restrictions

Minimum and maximum square footage parameters for new home construction are impacted by location, size of homesite, visibility, size of homes on neighboring homesites, the location of the homesite with respect to amenities, and other considerations.

The following restrictions take these factors into account:

- (a) The minimum home size on any homesite may *not* be less than 2,000 square feet of fully enclosed living space, *nor* may any home contain less than 1,000 square feet of fully enclosed living area on the main floor.
- (b) The maximum square footage of any proposed home may *not* exceed 10,000 square feet. The ARB may approve a home with larger square footage if the ARB concludes that the homesite can accommodate a home design that exceeds the maximum square footage stated above due to, among other factors, the location of the homesite and the placement of the home thereon, the size of the homesite, visibility, and impact on the community.
- (c) The maximum height of any home, including cupolas or other structures, must *not* exceed a height of 2½ stories or a *maximum* of 38 feet measured from the front entry-level foundation cap to the point that equates to the average heights of the highest roof bearing point to the highest roof ridge line.

4.6 Roofs

Roof materials with texture and depth, which are compatible with the environment and the community architectural theme, are highly desirable. The following criteria address roof design:

- (a) The minimum roof pitch or slope allowable is 4:12, though steeper pitches are preferred.
- (b) The maximum roof pitch or slope allowable is 12:12.
- (c) Multiple roof forms are highly recommended.
- (d) Flat and mansard roof designs are *not* allowed.
- (e) All roof accessories, such as vent stacks, vents, vent fans, etc., must match the roof color and must be located so as to minimize visibility from the front (street side) of the home, as determined by the ARB.

4.7 Garages

The garage, whether attached or detached, must be complementary to the design, materials, and color scheme of the home. If the garage is detached, it may be no larger than 30 feet x 40 feet and no taller than 1½ stories. Adequate storage area should be provided in the design of the garage. The following requirements apply to garage doors and service entry doors:

- (a) Garage doors and garage service entry doors may be metal, fiberglass or wood and should be raised panel in design or otherwise detailed to compliment the architectural

style of the home. Custom designed garage doors will be reviewed on a case-by-case basis.

- (b) Garage door windows may be considered for approval if they are proposed as clear or obscure glass and installed in the top panel of the door. The window design must match or complement the windows on the home.

4.8 Secondary Structures

Examples of acceptable secondary structures are ancillary homes, garages with living quarters, pavilions, pool houses and guesthouses. The main house must contain the minimum size requirements regardless of the inclusion of a secondary structure. The following requirements address secondary structures:

- (a) Any homesite greater than 5 acres may apply for the ARB approval of one secondary structure, not to exceed 2,400 square feet, and with a maximum footprint of 30' x 40'.
- (b) Any homesite greater than 10 acres may apply for the ARB approval of up to two secondary structures, not to exceed 2,400 square feet each, and each having a maximum footprint of 30' x 40'.
- (c) No homesite may have more than 3 structures (1 main and 2 secondary structures.)
- (d) The Health Department must be contacted to determine the required septic for additional structures. Declarant and the ARB make no warranties as to the availability of septic beyond the primary residence.
- (e) The Owner may be required to provide water for any secondary structure from a private well under their ownership if adequate supply is not available from the community water system, as determined by Declarant or the ARB. If community water is available, the Owner must pay additional availability fees and applicable usage charges for these secondary structures. Declarant and the ARB make no warranties as to the availability of well water for secondary structures.

4.9 Siding

Exterior walls constructed of natural materials, such as rough-sawn wood, exposed heavy timbers, wooden shingles and/or native stone, are preferred. Brick and/or stucco may be considered acceptable in limited applications depending on factors such as mass, location, texture, and color. Certain manufactured exterior siding, trim and stone products may be considered for approval. Exterior materials must be used consistently on all elevations for a harmonious appearance. The following types of siding are not allowed:

- (a) Vinyl, aluminum or steel siding.
- (b) Flashed brick or brick proposed with an epoxy sealant.

4.10 Windows

The size and percentage of windows on all elevations must be in balance with the overall design of the home. Home designs that promote large expanses of exterior walls without window installations are discouraged. The following requirements address color and materials:

- (a) Wood, aluminum and/or vinyl clad window materials are acceptable and dark colors are recommended.
- (b) In general, colored or stained glass is *not* encouraged. Clear, decorative, leaded, or obscure glass designs are allowed under appropriate circumstances.
- (c) Glass block may be considered acceptable depending on location, mass, and visibility. If approved, the color of grout utilized for the glass block installation *must* match the siding or window frame color. Grout in any shade of white is *not* allowed.
- (d) Window tinting is allowed but only if a non-reflective material is used.

4.11 Driveways

The form of the driveway should be softened with curves, if practicable, to prevent any long, straight sections. Building materials and other requirements for driveways are as follows:

- (a) Driveways must be paved with stone pavers, granite Belgian block, asphalt, chip-seal asphalt, permeable asphalt, permeable concrete, concrete pavers, or stabilized aggregate. Colors for concrete pavers and additives/sealants require prior approval by the ARB and must be subdued earth tones. The use of specialty paving patterns requires prior approval by the ARB. Where curbs or gutters are used, native stone or granite Belgian block is encouraged.
- (b) Driveways should be designed to minimize stormwater runoff and potential erosion. Properly sized culverts must be installed as needed along the driveway within the road right-of-way. There must be *no* diversion of water within the road right-of-way or onto adjoining properties.
- (c) Adequate guest parking should be planned to contain all parking within the homesite without being a prominent design feature.
- (d) *All new driveways shall be designed and constructed to minimize the potential for landslides, erosion and runoff.
- (e) *Driveways shall be located such that the maximum number of existing trees on the site is preserved to the extent reasonably practical.
- (f) *Driveways shall be designed to create the minimum feasible amounts of land coverage and the minimum feasible disturbance of the soil.

4.12 Exterior Colors

Exterior color schemes proposed for all structures must blend or compliment the natural surroundings. Subdued earth or forest tones of brown, warm grays or greens are preferred. Shades of white may be submitted for consideration for the house trim, but the body of a house may *not* be painted white. All structures on a homesite must be painted the same approved color scheme unless otherwise approved by the ARB. Flue caps, conduits, gutters, downspouts, etc., unless constructed of copper, pewter or other material approved by the ARB, must be painted to match or blend with the surrounding materials. In addition, walls, gates and other exterior structures must match or blend with the color scheme of the home. Deck band boards, rails, associated pickets and stair risers to decks may be left natural wood. The following are exterior colors and finishes that are not allowed:

- (a) Pastels.
- (b) Primary colors.
- (c) High contrast color schemes.
- (d) Highly reflective paint finishes such as gloss enamel or epoxy paints.

*Exterior colors for new buildings and structures, including roofs, should be coordinated with the predominant colors of the surrounding landscape to minimize contrast between the structure and the natural environment. It is strongly encouraged that dark or earth-tone colors be used to make the home less conspicuous as seen from off site.

Approval from the ARB is required for any change to an existing color scheme on any structure (samples of the proposed colors are required at time of submittal).

4.13 Landscape

The existing native forest is one of the Bear Lake Reserve community's greatest assets. The landscape requirements are intended to capitalize on this asset by preserving and enhancing the native plant species while providing the Owner with flexibility in creating an individual landscape aesthetic. It is extremely important that elements of the landscape, the home, and any other structures upon the homesite harmoniously unite to form a single, attractive entity. When thoughtfully designed, a landscape plan becomes an extension of a well planned home. Careful selection of plants, according to type, size, location, growth pattern and climate tolerance, is best accomplished by an experienced landscape architect or horticulturalist. In keeping with the community philosophy of environmental conservation, the most desirable landscaping is the existing, undisturbed natural vegetation of the site. The ARB looks very favorably upon landscape plans that propose the least amount of disturbance to the existing plant material while adding indigenous plants to meet the screening requirements. The following are the landscape guidelines:

- (a) Only plants listed on the Approved Plant List may be planted on the property, see Exhibit D - Bear Lake Reserve Approved Plant List.
- (b) Plants listed on the Invasive Exotic Plant List must be immediately removed from the property, see Exhibit E - Bear Lake Reserve Invasive Exotic Vegetation List. The disturbed areas must be immediately stabilized with vegetation according to methods and plans approved by the ARB.
- (c) There may be no disturbance activity within the lake edge, stream and wetland setbacks (See SECTIONS 4.3 and 4.4 of these Architectural Guidelines) including disturbance to existing vegetation and topography, without prior written approval by the ARB. Proposals for minimal disturbance activity within these areas will be reviewed at the discretion of the ARB only for the following purposes: lake access, creation and maintenance of desirable views, and management of invasive exotic vegetation. **NOTWITHSTANDING, THE OWNER IS RESPONSIBLE FOR OBTAINING ALL APPLICABLE GOVERNMENTAL AND PRIVATE PERMITS AND APPROVALS FOR SUCH ACTIVITY.**
- (d) Lawn areas must be minimized and not be allowed within 50 feet of the lakeside property line and stream channels, ponds, creeks or other natural waterways (unless otherwise approved by the ARB). The ARB may require that designated lawn areas be sodded.

- (e) A landscape architect, ecologist, forester or other qualified professional must develop the fertilizer application program. The program must strive to minimize fertilizer inputs on the landscape. The ARB reserves the right to approve this plan and/or to adopt a fertilizer application program.
- (f) If lawns are fertilized, a phosphorous-free fertilizer program must be used.
- (g) Foundation walls, HVAC units and parking areas must be screened with landscaping, acceptable siding, fencing or other material approved by the ARB.
- (h) Where rock surface-lining or placement is required for stormwater infiltration or drainage elements, river rock or native fieldstone must be used.
- (i) The landscape plan must be designed with careful consideration of the existing plants and trees on a site. Existing trees and distinctive flora must be protected with temporary barriers and may not be intentionally destroyed, radically pruned or removed. See Section 4.4. of these Architectural Guidelines
- (j) The use of alternating groupings of plants with different characteristics is encouraged to provide variety and create a sense of visual rhythm. Tiered or layered planting schemes are also encouraged, as opposed to plant groupings that are all of the same level.
- (k) All landscaping must be installed as per the approved landscape plans prior to the Completion Deadline as stated in Exhibit A - Design Review Process. An extension may be granted to complete the landscape installation if weather or seasonal conditions justifiably hinder said completion.

4.14 Vegetation Management for Desirable Views

In creating views of the surrounding landscape, the goal of vegetation management must be “to see without being seen.” The forested landscape character and existing visual qualities of the homesite should be protected while providing the Owner with desirable views. These goals must be accomplished by removing the minimum amount of vegetation that provides desirable, filtered views from the house and property while maintaining a veil of vegetation that screens views of the house from Bear Creek Lake, other amenities and the surrounding landscape. The following are guidelines for view management.

- (a) No vegetation removal or pruning may occur without the review and approval by the ARB. The ARB may require an on-site review. Trees proposed for removal or pruning must be flagged prior to the on-site review. The Owner or their representative, the arborist or approved contractor performing the tree removal and pruning and the site designer must attend the on-site review meeting.
- (b) Clear-cutting will *not* be allowed.
- (c) View management techniques must primarily consist of under-brushing and pruning to thin the density of branches. Owners and builders must be extremely selective in removing entire trees. See Section 4.4 of these Architectural Guidelines for additional requirements.
- (d) No tree may be entirely removed that provides significant stability to a steep or erodible slope.

