

Chestnut Cove Condominium Association

Information & Services

CHESTNUT COVE CONDOMINIUM ASSOCIATION, INC. INFORMATION AND SERVICES

The Chestnut Cove Community is a group of twelve buildings consisting of four separate buildings with three-bedroom units and eight separate buildings with two-bedroom units located adjacent to the Swim and Tennis Center and between the 11th and 13th fairways of Highlands Falls Country Club's Golf Course. The project was begun in early 1987 and completed in 1990 and is used primarily as a second homes. The buildings are of frame construction with asphalt shingle roofs and paved parking in front of each unit.

All owners must belong to the Highlands Falls Community Association (HFCA), which maintains the roads, water systems, and provides security services. Some owners are members of the Highlands Falls Country Club (HFCC). Property taxes for each unit are assessed and billed directly to owners by Macon County.

Electrical

The Chestnut Cove Condominium Association maintains the entranceway lighting at the stone planter near the Swim and Tennis Complex. The CCCA also maintains the overhead photocell lighting at the entranceway to the units and the crawl space lighting. The lights are checked bi-weekly however if you should find your lights out, please contact the Managing Agent.

The electric panel in all the upstairs condominiums has a breaker that controls the overhead photocell lighting at the entrance to the building. Also, a breaker in the electric panel in the downstairs condominium controls the lighting in the crawl spaces underneath the building. For your safety and the safety of your neighbor, please leave these breakers "on."

Insurance

The Chestnut Cove Condominium Association provides commercial insurance coverage for the buildings. It is the owner's responsibility to provide insurance coverage of the contents and upgrade to the unit. Wayah Insurance of Highlands services the insurance for the buildings. The CCCA also has commercial general liability coverage as well as Directors and Officers coverage. In the event of a claim, please contact Jay Finley and your Insurance Agent.

The CCCA maintains a Fidelity Bond on the Executive Board and Managing Agent through Turner Insurance and Bonding.

Keys

Condominium owners are asked to make arrangements for someone locally to have a key to their unit and inform the Managing Agent of CCCA, whom to contact in order to gain access to your unit in the event of an emergency during your absence. The Highlands Falls gatehouse does not keep a key for homeowners on a regular basis.

Landscaping

The CCCA contracts yearly with a landscaping company to provide landscaping in the common areas. In the spring, shrubs and trees are pruned and sticks, limbs, leaves, and debris are removed. Perennials are trimmed in the fall and divided. A fresh coat of pine straw is placed throughout the common areas. Weed control as well as mowing and weed eating is provided periodically from May through October. Plants and shrubs are fertilized when appropriate. In the fall and winter seasons the leaves are blown off the roads and walkways. The CCCA plants annuals and perennials in the stone planters that are located throughout the project. Owners are welcome to plant their own annuals, etc. provided that you have received approval from the CCCA Landscaping Committee. The landscaping crew concentrates on trimming trees and shrubs that are affecting the maintenance of the buildings and parking rails as well as dead or dying vegetation. The landscapers are working under a contract with the CCCA. Additional duties that are not outlined in their contract must have prior approval of the Landscaping Committee and the Executive Board. Owners must use only the Chestnut Cove Condominium Association's contracted landscaping company for work done on CCCA property. Services rendered at the request of the owner may or may not be at the owner's expense.

Mail

Cluster mailboxes are located in front of building #4. The CCCA does not have extra keys for these and is not responsible for maintaining keys. It is the owner's responsibility to turn over the mailbox key at the time of closing. If you lose your key it is the owner's responsibility to replace the missing key or replace the lock.

In order to ensure prompt and accurate delivery of your mail new owners, guests, and lessees must complete the necessary paperwork at the Highlands post office.

Managing Agent

Jay Finley is contracted year-round as Managing Agent of Chestnut Cove Condominium Association, Inc. She works as an independent contractor at the direction of the Executive Board and is not an employee of the CCCA. For emergencies when Executive Board member cannot be reached, please contact Jay Finley. Please address your concerns and suggestions in writing to the Chestnut Cove Condominium Association, Inc., Post Office Box 2131, Highlands, NC 28741 in order to receive prompt attention.