- (e) The use of existing vegetation to enhance views is encouraged. Existing vegetation can provide focal points in the fore and middle grounds while framing and filtering views to the landscape beyond.
- (f) *The thinning of limbs of individual trees is preferred over tree removal as a means to provide a view corridor. Dwellings or buildings that are proposed to be sited to maximize views from the lot or that require removal of vegetation to produce a view corridor is strongly discouraged.

4.15 Irrigation

Although the local climate usually provides ample moisture, there are times when an irrigation system is desirable to ensure healthy plant growth. In general, native plants are better equipped to thrive without supplemental water. When used, irrigation systems should be carefully designed to conserve water. The irrigation design must be pre-approved by a landscape architect or civil engineer prior to submittal to the ARB.

- (a) Irrigation systems must be designed and installed for efficient coverage, avoiding over-watering and over-spray on to surfaces not intended for irrigation.
- (b) Lawn and planting beds must be included on separate zones.
- (c) Automatic programmable controllers must be used.
- (d) Rain sensors must be included on each system to override automatic programs to prevent over-watering.
- (e) Drip irrigation is encouraged where appropriate.
- (f) Capture and re-use of rainwater for irrigation is encouraged.

4.16 Appurtenant Structures and Improvements

Appurtenant structures of any kind, including, but not limited to, storage sheds, play structures, tree-houses, portable basketball goals, etc. may be submitted for consideration and approval by the ARB. The submittal must include a plot plan showing the proposed location of the temporary structure and a picture, brochure or plans detailing the appearance and dimensions of the proposed structure and its color scheme.

4.17 Boat Docks

Bear Creek Lake and land immediately adjacent to Bear Creek Lake extending to the 2,570 feet elevation mark is owned and regulated by Duke Power. Use of the lake including the issuance of lake use permits, and the construction, maintenance and use of docks is regulated by the Duke Power Nantahala Area Shoreline Management Guidelines promulgated by Duke Power Company (the "Guidelines"). No dock shall be constructed within Bear Lake Reserve without the permission of the ARB and all applicable jurisdictional agencies, including without limitation Duke Power and Jackson County. Declarant has obtained a certain number of permits from Duke Power for the construction of docks on certain lots within Bear Lake Reserve ("Dock Lots").

Declarant shall, in accordance with the permits and the Guidelines, cause the construction of shared docks on Bear Lake to serve the Dock Lots, as defined in the Declaration. Owners of Dock Lots shall be

required to share a dock with one (1) or more other Dock Lot Owners in accordance with the Declaration. Owners shall not make any modifications to a shared dock without prior written approval from the ARB and Duke Power.

4.18 Lake Walls

The zone at which the water meets the dry land, the lake edge, is a dynamic band in the landscape that serves many ecological functions including providing habitat for a wide variety of plants and animals. Further, the lake edge is a highly visible landscape element that is important to the way Bear Creek Lake is experienced from the water. In order to preserve the ecological integrity and natural visual appeal of the lake edge, lake walls are highly discouraged. The Owner must obtain written approval from the ARB for the design and construction of lake walls. Generally, the design and construction of lake walls will be considered by the ARB for lake edge stabilization only as a last resort in situations with extreme circumstances. The Owner is required to provide documentation of the extreme conditions that require a wall as opposed to more natural methods of stabilization. In addition to approval from the ARB, the Owner is responsible for obtaining approval from Duke Power Lake Management, Jackson County and any other required jurisdictional governmental permits. Duke Power has adopted the Duke Power Nantahala Area Shoreline Management Guidelines with which any improvements and other activities within the shoreline must comply.

If the ARB determines that the conditions require a lake wall, the wall will be reviewed for both form and function. Lake walls must be structurally sound (designed by an engineer) and natural in appearance. Boulders or other natural stones utilized for wall facing is preferred, with a high priority placed on consistency with adjacent structures. Additionally, lake walls must be maintained in good condition and repair by the Owner of the homesite.

4.19 Fuel Tanks

Fuel tanks are PROHIBITED, with the exception of propane fuel tanks. In addition to other requirements that may be imposed by the ARB, reasonable and customary measures must be taken to contain discharges.

4.20 Septic Systems

Septic system design and construction must be approved by the ARB. Septic system design and construction must conform to the recorded plat and requirements of the Jackson County Health Department.

4.21 Mechanical Systems

HVAC units, pool equipment and other mechanical equipment must be installed in the least visible location adjacent to the home. Wherever located, these items must be screened from view with shrubs. The use of a lattice enclosure for screening is acceptable (lattice and frame must match color of home). However, the use of shrubs to soften the appearance is required.

4.22 Basketball Goals

Basketball goals may be considered for approval depending on their proposed location, visibility, and impact on neighboring homesites, amenities and other elements of the community, if they comply with the following requirements:

- (a) Basketball goals may not be visible from the road, Bear Creek Lake or neighboring properties or amenities.

- (b) Basketball backboards must be clear acrylic/glass or painted to match the background color where attached if mounted on a structure.
- (c) Only clear acrylic/glass basketball backboards will be allowed for free standing pole installations. Poles must be black or painted to blend with their surroundings.
- (d) Portable basketball goals may be considered for approval.
- (e) Lighting of basketball goals and courts is prohibited.

4.23 Mailboxes

Mailboxes must be constructed and installed per the standard Bear Lake Reserve residential mailbox specifications established by the ARB.

4.24 Exterior Lighting

Exterior lighting may be used to illuminate walks and driveways, accent specimen plants, or draw attention to architectural features. Lighting may also be used to enhance security. The most important design objectives for exterior lighting are to complement the appearance of the house and site and for light not to radiate off the homesite. The following guidelines apply to exterior lighting:

- (a) In general, exterior lighting should be soft and subdued. Spotlight and floodlight fixtures should be concealed from direct view, and no lights should be positioned to direct light toward Bear Creek Lake, adjacent properties, streets, or other elements of the community.
- (b) Pole-mounted security lights are prohibited, and no un-hooded floodlights may be used on or above second story eaves. Motion detectors are encouraged to avoid continuously operating security lights.
- (c) Light sources for exterior fixtures must be incandescent, metal halide, quartz, or natural gas lights. Mercury vapor, high-pressure sodium, neon, and florescent exterior lights are not allowed. Colored light bulbs or lenses are also prohibited.
- (d) Exterior lighting fixtures must be of high quality, and must be in keeping with the scale and style of the house. Either samples of or brochures depicting all exterior light fixtures must be presented to the ARB for approval prior to installation. Bright plated brass finishes and plastic fixtures are not permitted.
- (e) The Owner must obtain approval from the ARB for all lighting fixtures and locations (including, without limitation, landscape lights).
- (f) Lighting must be restricted to the immediate vicinity of the house and secondary structures and immediately adjacent to the driveway, provided that the ARB may adopt additional requirements with respect to lighting along shared driveways (including a prohibition of such lighting).
- (g) *Outside lighting should be muted and directed so that it does not spill over on to neighboring properties. Measures should be taken to reduce the amount of light emanating from the homesite located on a mountainside or hillside, since lighting from buildings located on mountainsides or hillsides can be highly visible at night and may affect the night character of the community. High-pressure sodium lights are prohibited.

4.25 Antennas

Antennas or Over-The-Air Reception Devices (OTARD) with a diameter of 1 meter (39.37 inches) or less, which include, but are not limited to, satellite dish antennas, may be installed without prior approval from the ARB provided the installation meets the following requirements:

- (a) The antenna must be installed in the least visible location as viewed from Bear Creek Lake, neighboring properties, amenities, roads or other elements of the community.
- (b) The color of the antenna must reasonably blend with the background color at the point of attachment or its surroundings depending on location.
- (c) Antennas are not allowed on docks.

If, in the opinion of the ARB, the antenna location or color is unacceptable, modification of the antenna will be required to conform to the above Architectural Guidelines. Satellite dish antennas in excess of 1 meter will be reviewed on a case-by-case basis but, if approved, will require complete screening from view from outside the homesite.

4.26 Pools and Spas

Pools and spas are often highly visible features in the landscape, and every possible effort should be taken to carefully blend each of these elements into the site. The following guidelines apply:

- (a) In-ground swimming pools and spas must be entirely located within 50 feet of the house in the rear or side yard. Above ground spas are also allowed in these areas, provided they are skirted with wood panels and not visible from Bear Creek Lake, adjacent properties, amenities, streets or other elements of the community. Above ground pools (portable or permanent) are not allowed.
- (b) If required by applicable codes, pools and spa areas must be enclosed by with fences or walls conforming to the standards set forth in these Architectural Guidelines.
- (c) Pool equipment, including pumps, filters, heaters, etc., must be screened from view according to the Architectural Guidelines set forth in the Mechanical Systems section.

4.27 Trash

The Owner must provide sanitary and animal-proof containers for garbage. All garbage receptacles, tools and equipment for use by the Owner or otherwise must be shielded from visibility from roads, Bear Creek Lake, neighboring properties, amenities and other elements of the community. No garbage, construction debris or other unsightly or offensive material may be placed upon any portion of Bear Lake Reserve.

*Hazardous waste facilities

Handling areas for the receiving and storage of hazardous waste or solid waste disposal facilities are prohibited within any homesite.

4.28 Fences and Walls

Fences and walls can serve a number of roles on a residential property, providing privacy and helping to define outdoor spaces. These Architectural Guidelines are intended to require the use of high quality

durable walls and fences, as well as to promote an appearance for these elements that is compatible with the architectural style of adjacent houses.

- (a) Fences may be constructed of wood or steel/iron in a picket, post and rail, lattice or vertical board pattern. Chain link, aluminum or plastic fencing is not preferred, but will be reviewed on a case-by-case basis and may be approved if determined by the ARB not to be visible from neighboring homesites, amenities and other elements of the community. The slats used to construct lattice-style fencing must be at least 3/8" thick and must be in a vertical-horizontal pattern.
- (b) Masonry walls built of stone or stucco should be designed as an extension of the architectural style of the home. These walls must include columns, copings and base treatments as necessary to avoid a monotonous appearance.
- (c) No fence or wall may exceed 6 feet in height at any point (4 feet maximum in front yards). All proposed fence and wall designs, materials and colors must be submitted for approval by the ARB.

ARTICLE 5
DISCLAIMER

As more particularly described in the Covenants, no implied warranties of good workmanship, design, habitability, quality, structural integrity, fitness for purpose, or merchantability arise as a result of any plans or specifications approved by or on behalf of the ARB, the Association or Declarant or by the imposition of other requirements by or in accordance with the Architectural Guidelines or the Covenants. Neither the ARB, Declarant nor the Association undertakes any responsibility to an Owner to inspect or monitor the performance of any work. Any such inspections and monitoring are performed for the sole benefit of the inspecting entity.

Neither the ARB, nor the Association, nor the Declarant, nor any managing agent will be liable to a Owner or to any other person on account of any claim, liability damage or expense suffered or incurred by or threatened against a Owner or such other person arising out of or in any way relating to the subject matter of any review, acceptances, inspections, permissions, consents, or required approvals which must be obtained from the ARB whether given, granted, or denied or by the imposition of any requirements established by or in accordance with these Architectural Guidelines or the Covenants. The ARB reserves the right to grant variances from the requirements set forth in these Architectural Guidelines.

Exhibit A

DESIGN REVIEW PROCESS

NEW HOME CONSTRUCTION/STRUCTURAL IMPROVEMENTS

The Design Review Process for new home construction and/or other structural improvements to the homesite is described in detail in Article 4 of the Covenants. It includes, among other requirements, a Preliminary Plan Review, a Final Plan Review, and specified on-site Reviews (to verify that the actual improvements are in conformance with the approved Final Plans). The ARB will conduct the Final Review when the Owner notifies the ARB that the improvements are completed, including any proposed and required landscaping. When the ARB determines that the construction has been completed in accordance with the approved Final Plans, the Final Review will be signed-off with written notification of completion being sent to the Owner. When sign-off on the Final Review has occurred, the Design Review Process is complete for the specified project. If the project is found to be incomplete or is not in compliance with the approved plans, the Association will take whatever action it deems necessary, including, without limitation, requiring the modification and/or removal of work and or the imposition of fines, to ensure completion and/or compliance of the project. Owners are *strongly* encouraged to work with a designer who is knowledgeable and experienced in mountain home design and construction.

Issuance of Approval

As more particularly describe in Section 4.3(b) of the Covenants, the ARB has a maximum of 45 days from the date a complete submission package relating to a new home construction or installation of a structural improvement is received to render a decision. Owners will be notified in writing of the ARB's decision. If a complete submittal is received but a decision is not rendered within the 45-day time limit, the Owner must send a written notice and if the ARB does not render a decision within 7 business days after receipt of the notice, such request will be deemed approved, provided that such approval will not be deemed to permit any violation of these Architectural Guidelines or the Covenants. Owners should review Section 4.3 of the Covenants for a complete description of the process.

If any installation of any kind begins prior to approval in writing by the ARB, the Owner is in violation of the Architectural Guidelines and the Covenants and may be required to return the homesite to the condition prior to the work and/or be assessed fines.

Field Changes

Changes of any kind to the approved Final Plan Review documents are *not* allowed without prior written approval from the ARB. The ARB realizes that circumstances arise from time to time during construction that require a change to the originally approved plans. If such a circumstance arises, the ARB will expedite the request as quickly as practicable. If changes are made without prior written approval by the ARB, the Owner may be assessed a fine and could be required to modify or remove the construction to comply with the originally approved plans, at the expense of the Owner.

Completion Deadline

All construction must be completed and a Final Review conducted and signed-off by the ARB within 24 months from the commencement of construction, unless the approved Final Plan Review Form specifies a longer or shorter period for completion. The ARB may consider a request, in writing, by the Owner for an extension to complete the construction project if deemed necessary. Failure to complete the construction project within the completion deadline timeframe, including

any extensions granted by the Association, constitutes a violation of these Architectural Guidelines and the Covenants. The Association will then pursue whatever action it deems necessary to ensure the completion of the project in a timely manner. All legal fees and costs reasonably incurred by the Association for such action will be assessed to the Owner.

If no work commences within 6 months of the date of the Final Plan Review approval letter, the approval status will be automatically rescinded and the plans considered disapproved. If the Owner wishes to pursue the project after the approval has been rescinded, a new Application along with 2 sets of plans must be submitted for review.

If construction does not begin within 12 months after removal of any vegetation, especially if grading has taken place, the Owner will be required to return the Property to its original condition as much as possible.

HOME IMPROVEMENT REQUESTS PROCESS

The Home Improvement Request process is required for Owners proposing temporary structures and non-structural improvements after completion of the initial construction of the home on the homesite. Examples include, but are not limited to, storage sheds, playhouses, name plaques, decorative/seasonal flags (unless expressly permitted in the Covenants), exterior lighting, exterior paint/stain color changes, window or door installations or changes, fountains, basketball goals, walkways, etc. In order to help expedite the Home Improvement Request process, Owners simply need to provide the following:

- (a) A Home Improvement Request Form request, signed by the Owner of the homesite, describing the proposed improvement to their homesite, the proposed location of the improvement, and a picture or brochure showing the improvement. See Exhibit F – Bear Lake Reserve Architectural Review Application Package.
- (b) **A \$50.00 review fee.** See Exhibit B – Bear Lake Reserve ARB Review and Impact Fees.

In the case of a paint/stain color change request, paint samples must be submitted and identified as to their proposed location (i.e., trim, wood siding, plaster/stucco, front door, shutters, etc.).

Issuance of Approval

The ARB has a maximum of 30 days from the date a request relating to a home improvement is received, along with all required pictures and/or attachments and the applicable Review and Impact Fees (see Exhibit B – Bear Lake Reserve ARB Review and Impact Fees), to render a decision. If a complete submittal is received but a decision is not rendered within the 30-day time limit, the Owner must send a written notice and if the ARB does not render a decision within 7 business days after receipt of the notice, such request will be deemed approved, provided that such approval will not be deemed to permit any violation of these Architectural Guidelines or the Covenants. Owners will be notified in writing of the ARB's decision. Once approved, Owners must complete the proposed improvement within 90 days from the date of the approval letter from the Association, unless a shorter or longer completion date is specified in the notice. The Association may consider an extension request, in writing, by the Owner for an additional 90 days if deemed necessary. If the installation has not begun within 90 days from the date of the approval letter and no extension request has been received or if an extension has been granted and no work has begun within the maximum 180 day period allotted, the approval becomes void and the Owner must re-submit a new Home Improvement Application prior to starting any work. The Association will review the completed improvement for conformance with the approved request, pictures and/or attachments.

If any installation of any kind begins prior to approval in writing by the ARB, the Owner is in violation of these Architectural Guidelines and the Covenants and may be required to return the homesite to the condition prior to the work and/or be assessed fines.

APPEAL PROCESS

In the event of any dispute regarding an ARB decision, the Owner has 14 days from the date of the written notice from the ARB to request a hearing. In accordance with Section 3.22 of the By-Laws, either the Board or the Covenants Committee (if established) will preside over the hearing to hear evidence and discuss the dispute. The Board or the Covenants Committee will render a decision on the appeal, in writing, within 10 days of the hearing. All decisions will be final.

VARIANCES

The ARB, or the Board acting through the Covenants Committee, will have the right and privilege to permit any Owner (without consent of other Owners) to deviate from any of these Architectural Guidelines and the requirements set forth herein, provided that such a deviation is necessary or appropriate, in the opinion of the ARB or the Board of Directors, as applicable, in order to carry out the general purposes of the Covenants and/or these Architectural Guidelines and/or to deal with the particular characteristics of a homesite. Any such permission of the ARB or the Board of Directors, as applicable, must be in writing and will not constitute a waiver of the ARB or Association's powers of enforcement with respect to any of the architectural controls as to any other of the covered Properties. Each Variance Request after Final Plan Review approval is granted will require a fee of \$250.

ENFORCEMENT/FINES

Failure to adhere to these Architectural Guidelines during any portion of the Design Review Process and construction project, or at any other time, could result in action being taken by the Association which may include fines and/or other legal action as described in Section 3.22 of the By-Laws and Section 7.5 of the Covenants. Fines will constitute a lien upon the Property and, if not paid in the timeframe specified, the Association will take whatever action it deems necessary to bring the homesite into compliance and to recover all costs involved in taking such action.

Exhibit B
ARB REVIEW AND IMPACT FEES

ARB Review and Impact Fees

The following fees are required to be paid at the time the Owner submits the Preliminary Plan Review Application for construction of a new home (unless indicated otherwise below), an addition to an existing home or any other structural improvements:

- (a) **A REVIEW FEE** of:
 - (i) **\$500** for structures and structural improvements up to 500 square feet (includes retaining walls, etc.)
 - (ii) **\$750** for structures and structural improvements in excess of 500 square feet, up to 1,000 square feet
 - (iii) **\$1,500** for structures and structural improvements in excess of 1,000 square feet

- (b) **A RESUBMITTAL FEE** of \$100 for any revisions to previously submitted materials

NOTE: Refer to the Design Review Process (Exhibit A) for the *Home Improvement Request Fee* for temporary structures and non-structural improvements.

- (c) **ROAD IMPACT FEE** of **\$2,000**. The road impact fee covers extra wear and tear on the road system that occurs during the construction process. It does not cover actual damage, accidental or otherwise, to the roads, road shoulders, drainage systems, vegetation or other Bear Lake Reserve improvements or property.
- (d) **ROAD DAMAGE DEPOSIT OF \$3,000** to be refunded after sign-off on the Final Review, less any assessed road damage. The deposit will be held without interest to the Owner and may be commingled with other funds of the Association. Any interest accrued will be for the benefit of the Association. Road damage will be assessed at the discretion of the ARB.
- (e) **SITE MODIFICATION FEE OF \$400**.
- (f) **WATER TAP FEE OF \$3,500 (at issuance of building permit)**. This fee is payable to Declarant.
- (g) **OWNER COMPLIANCE DEPOSIT** in the amount specified below. The deposit will be held without interest to the Owner and may be commingled with other funds of the Association. Any interest accrued will be for the benefit of the Association. The compliance deposits are to assure that any work is completed in accordance with the approved plans and specifications, including landscaping, that the job site is maintained in accordance with these Architectural Guidelines, and that any community improvements or property damaged in connection with the performance of the work is repaired. The deposit will be returned to the Owner upon satisfactory completion of all work.
 - (i) **New home construction: \$5,000.**

(ii) **Additions and modifications:**

Significant addition or modification, for example, an added room, garage or swimming pool - **\$2,000.**

Minor addition or modification as determined by the ARB - **\$1,000.**

(h) **VARIANCE FEE - \$250** per requested Variance.

Exhibit C
SCHEDULE OF FINES

The following is a schedule of fines that may be filed against a homesite for failure to comply with these Architectural Guidelines. Fines are subject to change at the discretion of the ARB and are in addition to the other rights and remedies of the Association. Additional fines and remedies will be imposed for continuing violations.

No Dumpster	\$200.00
Burning	\$500.00
Littered Site	\$500.00
No or Inadequate Erosion Control*	\$400.00
Grading outside of approved plan or slopes steeper than approved plan	\$400.00
No temporary sanitation (Portolettes)	\$200.00
Parking in Right-of-Way	\$200.00
Parking on adjacent Property	\$200.00
Storage in Common Area or Right-of-Way	\$200.00
Damage to Common Area or Right-of-Way	Subject to Assessment of Damage and deposit deduction
Damage to undisturbed area vegetation	\$200.00
Unauthorized removal or destruction of trees 5" or larger in diameter	\$500.00
Unauthorized plan change (Minor)	\$1,000.00
Unauthorized plan change (Major)	Revocation of ARB Construction Authorization and forfeiture of remaining deposit funds
Unauthorized finishes	Revocation of ARB Construction Authorization and forfeiture of remaining deposit funds

* The ARB reserves the right to direct the installation of Erosion Control measures at the Owner's expense if such measures are not properly installed and maintained.

IT SHOULD BE NOTED THAT FINES LEVIED AGAINST A HOMESITE ARE SECURED BY A LIEN AGAINST THE HOMESITE WHICH MAY BE FORECLOSED. SEE SECTION 3.22 OF THE BY-LAWS FOR FURTHER INFORMATION REGARDING THE IMPOSITION OF FINES.