Pest Control

Pisgah Pest Control, from Cashiers, NC provides quarterly exterior pest control for insects and rodents. Interior service is partially covered by the CCCA's contract on an as needed basis. Owners are to contact the managing agent to arrange when there is an appearance of live pests inside the unit. Owners are responsible for making arrangements with Pisgah Pest Control or another reputable pest control service if regular scheduled interior service is desired and will be at the owner's expense.

Roads

All of the roads within the confines of the Chestnut Cove Condominium project are owned and maintained by the Chestnut Cove Condominium Association, Inc.

Roofs and Gutters

The roofs were replaced with an architectural asphalt shingle in 2005. The gutters are cleaned annually and the cost is provided for in the annual fee.

Water System

The CCCA is responsible for all water lines from the curb stop to the building. The repair of all outside valves, the PVC pipes located in the crawl space as well as the valves located in the crawl spaces are the CCCA's responsibility to maintain and repair. Pressure reducing valve replacement is the owner's responsibility.

Winter Watch for Building Exteriors

To ensure that minimal property damage occurs during the winter months the CCCA provides for a weekly inspection to be done from late Fall through Spring around the outside perimeter of each building as well as periodic inspection of the crawl spaces. The property manager will notify you if there are any problems. Owners wishing to have a home-watch service check the interior of your unit will need to arrange for this service individually. For a list of vendors providing this service contact a Board Member or the managing agent.

Chestnut Cove Condominium Association Insurance 2024

Chestnut Cove continues to use Cincinnati Insurance Company through Wayah Insurance Agency for Commercial Building Insurance. This is for the Buildings and Property including General Liability Coverage. The Policy is a three-year policy which will be up for renewal in January 2025.

Homeowners are required to obtain their own contents insurance and are reminded that they must inform their agents when they are using their property for rental use to ensure proper coverage is in place.

In addition, Homeowners are expected to hire contractors and vendors with proper insurance coverage. CCCA does not provide coverage for damages or accidents caused by individual homeowner's contracted work and any problems and claims will be directed back to the homeowner.

--General Insurance Information: Owners should review their insurance policy and/or private funds to make sure they are comfortable with their limits. The CCCA insurance is basically responsible for the "shell" of the buildings, foundations, walkways, landings, the outside structures/materials, common areas, and everything up to but not including the interior walls of a unit. Owners are responsible for everything from and including the interior walls of the unit, and everything within the unit. Aside from personal belongings, this includes cabinets, counters, appliances, fixtures, flooring, doors, etc. Many people have invested in upgrades to their units, keep this in mind when setting your insurance limits.

Historically, several upstairs units had water heater failures that caused water damage in both the upstairs unit and the unit below it. Icemaker lines and dishwashers have also caused water damage in units and underneath units. These types of events can lead to significant insurance claims and the potential to raise rates for all concerned.

The CCCA recommends that your insurance policy includes a Limited Water Backup and Sump Discharge or Overflow Coverage Endorsement for North Carolina.

If you are not a full time Chestnut Cove resident, you are required to have your unit "winterized".

--Units that are "Rented Out"-- Chestnut Cove units may be rented out for a minimum of 30 consecutive days. Please update your ads on the various rental network platforms to reflect this.

Recently, many insurance companies have added/changed verbiage to their policies to address the rental issue—which they call "Home Sharing". You need to read your latest policy in depth. For example: USAA (a major insurance company) instituted numerous changes to their policies. They are Special Provisions for North Carolina and include: Unit Owners Coverage A Special Coverage-North Carolina; and Home Sharing Host Activities Amendatory Endorsement North Carolina. Per USAA, Home Sharing Host Activities is defined as "The Rental or holding for rental; or mutual exchange of services of the resident premises...through the use of a home sharing network platform". The bottom line is, if you rent out your unit, you need to check your insurance. You may be required to have the Home Sharing Host Activities Amendatory Endorsement for North Carolina. If you do not let your insurance company know about your rentals, it may invalidate any insurance you think you may have. Insurance companies take this seriously and will thoroughly investigate any claims. The Chestnut Cove Condominium Association Master Insurance Policy does not cover Home Sharing.

Chestnut Cove has quite a few new owners and will have more in the next few months. Here are answers to some of the most frequently asked questions. This list is not all-inclusive. Please review your copies of the By-Laws, and Rules and Regulations for Chestnut Cove for more guidance.