Exhibit D
APPROVED PLANT LIST

LARGE TREES

Acer rubrum	Red Maple
Acer saccharum	Sugar Maple
Betula lenta	Black Birch
Betula lutea	Yellow Birch
Betula nigra	River Birch
Cercidiphyllum japonicum	Katsuratree
Cladrastis kentukea (lutea)	American Yellowwood
Fraxinus alba	White Ash
Fraxinus pennsylvanica	Green Ash
Liriodendron tulipifera	Tulip Poplar
Liquidambar styraciflua	American Sweetgum
Nyssa sylvatica	Black Gum
Quercus montana	Chestnut Oak
Quercus alba	White Oak
Quercus bicolor	Swamp White Oak
Quercus falcata	So. Red Oak
Quercus phellos	Willow Oak
Quercus rubra	No. Red Oak

SMALL / FLOWERING TREES

Aesculus flava	Yellow Buckeye
Amelanchier x grandiflora 'Autumn Brilliance'	Serviceberry
Amelanchier arborea	Arborea Serviceberry
Carpinus caroliniana	Ironwood
Celtis occidentalis	Hackberry
Cercis canadensis	Eastern Redbud
Chionanthus virginicus	Fringetree
Cornus canadensis 'Rutgers Hybrid'	Rutgers Hybrid Flowering Dogwood
Cornus kousa	Kousa Dogwood
Halesia caroliniana	Carolina Silverbell
Magnolia virginiana	Sweetbay Magnolia
Ostrya virginiana	Hornbeam
Sassafras albidum	Sassafras
Stewartia pseudocamillia	Japanese Stewardia
Styrax japonicus	Japanese Styrax

EVERGREEN TREES

Ilex x 'Dr. Kassab'	Dr. Kassab Holly
Ilex x attenuata 'Fosteri'	Foster Holly
Ilex x 'Nellie R. Stevens'	Nellie Stevens Holly
Ilex opaca 'Greenleaf'	Greenleaf American Holly
Picea abies	Norway Spruce
Pinus strobus	Eastern White Pine
	(limit use due to pest issues)
Tsuga canadensis	Canadian Hemlock
	(limit use due to pest issues)

EVERGREEN SHRUBS

Abelia x grandiflora "Sherwood"	Glossy Abelia	
Buxus sempervirens	Common Boxwood	
Ilex glabra	Inkberry Holly	
Kalmia latifolia	Mountain Laurel	
Leucothoe fontanesiana	Doghobble	
Pieris japonica	Japanese Pieris	
Prunus laurocerasus 'Otto Luyken' 'Schipkaensis'	Cherrylaurel	
	Rhododendron catawbiense	
Catawba Rhododendron	Rhododendron maximum	
Rosebay Rhododendron	Taxus x media 'Densiformis'	Yew
Taxus x media 'Hicksii'	Hicks Yew	
Viburnum x pragense	Praque Viburnum	

DECIDUOUS SHRUBS

Aesculus parviflora	Bottlebrush Buckeye
Aronia arbutifolia	Chokecherry
Buddleia davidii	Butterfly-bush
Clethra alnifolia 'Hummingbird'	Summersweet Clethra
Fothergilla gardenii	Dwarf Fothergilla
Hydrangea paniculata 'Unique'	Panicle Hydrangea
Hypericum prolificum	Shrubby St. Johnswort
Hydrangea quercifolia	Oakleaf Hydranga
Itea virginica 'Henry's Garnet'	Virginia Sweetspire
Rhododendron vaseyi	Pinkshell Azalea
Rhus copallina	Winged Sumac
Rhus typhina	Staghorn Sumac
Spirea alba	Meadowsweet
Spirea tomentosa	Steeplebush
Syringa meyeri	Meyer Lilac
Viburnum dentatum	Arrowwood Viburnum
Viburnum triloba	Cranberrybush Viburnum
Viburnum acerifolium	Mapleleaf Viburnum
Viburnum prunifolium	Blackhaw Viburnum
Viburnum lentago	Nannyberry Viburnum

EVERGREEN GROUNDCOVERS

Galax Phylla
Hypericum 'Hidcote'
Pachysandra terminalis
Pachysandra procumbens
Asarum canadense

Galax
Hidcote St. John's-wort
Japanese Pachysandra
Allegheny Spurge
Wild Ginger

DECIDUOUS GROUND COVER

Deutzia gracilis 'Nikko'
Hypericum calycinum
Tiarella cordifolia*

Slender Deutzia
Aaronsbeard St. Johnswort
Foamflower

VINES

Bignonia capreolata
Campsis radicans
Clematis x jackmanii
Hydrangea anomala subsp. petiolaris
Lonicera sempervirens
Rosa

Crossvine
Trumpet Vine
Clematis
Climbing Hydrangea
Trumpet Honeysuckle
Climbing Rose

FERNS

Adiantum pedatum
Athyrium filix - Femina
Athyrium niponicum 'Pictum'
Dennstaedtia punctiloba
Dryopteris manginialis*
Matteucia struthiopteris
Osmunda cinnamomea
Polystichum acrostichoides
Thelypteris novboracensis

Northern Maidenhair Fern
Lady Fern
Japanese Painted Fern
Hay Scented Fern
Leatherwood Fern
Ostrich Fern
Cinnamon Fern
Christmas Fern
New York Fern

GRASSES & SEDGES

Calamagrotis acutiflora stricta
Pennisetum alopecuroides
Panicum virgatum
Schyzachyrium scoparium
Sorghastrum nutans
Chasmantheum latifolium

Feather Reed Grass
Fountain Grass
Switchgrass
Little Bluestem
Indiangrass
River Oats

PERENNIALS

Astilbe x arendsii 'Finale'	Astilbe
Astilbe simplicifolia 'Sprite'	Astilbe
Baptisia australis	Blue Wild Indigo
Ceratostigama plumbaginoides	Plumbago
Chrysanthemum x superbum 'Alaska'	Shasta Daisy
Coreopsis grandiflora 'Sunray'	Tickseed
Coreopsis verticillata 'Moonbeam'	Threadleaf Coreopsis
Coreopsis verticillata 'Zagreb'	Threadlead Coreopsis
Crocsmia x lucifer	Crocsmia
Dianthus gratianopolitanus 'Baths Pink'	Cheddar Pink
Echinacea purpurea 'Bright Star'	Purple Coneflower
Eupatorium purpureum 'Atropupureum'	Joe-pye Weed
Gaillardia x grandiflora	Blanket flower
Galium odoratum	Sweet Woodruff
Geranium sanguineum	Bloody Cranesbill
Helleborus orientalis	Lenten Rose
Hemerocallis liliaceae	Daylily
Heuchera americana	Huechera
Hosta sieboldiana	Siebold Hosta
Hosta 'Francee'	Francee Hosta
Iris cristata	Crested Iris
Iris virginica	Blue Flag
Iris sibirica 'Caesar's Brother' 'White Swirl'	Siberian Iris
Penstemon digitalis 'Husker's Red'	Beard Tongue
Phlox maculata 'Omega' 'Alpha'	Wild Sweet William
Phlox paniculata	Garden Phlox
Phlox subulata	Moss Phlox
Polygonatum biflorum	Solomon's Seal
Polygonatum odoratum 'Variegatum'	Fragrant Solomon's Seal
Rudeckia fulgida 'Goldsturm'	Blackeyed Susan
Rudbeckia triloba	Three-lobed Coneflower
Salvia pratensis 'Indigo Spire's'	Meadow Sage
Sedum x 'Autumn Joy'	Autumn Joy Sedum
Smilacina racemosa	False Solomon's Seal
Solidago x Fireworks	Fireworks Goldenrod
Solidago x Golden Fleece	Golden Fleece Goldenrod
Stachys byzantia	Lamb's Ear
Verbena bonariensis	Verbena
Verbena canadensis 'Homestead Purple'	Speedwell Verbena

Exhibit E

INVASIVE EXOTIC VEGETATION LIST

TREES

Mimosa	Albizia julibrissin
Princess Tree	Paulownia tomentosa
Tree-of-Heaven	Ailanthus altissima
Norway Maple	Acer platanoides

SHRUBS

Privet	Ligustrum sp.
Japanese Barberry	Berberis japonica
Japanese Spirea	Spirea japonica
Japanese Knotweed	Polygonum cuspidatum
Bush Honeysuckle	Lonicera sp.
Russian Olive	Eleagnus angustifolia
Autumn Olive	Eleagnus umbellata
Burning Bush	Euonymus alatus
Multiflora Rose	Rosa multiflora
Heavenly Bamboo	Nandina sp.

VINES

Oriental Bittersweet	Celastrus orbiculata
Japanese Wisteria	Wisteria floribunda
Chinese Wisteria	Wisteria sinensis
Japanese Honeysuckle	Lonicera japonica
Kudzu	Pueraria Montana
Climbing Euonymus	Euonymus fortunei
English Ivy	Hedera helix
Periwinkle	Vinca minor
Porcelainberry	Ampelopsis brevipedunculata
Akebia	Akebia quinata
Mile-a-Minute	Polygonum perfoliatum

GRASSES, ANNUALS, PERENNIALS

Maidenhair Grass	Miscanthus sinensis
Japanese Stiltgrass	Microstegium sp.
Garlic Mustard	Alliaria petiolata
Waterhyme	Hydrilla verticillata
Lespedeza	Lespedeza sp.
Crownvetch	Coronilla varia
Purple Loosestrife	Lythrum sp.
Reed Canarygrass	Phalaris arundinacea
Bamboo	Chusquea sp.
Millet	Setaria sp.
Mugwort	Artemisia vulgaris
Spotted Knapweed	Centaurea biebersteinii

Exhibit F

CONSTRUCTION AND CONTRACTOR RULES

These Construction And Contractor Rules will apply to all contractors, their employees, sub-contractors and all service personnel engaged to perform work on residential homesites while the foregoing are within the Bear Lake Reserve community. Although it is the Association's desire that each worker take responsibility for their own behavior and adherence to these rules, it is ultimately the responsibility of the Owner. Failure of any person or entity performing work or providing services to or for any Owner to adhere to any of the following rules could result in fines being assessed to the Owner and/or other action taken by the Association in order to ensure compliance. It is, therefore, *strongly* recommended that Owners make their architect, designer, contractors, sub-contractors, service personnel, etc., aware of these rules by giving them a copy.

Construction Hours

Construction will be allowed from 8:00 a.m. to 6:00 p.m. Monday through Saturday. *No* construction will be allowed on Sundays or the following holidays: New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day.

Speed Limit

The speed limit within Bear Lake Reserve must be obeyed at all times. Unless otherwise posted, the speeds may not exceed 25 miles per hour.

Discarding of Trash

All personnel working within Bear Lake Reserve are to properly discard and secure their trash. Lunch bags, drink cans or bottles, wrappers and other trash are not to be thrown from any vehicle nor be left unsecured so they could possibly blow out of a vehicle.

Project Access

The ARB reserves the right to designate a specific point and route of access to the homesite and to adopt policies and procedures for identifying contractors and service providers permitted to provide services within Bear Lake Reserve (including, without limitation, the imposition of additional fees and the issuance of identification passes). In addition, to minimize damage to the edge of roadway pavement, the Owner/Contractor must install an approved size culvert. Such culvert must be covered by compacted crushed stone, which must be flush with the pavement and extend at least to the Property line. This culvert and stonework must be completed prior to the commencement of any clearing or construction on the homesite and must be maintained during the entire construction period. In the event that a culvert is not required, the Owner may be required to lay the crushed stone as stated above. All vehicular crossing over the grass swales is prohibited. All access to a homesite must be over the approved driveway. The Association has the right to suspend access to the community by any Contractor, Contractor's employees, sub-contractors, or service personnel who violate these Construction and Contractor Rules.

Temporary Construction Signs

Every residential construction job site should have 1 sign identifying the Owner (optional), Designer and Builder. No other construction signs will be allowed on the premises, except as required by applicable legal requirements. The jobsite sign must be clearly visible from the road along the front lot line. Specifications for the sign are as follows:

- (a) The size of the sign must not exceed 2 square feet.
- (b) The background color of the sign must be beige (white or off-white is not allowed).

- (c) The color of the sign lettering may be black, brown or dark green.
- (d) The sign must be installed on a 4 inch square post. The color of the post must be natural wood or an earth or forest tone.
- (e) The sign must be installed on the post so that the bottom of the sign may not be lower than 4 feet measured from grade nor may the top of the sign be higher than 7 feet measured from grade. The wood post must extend 2 inches above the sign.

House Site Boundary Fence

A boundary fence must be established around the perimeter of each structure when forms for the foundation are constructed and must not be removed until construction is completed. The offset distance from the perimeter of the structure should not be greater than 25 feet. Except for septic systems, driveways, walkways, and other landscaping features, no construction equipment should be allowed outside of the house-site boundary.

Portable Toilet

During construction, there must be a portable toilet on the homesite. Portable toilets must be located within the Home Site Boundary Fence and be screened from view as much as practicable. Portable toilets must be regularly serviced and not allowed to create a nuisance due to neglect or any other reason.

Tree, Shrub, Plant Removal

No removal of any trees, shrubs or any other type of plants may take place, except what is required to for the County Health Department survey and proposed septic system location inspection, until the Owner has received Final Construction Plan Review approval in writing from the ARB.

Construction Trash/Debris

Throughout the construction project, all trash, debris, construction materials, and waste must be picked up, contained and kept neat *daily*. Dumpsters are to be emptied as soon as they reach their capacity. All trash, debris, construction materials, and waste and dumpster are to be maintained within the Home Site Boundary Fence and be screened from view as much as practicable.

Burning/Burying Trash

Burning or burying of trash, debris or any other material is not allowed.

Radios, Tape and CD Players

Radios, tape and CD players and other similar equipment must not be played loudly so as to create a nuisance.

Cleaning Vehicles/Equipment

Cleaning of vehicles/equipment on the streets or other areas within the community is prohibited. Concrete delivery trucks must be washed out on the construction site where the delivery is made. Contractors/company employees violating this ordinance will be held responsible for the complete removal and clean-up of spills and/or debris.

Construction Vehicles/Trailers/Equipment

Construction vehicles, trailers and/or equipment may be left on-site while needed, but may not be allowed to be left on any street. All such vehicles and equipment are to be maintained within the Home Site Boundary Fence and be screened from view as much as practicable.

Temporary Utilities

Contractors must use only the utilities provided to them on the immediate building site that they are working.

Utility Damage

If any telephone, cable TV, electrical, water, gas, drainage or any other lines are cut or damaged, it is the Contractor's responsibility to immediately contact the utility company whose lines have been cut, to notify the Association and to arrange and pay for the repair thereof.

Miscellaneous Damage

Any damage to streets, curbs, drainage, inlets, streetlights, street markers, mailboxes, walls, the golf course, lakes, streams, etc., will be the responsibility of the Contractor. If the damage is not repaired within 30 days of the incident, or sooner such shorter period deemed necessary by the Association, the Association will repair the damage and the Owner of the homesite the Contractor is working on will be assessed for all costs incurred.

Firearms

Firearms are not allowed within the Bear Lake Reserve Community except for law enforcement personnel. Hunting is not allowed within Bear Lake Reserve at any time.

Pets

No pets of Contractors, sub-contractors, employees, etc., will be allowed on the job site.

EXHIBIT G

BEAR LAKE RESERVE[®]

ARCHITECTURAL REVIEW
APPLICATION PACKAGE

HOMESITES



BEAR LAKE
RESERVE[®]

Table of Contents

Preliminary Plan Review -----
- Preliminary Plan Review Form
- Color Board
- Application Checklist
Final Plan Review
- Final Plan Review Form
- Color Board
- Construction Authorization Application
- Construction Agreement
- Certificate of Compliance
- Application Checklist
Construction Authorization
Final Review Sign-Off Letter (Approval)
Review Letter (Deficiencies)
Home Improvement Request Form

Preliminary Plan Review

The Owner of a homesite must comply with the following process:

1. Review the Bear Lake Reserve® Architectural Guidelines.
2. Contact licensed surveyor to prepare lot boundary, setback, tree and topographical survey.
3. Determine preliminary home design. Meet with architect or designer to establish proposed location of home and driveway on the homesite.
4. Develop conceptual floor plans and elevations (sketch stage).
5. Submit a survey of the proposed location of the house and septic system to local permit authority for inspection and approval.
6. Stake the lot indicating the location of the house, septic field, driveway, trees to be removed and setback lines (by surveyor).
7. Submit two copies of the preliminary submittal package to the Bear Lake Reserve Architectural Review Board (“ARB”). The Preliminary Plan submittal package must be accompanied by the completed Preliminary Plan Review Form and Application Checklist (attached hereto) and must include the following:

Site Plan Submittals: 2 copies of the following:

- Scale of 1” = 20’ 0”.
- Property lines with dimensions and bearings.
- Tree survey showing all existing mature trees (greater than 5” in diameter measured 6” from ground elevation at the base of the tree) in the limits of the Limits of Disturbance (as per Section 4.4 of Architectural Guidelines).
- Dwelling to be indicated as exterior wall with entry area and stairs delineated and deck line shown and noted.
- Building distance accurately located from property lines.
- Location, dimension and material for sidewalk, driveways fences, walls, mechanical systems, pools and spas (and other significant site improvements).
- Existing contours (2’0” contour interval minimum).
- Proposed contours (2’0” contour interval minimum) or sufficient spot grades to indicate the finish site grades.
- Finished Floor Elevations (FFE) noted.
- Proposed finished spot grades at each corner of house and proposed drainage patterns showing how surface drainage is to be handled. This must include any erosion control devices to be used (i.e. silt fence, check dams, etc). Storm water runoff must be routed in a manner that is consistent with the natural drainage patterns which existed prior to construction.
- Setback limits shown.
- Limits of Disturbance and Homesite Boundary Fence (as per Exhibit F of Architectural Guidelines). No grading, traffic, construction, or storage of materials will be permitted beyond these limits.
- Exterior lighting location and type.
- Septic tank and drain field location per the approval issued by the governing agency.
- Construction dumpster and toilet location.

Architectural Plan Submittals: 2 copies of the following:

- Floor plans at minimum scale of ¼” = 1’0”
 - a. Room use labeled.
 - b. All walls shown.
 - c. All windows shown.
 - d. All fixtures, cabinets, and appliances shown as required to depict window locations viewed from exterior.
 - e. Plans fully dimensioned.
- Elevations at a minimum scale ¼” = 1’0” for all exterior elevations (all elevations show detail).

- (a) Show how building relates to finished grade levels.
 - (b) Indicate and depict the proposed building materials on all elevations.
 - (c) Indicate overall height from finished floor elevation to highest ridge of roof.
 - Roof plans at a minimum scale of 1/8" = 1'0"
 - Sections and details from footing to roof 1/4" = 1'0"
 - a. Typical wall section from footing to roof.
 - b. Typical handrail detail.
 - c. Typical column detail.
 - d. Typical fence or screening detail.
 - Schedules (if not indicated on plans).
 - a. Exterior windows and doors.
 - b. Exterior electrical plans only with catalog cuts of exterior fixtures.
 - Samples
 - a. Complete the ARB color board (attached hereto) for exterior siding, trim, windows, doors, garage doors and shutter colors, and foundation material and color.
 - b. Submit manufacture's sample chips or brochures of actual appearance and colors of proposed exterior materials and fixtures (including, without limitation, lighting fixtures).
 - c. Submit an authentic sample of roofing material.
8. Submit a check or checks for the applicable Review and Impact Fees specified on Exhibit B of the Architectural Guidelines. All checks should be made payable to "Bear Lake Reserve Owners Association, Inc."
 - (a) Review Fee
 - (b) Road Impact Fee
 - (c) Road Damage Deposit
 - (d) Site Modification Fee
 - (e) Owner Compliance Deposit
 9. Reserve a time and date for a preliminary meeting with an ARB representative (details available from the ARB). Submittals must be received by the ARB no less than ten (10) calendar days prior to meeting date.
 10. Schedule site inspection with Owner (or Owner's designated representative), and ARB prior to Final Review.

Note: Any incomplete submittal will not be accepted for further action.

**BEAR LAKE RESERVE®
ARCHITECTURAL REVIEW BOARD**

PRELIMINARY PLAN REVIEW FORM

Lot _____ Phase _____

Owner _____

Address _____

Telephone _____ Fax _____ E-Mail _____

Architect _____

Address _____

Telephone _____ Fax _____ E-Mail _____

Contractor _____ Job Foreman _____

Address _____

Telephone _____ Fax _____ E-Mail _____

Job Foreman Telephone _____ Fax _____ E-Mail _____

Check List

- _____ Preliminary stake out
- _____ Site/Topo/Tree Survey
- _____ Schematic Floor Plans
- _____ Schematic Elevations

Square Footage

	Required Min.	Actual
Under HVAC	_____	_____
Other	_____	_____
Total	_____	_____

EXTERIOR MATERIAL DESCRIPTIONS

Foundation _____ Color/Mfg./Name/Number _____

Walls/Siding _____ Color/Mfg./Name/Number _____

Windows, Doors, Trim and Shutters _____ Color/Mfg./Name/Number
Clad [] Wood []

Exterior Fixtures (i.e. lighting fixtures) _____ Color/Mfg./Name/Number _____

Roofing _____ Color/Mfg./Name/Number _____

Garage Doors _____ Color/Mfg./Name/Number _____

Paved Areas (Driveways and Walkways)\ _____ Color/Mfg./Name/Number _____

ARB Action **Approved** _____ **Disapproved** _____

BEAR LAKE RESERVE®
PRELIMINARY PLAN REVIEW
COLOR BOARD

Owner: _____

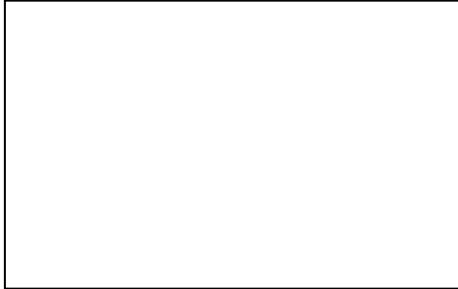
Lot Number: _____ Phase: _____

Contractor: _____

ATTACH ADDITIONAL SHEETS AS NECESSARY



Paint Color



Paint Accent Color

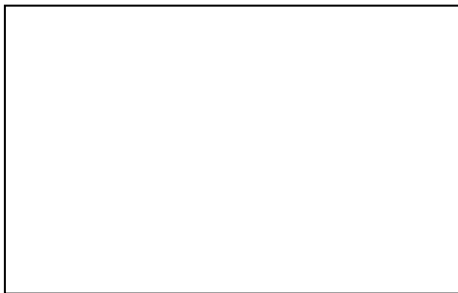
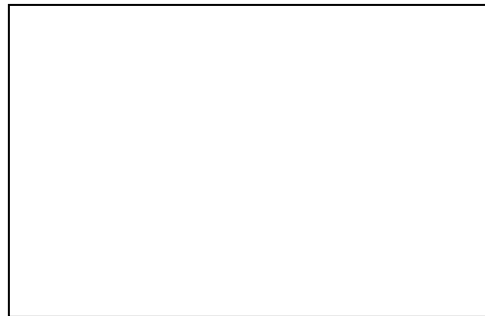


Photo of Color Copy of Description of Stone



Paint Trim Color



Roofing Material Sample



Windows, Doors, Trim and Shutters

Material Manufacturer, Mix and Color _____

PRELIMINARY PLAN REVIEW APPLICATION CHECKLIST

OWNER: _____
LOT: _____ PHASE: _____
BUILDER: _____

- Site Plan:** Scale 1" = 20'
 - Erosion Control Plan**
 - Tree Survey** (existing trees more than 5" diameter shown)
- Architectural Plans**
 - Floor Plans:** Scale ¼" = 1'
 - Elevations:** Scale: ¼" = 1'
 - Roof Plan:** Scale 1/8" = 1'
 - Sections:** Scale ¼" = 1'
 - Schedules:** (if not indicated on plans)
 - Exterior windows and doors
 - Exterior Electrical Plans
- Samples**
 - Siding material**
 - Roofing material**
 - ARB Color Board** (form enclosed)
- Review Fee** (See Exhibit B of Architectural Guidelines for amount)
- Road Impact Fee** (See Exhibit B of Architectural Guidelines for amount)
- Road Damage Deposit** (See Exhibit B of Architectural Guidelines for amount)
- Site Modification Fee** (See Exhibit B of Architectural Guidelines for amount)
- Owner Compliance Deposit** (See Exhibit B of Architectural Guidelines for amount)
- Preliminary Plan Review Form** (form enclosed)

Note: Any incomplete submittal will not be accepted for further action.

Final Plan Review

The Owner of a homesite must comply with the following process:

1. Incorporate any changes or modifications specified during the Preliminary Plan Review and submit the final review package including the following documents to the ARB:
 - Final Review Form.
 - Final construction documents and site plans (2 copies). Must comply with same specifications and other requirements for preliminary plans.
 - Color Board - Exterior colors and roofing material on submittal form
 - Soil Certification for Septic System (issued by the County Sanitarian)
 - Signed Construction Authorization Application.
 - Signed Construction Agreement.
 - Signed Certificate of Compliance for Stormwater Management.
 - Check for Water Tap Fee (See Exhibit B of Architectural Guidelines for amount). Payable to “Centex Destination Properties”.
 - Application Checklist.
2. Reserve a time and date for a final meeting with an ARB representative (details available from the ARB). Submittals must be received by the ARB no less than ten (10) calendar days prior to meeting date.
3. Contract with state licensed builder (if not already done).
4. Secure county building permit.
5. Secure Construction Authorization from the ARB.
6. Install requirements for job site: Dumpster, silt fence, other erosion control measures, builder’s sign, and temporary sanitary facilities and Homesite Boundary Fence. Call ARB when complete.
7. Commence construction.
8. If any portion of the foundation is located within 15 feet of any setback line, an “as-built” survey must be completed (and submitted to the ARB) by a licensed surveyor to verify building foundation location and building setbacks. Only the foundation needs to be surveyed at this time.
9. A landscape/irrigation plan must be submitted to the ARB for approval no later than six (6) months after commencement of construction. Landscaping must be complete no later than six (6) months after completion of home. Release of amounts remaining in Compliance Deposit is conditional upon completion of approved landscaping.

Landscape/Irrigation Plan Submittals: 2 copies of the following:

- 1” = 20’ scale.
 - Locations and number of proposed plant materials.
 - Type and limit of grassed area.
 - Plant list with botanical or common name, quantity, size, and special planting specifications.
10. Inform ARB of project completion for issuance of the Final Review Sign-Off Letter and refund (if any) of Compliance Deposit. Prior to issuance of Final Review Sign-Off Letter, an on-site inspection will be preformed by the ARB to assure conformance of previously approved plans and specifications.

Note: Any incomplete submittal will not be accepted for further action.

**BEAR LAKE RESERVE®
ARCHITECTURAL REVIEW BOARD**

FINAL PLAN REVIEW FORM

Lot _____ Phase _____

Owner _____

Address _____

Telephone _____ Fax _____ E-Mail _____

Architect _____

Address _____

Telephone _____ Fax _____ E-Mail _____

Contractor _____ Job Foreman _____

Address _____

Telephone _____ Fax _____ E-Mail _____

Job Foreman Telephone _____ Fax _____ E-Mail _____

Check List

- _____ Final stake out
- _____ Site Topo/Tree Survey
- _____ Schematic Floor Plans
- _____ Schematic Elevations

Square Footage

	Required Min.	Actual
HVAC	_____	_____
Other	_____	_____
Total	_____	_____

EXTERIOR MATERIAL DESCRIPTIONS

Foundation _____ Color/Mfg./Name/Number _____

Walls/Siding _____ Color/Mfg./Name/Number _____

Windows, Doors, Trim and Shutters _____
Color/Mfg./Name/Number _____
Clad [] Wood []

Exterior Fixtures (i.e. lighting fixtures) _____ Color/Mfg./Name/Number _____

Roofing _____ Color/Mfg./Name/Number _____

Garage Doors _____ Color/Mfg./Name/Number _____

Paved Areas (Driveways and Walkways)\
Color/Mfg./Name/Number _____

ARB Action **Approved** _____ **Disapproved** _____

BEAR LAKE RESERVE®

FINAL PLAN REVIEW

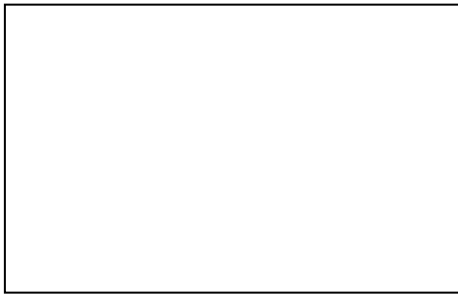
COLOR BOARD

Owner: _____

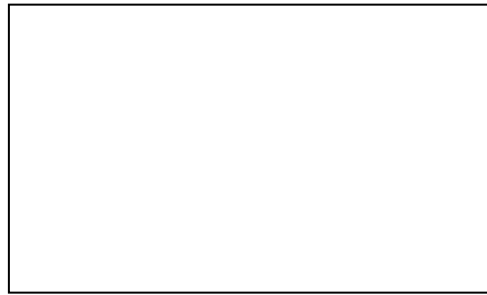
Lot Number: _____ Phase: _____

Contractor: _____

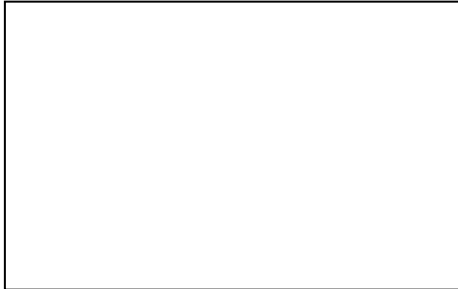
ATTACH ADDITIONAL SHEETS AS NECESSARY



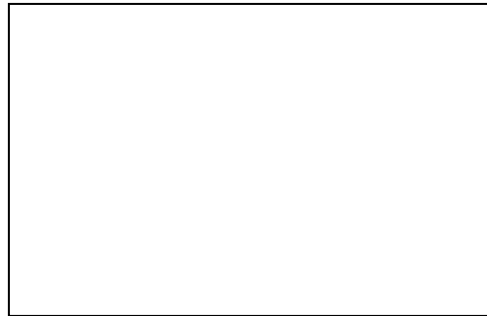
Paint Color



Paint Trim Color



Paint Accent Color



Roofing Material Sample

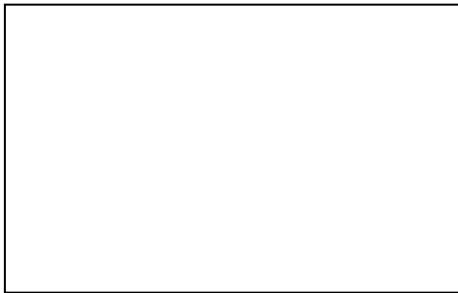


Photo or Color Copy or Description of Stone
Material Manufacturer, Mix and Color



Windows, Doors, Trim and Shutters

Material Manufacturer, Mix and Color

BEAR LAKE RESERVE®
CONSTRUCTION AUTHORIZATION
APPLICATION

Owner's Name: _____		Date: _____	
Mailing Address: _____			
(No PO Box, please.)			

Phone: _____			
Home	Office	Mobile	Fax
Lot Number: _____		Phase: _____	

1. Site Plan

A. Set backs

	Line Setbacks	Building Setbacks
Back Side	_____	_____
Right Side	_____	_____
Left Side	_____	_____
Street Side	_____	_____

B. Attach a copy of your final site plan.

Site Plan Approved _____ Date _____

2. Septic System

A. Attach a copy of your Jackson County Soil Certification for Septic System. Be sure to show location of septic tank and drain lines on site plan.

B. Septic System Contractor _____

Septic System Approved _____ Date _____

3. Clearing

A. Specify number, size and species of any trees to be removed that measure 5 inches in diameter at a level of 6 inches above existing grade and are not located in the building site or driveway. All trees to be removed should also be clearly marked on the site plan.

1.2 Species	Size	Quantity

B. Clearing Contractor _____

Clearing Approved _____ Date _____

Any additional trees to be removed after construction must be pre-approved by the ARB.

4. House

(a) A. Submit a complete set of plans (see application requirements and checklist)

(b) B. Square Footages –

Enclosed Living Space –

Main Level	Sq. Ft.
Upper Level	Sq. Ft.
Other	Sq. Ft.
Total	Sq. Ft.

1.3 Under Roof -

Covered Porches	Sq. Ft.
Garage & Breezeway	Sq. Ft.
Other	Sq. Ft.
Total	Sq. Ft.

(a) C. Exterior Siding-

Material	Manufacturer	Color	LRV
Material	Manufacturer	Color	LRV
Material	Manufacturer	Color	LRV
Material	Manufacturer	Color	LRV
Material	Manufacturer	Color	LRV

(b) D. Exterior Trim and Accents –

Material	Manufacturer	Color	LRV
Material	Manufacturer	Color	LRV
Window-	Manufacturer	Color	LRV
Front Door Material		Color	LRV
Shutter Material		Color	LRV
Gutter Material		Color	LRV
Porch Columns Material		Color	LRV
Porch Railings Material		Color	LRV

(c) E. Mortar –

<u>Material</u>	<u>Manufacturer</u>	<u>Color</u>
-----------------	---------------------	--------------

(d) **F. Foundation –**

<u>Material</u>	<u>Manufacturer</u>	<u>Color</u>
_____	_____	_____
<u>Material</u>	<u>Manufacturer</u>	<u>Color</u>
<u>Material</u>	<u>Manufacturer</u>	<u>Color</u>

(e) **G. Roof Composition –**

<u>Material</u>	<u>Manufacturer</u>	<u>Color</u>
_____	_____	_____
<u>Material</u>	<u>Manufacturer</u>	<u>Color</u>
<u>Material</u>	<u>Manufacturer</u>	<u>Color</u>

(f) **H. Driveway Material -**

<u>Material</u>	<u>Manufacturer</u>	<u>Color</u>
_____	_____	_____
<u>Material</u>	<u>Manufacturer</u>	<u>Color</u>

5. Color Board

Complete attached ARB Color Board including all exterior finishes

6. General Contractor

Name _____ Company _____

Address _____

Office Phone _____ Mobile _____

Fax Number _____ Email _____

Job Superintendent _____ Mobile _____

Projected Construction Start Date- _____

Projected Completion Date- _____

House Approved _____ Date _____

The ARB makes no warranties of good workmanship, design, habitability, quality, structural integrity, fitness for purpose, merchantability or compliance with building codes and other governmental requirements as a result of the issuance of its approval.

ALL EXTERIOR MATERIALS AND COLOR CHANGES MUST BE PRE-APPROVED BY ARB.

CONSTRUCTION AGREEMENT

Bear Lake Reserve® Architectural Review Board

1.4 CONTRACTOR INFORMATION

NAME _____

ADDRESS _____

PHONE _____ LICENSE# _____

JOB SUPERINTENDENT _____

PHONE # _____

1.5 PROJECT INFORMATION

OWNER _____

LOT NO. _____ PHASE _____

PROJECT DESCRIPTION.

Have you built any homes at Bear Lake Reserve prior to this application? YES NO

1.6 AGREEMENT

Owner and Contractor acknowledge and agree as follows:

1. Owner and Contractor have read and agree to the provisions of the Bear Lake Reserve Architectural Guidelines.
2. The Project will be completed as described by the drawings and specifications approved by the Architectural Review Board ("ARB"). Any changes from the originally submitted plans and specifications affecting the exterior of the home or the site (including, without limitation, any change from approved outside colors and /or outside lighting) must be approved by the ARB in writing.
3. Construction shall conform to the latest requirements of the North Carolina Building Code, North Carolina Plumbing Code, the National Electric Code and pertinent local codes. Contractor and/or subcontractor are responsible for ensuring that all work meets such requirements and for obtaining all permits and approvals.
4. Contractor shall comply with all applicable laws and legal requirements.
5. Construction must be completed within 24 months of commencement unless a variance is granted by the ARB. Failure to complete within the specified time frame may result in forfeiture of the Compliance Deposit.
6. The construction of any dock, stairs, walkways and other improvements across the Duke Power between the Owner's homesite and Bear Creek Lake must be approved in writing by the ARB and Duke Power. Only pre-approved docks, walkways or any other improvements shall be allowed in setback areas.
7. Prior to tree removal, clearing, grading or beginning construction, compliance with setback lines and conformance with the grading plan and the pre-approved tree removal plan must be certified to the ARB by a

- registered land surveyor, at Owner's expense. Owner, at Owner's expense, prior to any clearing or grading, shall install silt fences and implement other erosion control measures.
8. The Project site will be maintained in a clean manner, an approved job sign will be installed, a commercial dumpster and a job toilet shall be placed on the site, all in conformance with Architectural Guidelines. Other than the Contractor sign (as described in the Architectural Guidelines) and such other signs as specifically approved by the ARB, shall be prohibited on the homesite or any portion of the Community unless placed in such a manner as to not be visible from the street, Bear Lake, any amenities or other portion of the Community, except as expressly required by law or as provided in the Declaration of Covenants, Conditions, and Restrictions for Bear Lake Reserve®.
 9. Stumps, wood and other materials shall not be dumped on adjacent homesites or other portions of the community. Contractor shall clean-up surrounding homesites and other affected portions of the community for trash weekly during construction. No burning is permitted.
 10. Mud, dirt and other materials on the roadways shall be minimized at all times.
 11. Contractor is responsible for the conduct of all workers performing services on the Project. All workers and vehicles are subject to search to help prevent theft of materials and equipment.
 12. Contractor shall be responsible to ensure site security and site safety.
 13. Construction vehicles shall not block roadways or mailboxes. Neighboring driveways may not be used for parking or turn-around. No construction worker vehicles, supplier vehicles, or building materials are permitted in the right-of-way without special permission of the ARB. Both traffic lanes are to be open at all times. If the ARB approves the parking of vehicles on the shoulder of the road, Contractor is responsible for placing "MEN WORKING" signs on the road so that drivers traveling in either direction on the road are adequately warned. The signs are to be provided by Contractor. No dogs or other pets shall be brought to the site. The speed limit is 25 miles per hour and may be strictly enforced.
 14. Failure to comply with the terms and provisions of the Architectural Guidelines may result in the exercise of various remedies by the Bear Lake Reserve Owners Association, Inc. (the "Association"), including, without limitation, the imposition of fines, the issuance of a stop work order and/or revocation of the Contractor's (and its subcontractors) privilege of traveling on the roadways within Bear Lake Reserve. Any fines imposed will be deducted from the Compliance Deposit, but such fines are not limited to the Compliance Deposit amount.
 15. Owner shall reimburse the Association or ARB (as applicable) for any restorative, corrective, enforcement or maintenance efforts expended on behalf of Contractor or Owner. Any such amounts will be deducted from the Compliance Deposit, but such amounts are not limited to the Compliance Deposit amount.
 16. Neither the ARB, Centex Destination Properties nor the Association undertakes any responsibility to inspect or monitor the performance of the Project. Any such inspections and monitoring are performed for the sole benefit of the inspecting entity. Neither the ARB, Centex Homes nor the Association makes any warranties of good workmanship, design, habitability, quality, structural integrity, fitness for purpose, merchantability or compliance with building codes and other governmental requirements as to the Project. Owner and Contractor retain responsibility for all such matters.
 17. The provisions of this Agreement are in addition to, and not in limitation of, those contained in the Architectural Guidelines and the Declaration of Covenants, Conditions, and Restrictions for Bear Lake Reserve®.

CONTRACTOR

DATE

OWNER

DATE

**CERTIFICATE OF COMPLIANCE WITH
PROVISIONS OF THE COUNTY
STORMWATER MANAGEMENT & SEDIMENT CONTROL PLAN**

I, _____, hereby certify that:

- (i) I am licensed in accordance with all applicable legal requirements;
- (ii) I am familiar with the provisions of the approved stormwater management and sediment/erosion control plan for Bear Lake Reserve® (the “Master Plan”);
- (iii) I will comply with all of the provisions outlined in the Master Plan when engaging in any land-disturbing activities or building construction on the Site (defined below);
- (iv) I will create a stormwater management and sediment/erosion control plan (the “Site Specific Plan”) for work to be performed on Lot Number(s) _____, Phase _____ (the “Site”);
- (v) I will have the Site Specific Plan approved by the Bear Lake Reserve Architectural Review Board and by all applicable governmental authorities; and
- (vi) I will comply with all of the provisions outlined in the Site Specific Plan when engaging in any land-disturbing activities or building construction on the Site.

I acknowledge that the ARB makes no warranties of good workmanship, design, fitness for purpose, or compliance with building codes and other governmental requirements as a result of the issuance of its approval of the Site Specific Plan.

Signed: _____

Title: _____

Date: _____

License #: _____

(Refer to Jackson County Regulations)

APPLICATION CHECKLIST

OWNER: _____
LOT: _____ PHASE: _____
BUILDER: _____

- Final Construction Documents and Site Plans (2 copies).**
- Site Plan:** Scale 1" = 20'
 - Erosion Control Plan**
 - Tree Survey** (existing trees more than 5" diameter shown)
- Architectural Plans**
 - Floor Plans:** Scale ¼" = 1'
 - Elevations:** Scale: ¼" = 1'
 - Roof Plan:** Scale 1/8" = 1'
 - Sections:** Scale ¼" = 1'
 - Schedules:** (if not indicated on plans)
 - Exterior windows and doors
 - Exterior Electrical Plans
- Samples**
 - Siding material**
 - Roofing material**
 - ARB Color Board** (form enclosed)
- Landscape/Irrigation Plan:** Scale 1" = 20'0" (can be submitted up to 6 months after commencement of construction of new home)
- Soil Certification for Septic System (issued by the County Sanitarian)**
- Construction Authorization Application** (form enclosed)
- Construction Agreement** (form enclosed)
- Certificate of Erosion Control Compliance** (form enclosed)
- Check for Water Tap Fee** (if not previously submitted -See Exhibit B of Architectural Guidelines for amount))
- Authorization for Construction Certificate** (ARB will issue upon completion of final site walk.)
- Final Plan Review Form** (form enclosed)

BEAR LAKE RESERVE®
ARCHITECTURAL REVIEW BOARD
CONSTRUCTION AUTHORIZATION

The Construction site on Lot_____, Phase_____, at Bear Lake Reserve, has been inspected and found to be in compliance with the following requirements at this time:

Sign_____

Job Toilet_____

Erosion and Silt Control Measures_____

Dumpster_____

Homesite Boundary Fence _____

Construction is approved to commence any time after:_____

Issuance of this Construction Authorization only indicates compliance with the Architectural Guidelines as they apply to the commencement of construction and is not intended to indicate compliance with any other legal requirements. Owner must ensure compliance with all applicable legal requirements.

ARB Coordinator

Date

BEAR LAKE RESERVE®

ARCHITECTURAL REVIEW BOARD

FINAL REVIEW LETTER

To: Owner
From: Architectural Review Board
Date:
Subject: Lot _____, Phase _____
Project - _____

The above-mentioned Project has been inspected and found to be in compliance with all Bear Lake Reserve Architectural Guideline requirements relating to the construction and/or installation thereof. The Compliance Deposit will be refunded, less any fines and other charges appropriately deducted therefrom.

Refund to be in the amount of: _____

The fines and charges applied were as follows:

- (1) _____ Date _____ Amount _____
- (2) _____ Date _____ Amount _____
- (3) _____ Date _____ Amount _____
- (4) _____ Date _____ Amount _____

Issuance of this Final Review Letter only indicates compliance with the Architectural Guidelines. Neither the ARB, Centex Destination Properties nor the Bear Lake Reserve Owners Association, Inc. makes any warranties of good workmanship, design, habitability, quality, structural integrity, fitness for purpose, merchantability or compliance with building codes and other governmental requirements as to the Project. Owner and Contractor retain responsibility for all such matters.

ARB Coordinator

Date

BEAR LAKE RESERVE®
ARCHITECTURAL REVIEW BOARD

REVIEW LETTER
DEFICIENCIES

To: Owner
From: Architectural Review Board
Date:
Subject: Lot _____, Phase _____
Project - _____

The above-mentioned Project has been inspected and found not to be in compliance with all Bear Lake Reserve Architectural Guideline requirements as follows:

- (1) _____
- (2) _____
- (3) _____
- (4) _____

The Project must be brought into compliance immediately. The ARB, Centex Destination Properties and the Bear Lake Reserve Owners Association, Inc. (the "Association") reserve the right to exercise the remedies provided in the Declaration of Covenants, Conditions, and Restrictions for Bear Lake Reserve, the Architectural Guidelines and the Construction Agreement. Neither the ARB, Centex Destination Properties nor the Association undertakes any responsibility to inspect or monitor the performance of the Project. Any such inspections and monitoring are performed for the sole benefit of the inspecting entity.

ARB Coordinator

Date

**BEAR LAKE RESERVE®
ARCHITECTURAL REVIEW BOARD**

HOME IMPROVEMENT REQUEST FORM

Lot _____ Phase _____

Owner _____

Address _____

Telephone _____ Fax _____ E-Mail _____

DESCRIPTION OF PROPOSED IMPROVEMENT (Attach Additional Sheets if Necessary)

DEPICTION OF PROPOSED LOCATION (Attach Additional Sheets if Necessary)

PICTURE/BROCHURE OF PROPOSED IMPROVEMENT

[Include with Form]

ARB Action **Approved** _____ **Disapproved** _____

BEAR LAKE RESERVE OWNERS ASSOCIATION, INC.

P.O. Box 218 • 412 Lakeforest Dr. • Tuckasegee, NC 28783

Explanation of Services (2021)

Master Association/POA (Bear Lake Reserve Owners Association) - Mountain Lodges at Bear Lake Reserve Condominium Association - Saddlenotch Villas Service Area - Bear Lake Cottages Service Area

As a member of the Bear Lake Reserve Owners Association (“BLROA”), you may belong to several sub-associations and service area groups depending on the type of property that you own. For more detail on the costs associated with ownership at Bear Lake Reserve, including Association assessments and club dues information, please review the information contained in the **2021 Fee Schedule** document (PDF). For an explanation of services provided as part of your membership at Bear Lake Reserve, please see below.

- **All Bear Lake Reserve property owners** pay the 2021 master association assessment of **\$732 / month** or **\$8,784 annually**. Included in this amount are the **\$395 / month club dues**, collected on behalf of the Bear Lake Reserve Club, LLC by BLROA. Your Membership allows access to all Club-operated amenities at Bear Lake Reserve, including the Lake Club, Golf Club and Course access, and Tennis Facilities, as well as Association amenities such as the Mill Pond Pavilion, the Overlook, Hiking Trails, the Golden Farm Amphitheater, and Bear Creek Park.
- The remaining **\$337 / month** for the 2021 master association assessment is divided as follows:
 - **\$229.61** Operating Assessment, which contributes to all general maintenance throughout the community and Association-owned amenities, including but not limited to the following:
 - Landscaping maintenance, including roadsides and common areas.
 - Maintenance and repair of road infrastructure.
 - Operating expenses for community utilities and other recurring expenses.
 - Repair, replacement, and regular maintenance of all Association assets, amenities and common areas.
 - Security and gate management services, including contribution to Greeter’s Cottage staffing and maintenance/utilities.
 - Maintenance, repair, and testing of water/sewer systems and infrastructure.
 - **\$107.39** LRF contribution to BLROA Reserve accounts, for capital improvements and major projects; this is intended to preclude the need for special assessments in the event of a catastrophic issue relating to community areas and infrastructure.

BEAR LAKE RESERVE OWNERS ASSOCIATION, INC.

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- **Cottage Owners** pay the 2021 master association assessment of \$732 / month in addition to a **Cottage Service Area assessment of \$144 / month or \$1,728 annually**. Services provided to members of the Cottage Service Area include:
 - o Landscaping Maintenance, including trimming, weed removal, pruning, limb removal, and other basic landscaping maintenance services.
 - o Septic System Maintenance, including repair of pumps and septic fields, septic tank pumping, testing, and inspection services as necessary.

- **Mountain Lodge Condominium Owners** pay the 2021 master association assessment of \$732 / month in addition to a **Condo Association assessment of \$289 / month or \$3,468 annually**. Services provided to owners of Mountain Lodges include:
 - o Landscaping Maintenance, including trimming, weed removal, pruning, limb removal, and other basic landscaping maintenance services.
 - o Pest control service (exterior only) for all buildings.
 - o Building Maintenance, including maintenance and necessary repairs to siding, roofing, gutters, walkways, parking, and other common elements and areas.
 - o Master insurance policy included for all Mountain Lodge condominium buildings; individual unit owners are responsible for HO6 (contents) insurance. Additional details on coverage and policy are available from management (see below).

- **Saddlenotch Villa Owners** pay the 2021 master association assessment of \$732 / month in addition to a **Villas Service Area assessment of \$268 / month or \$3,216 annually**. Services provided to owners of Saddlenotch Villas include:
 - o Landscaping Maintenance, including trimming, weed removal, pruning, limb removal, and other basic landscaping maintenance services.
 - o Limited Building Maintenance, including minor repairs to siding, roofing, gutters, walkways, parking, and other common elements and areas within the service area. Expenses or damages resulting from individual units are owner responsibility.
 - o Saddlenotch Villa owners are responsible for obtaining HO3 coverage for their individual unit. No master building policy is held by the Association service area.

BEAR LAKE RESERVE OWNERS ASSOCIATION, INC.

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Sanitation, Sewer, and Water Billing Information

Utility service for water, trash pick-up, and sewer (if applicable) is provided by the Association. These charges are reflected on your main billing statement sent by FirstService Residential each month.

- Water usage is currently billed at a flat rate of **\$18.00** per month.
- Sanitation (trash pick-up) services are billed at a rate of **\$32.40** per month for cottages, custom homes, and Saddlenotch Villas, and **\$20.25** per month for Mountain Lodge condominiums. Pick-up days are Mondays and Thursdays from Memorial Day to Labor Day (as well as during certain holiday weeks, including Thanksgiving and Christmas) and Mondays only during the shoulder season.
- If utilizing sewer at your home or condo, this is billed at a flat rate of **\$24.30** per month.

For additional information related to the POA assessments, Bear Lake POA Water, or other questions related to the property, please contact BLROA Management:

Mike Whitmer, Community Association Manager

Bear Lake Reserve Owners Association, Inc.

Mountain Lodges at Bear Lake Reserve Condominium Association, Inc.

412 Lake Forest Drive, Tuckasegee, NC 28783 (physical)

PO Box 218, Tuckasegee, NC 28783 (mailing),

828-293-3455 ex. 205 (office) / 828-507-3446 (mobile)

mike@bearlakereserve.com

BEAR LAKE RESERVE OWNERS ASSOCIATION, INC.

P.O. Box 218 • 412 Lakeforest Dr. • Tuckasegee, NC 28783

BEAR LAKE RESERVE OWNERS ASSOCIATION, INC.

P.O. Box 218 • 412 Lakeforest Dr. • Tuckasegee, NC 28783

2021 Bear Lake Reserve Fee Schedule

Dues are assessed monthly by the Bear Lake Reserve Owners Association (“BLROA”) and are payable on the 1st of each month.¹ Payments received after the 15th of each month will be subject to late penalties. Following is the 2021 schedule of dues for the respective Bear Lake Reserve product; please see *2021 Explanation of Services (PDF)* for information on what is included with membership.

- **Custom Homes and Home Sites:**

Master HOA Dues	\$337 / month (\$4,044 / annual)
Bear Lake Club	\$395 / month (\$4,740 / annual)
Total ²	\$732 / month (\$8,784 / annual)

- **Bear Lake Cottages:**

Master HOA Dues	\$337 / month (\$4,044 / annual)
Bear Lake Club	\$395 / month (\$4,740 / annual)
Bear Lake Cottages Service Area	\$144 / month (\$1,728 / annual)
Total	\$876 / month (\$10,512 / annual)

- **Mountain Lodges (Condominiums):**

Master HOA Dues	\$337 / month (\$4,044 / annual)
Bear Lake Club	\$395 / month (\$4,740 / annual)
Mountain Lodges Association	\$289 / month (\$3,468 / annual)
Total	\$1,021 / month (\$12,252 / annual)

- **Saddlenotch Villas:**

Master HOA Dues	\$337 / month (\$4,044 / annual)
Bear Lake Club	\$395 / month (\$4,740 / annual)
Saddlenotch Villas Service Area	\$268 / month (\$3,216 / annual)
Total	\$1,000 / month (\$12,000 / annual)

- **Water’s Edge Cottages:**

Master HOA Dues	\$337 / month (\$4,044 / annual)
Bear Lake Club	\$395 / month (\$4,740 / annual)
Total	\$732 / month (\$8,784 / annual)

In addition to the above dues, the following fees will be assessed at closing:

- **\$15,000 Club Initiation Fee** (payable to The Bear Lake Club, LLC)³
- **Transfer Fee of 0.25%** of the final sale price (payable to Bear Lake Reserve Owners Association, Inc.)
- **\$50 Account Setup Fee** (payable to FirstService Residential)

¹ Club dues and initiation fees are collected on behalf of the Bear Lake Club, LLC by BLROA.

² All Bear Lake Reserve Owners are assessed the \$732/month base dues irrespective of the type of property owned.

³ Current Bear Lake Reserve property owners will be assessed a reduced initiation fee of \$5,000 for each additional property purchased.

BEAR LAKE RESERVE OWNERS ASSOCIATION, INC.

P.O. Box 218 • 412 Lakeforest Dr. • Tuckasegee, NC 28783

The Club Initiation Fee, Transfer Fee and Account Setup Fee together with the closing documents should be sent to the below address; please see additional contact information for any questions:

FirstService Residential

C/O Ceretta Gordon, Resale Coordinator

5970 Fairview Rd. | Suite 710 | Charlotte, NC 28210

Direct 704.805.1786 | Toll Free 855.5.4MYHOA | Fax 704.527.1304

Email ceretta.gordon@fsresidential.com

Information on Utilities: Please note that utilities serviced on behalf of BLROA – including water, trash, and sewer (if applicable) – are assessed as part of the regular dues on the monthly statement. See the 2021 Explanation of Services document [PDF] for further details.

All Certificates of Assessment and Condominium Questionnaires should be requested via Homewise Docs (www.HomeWiseDocs.com). **Please note that any charges associated with the Homewise service are not directly payable to or assessed by BLROA. These amounts may vary from transaction to transaction; to ensure a complete understanding of these costs, please confirm any additional charges outside of those detailed above with the closing attorney prior to the settlement date. You may also contact FirstService Residential as noted above with questions.**

In order to create the new owner's account, all settlement documents must first be received and processed by FirstService Residential, a third-party billing and account support company providing service on behalf of BLROA, at the above-listed address. To expedite the account setup process, you may also coordinate directly with the Community Manager for Bear Lake Reserve at closing:

Mike Whitmer

Community Association Manager

Bear Lake Reserve Owners Association, Inc.

Mountain Lodges at Bear Lake Reserve Condominium Association, Inc.

PO Box 218 (mailing address)

412 Lake Forest Drive (physical address)

Tuckasegee, NC 28783

office 828.293.3455 ext. 205

mobile 828.507.3446

mike@bearlakereserve.com

¹ Club dues and initiation fees are collected on behalf of the Bear Lake Club, LLC by BLROA.

² All Bear Lake Reserve Owners are assessed the \$732/month base dues irrespective of the type of property owned.

³ Current Bear Lake Reserve property owners will be assessed a reduced initiation fee of \$5,000 for each additional property purchased.