- Owners cannot paint front doors or other outdoor building surfaces a different color.
- Satellite dishes and antennae are not allowed.
- Roof lines cannot be modified or tied into. Awnings cannot be attached to structures-free standing umbrellas are OK.
- Pots/planters are allowed but should not encroach on parking spaces. Pots/mats should be stowed for the winter if not a full-time resident.
- Owners can add plants to the landscape—see the rules.
- Owners must get Board approval for any landscape trimming.
- Do not spread ashes/remnants from your fireplace anywhere outside.
- Bird feeders are NOT PERMITTED.
- Fences, including electric pet fences, are not allowed.
- Upstairs units are Owners of units in upper floors are permitted to install hard surface flooring only if they: (1) meet the requirements set forth below; (2) complete and sign (along with the contractor for the project) the Upper Unit Flooring Certification Form available from the Chestnut Cove Community Manager; and (3) return the completed and signed form to the Community Manager before the installation of hard surface flooring.
 1. The owner must install an “underlayment” (i.e. a soundproofing layer below the new hard surface) with a minimum STS and IIC soundproofing rating of 68-70.
 2. The owner must install above the underlayment a luxury hard surface product (e.g. luxury vinyl or laminate) that includes an additional attached underlayment with a minimum STS and IIC rating of 45-50.
 3. If any of the above requirements are not met, the Board in its sole discretion may require the owner at his/her expense either to (1) remove the nonconforming products and reinstall the carpet with padding or (2) remediate the installation project to comply fully with all the above requirements. Any failure by the owner to take corrective action as directed by the Board may subject the owner to daily fines as authorized under the Bylaws of Chestnut Cove Community Association, Inc.
- Parking spaces are not reserved. Golf cart electric charging outlets must be approved by the Board; however, these spaces will not be reserved. No extension cords are allowed (safety/insurance issues).
- Do not park vehicles, golf carts, and bicycles on front wooden landings (safety/insurance issues).
- Snow removal is **NOT** offered by Chestnut Cove, please be prepared (costs/insurance Issues)-ask the Board and/or Manager.

-The pavement leading to Chestnut Cove is a "driveway" not a named road. Please use caution and note that uphill vehicles have the right of way.

-Units can be rented for a MINIMUM of 30 consecutive days year-round. Rentals of less than (30) days are prohibited. Chestnut Cove has rental documents that must be completed. A copy of your insurance policy that states the property is insured for rental purposes is required. Owners will be responsible/liable for all tenant issues. Contact the current manager for a rental packet.

-Owner responsibilities: clean your dryer vent, monitor your water heater pan, have your fireplace serviced, clean/sweep your decks, and clean up after your pets.

-Jay Finley is a part-time employee and not available 24/7. Please respect her time. She does not hold a Real Estate license, use your agent for real estate matters.

Thank you for reading this. We have a great neighborhood, enjoy our little haven!

Chestnut Cove Condominium Association Board of Directors

CHESTNUT COVE CONDOMINIUM ASSOCIATION, INC. 2025 BUDGET AND EXPENSES

2025 Annual Assessment Fee per unit: $(\$5,400.00 \times (35/\text{units}))$ \$189,000

Due: March 1, 2025

Expenditures:

Capital Reserve Fund

Administration Fee

Building Maintenance

Exterior Painting

Operating Reserve

Accounting

Insurance

Landscaping

Legal Fees

Misc – Accounting, Utilities, Office Supplies, Social, Taxes

Pest Control

Chestnut Cove Condominium Association

Homeowner Rules & Regulations

CHESTNUT COVE CONDOMINIUM ASSOCIATION, INC.

RULES AND REGULATIONS

The Chestnut Cove Community is a group of twelve buildings consisting of four separate buildings with three-bedroom units and eight separate buildings with two-bedroom units located adjacent to the Racquet Center and between the 11th and 13th fairways of Highlands Falls Country Club's Golf Course. The project was begun in early 1987 and completed in 1990 and is used primarily as second homes. The buildings are of frame construction with asphalt shingle roofs and paved parking in front of each unit.

All owners must belong to the Highlands Falls Community Association (HFCA), which maintains the roads, and water systems, and provides security services. Some owners are members of the Highlands Falls Country Club (HFCC). Property taxes for each unit are assessed and billed directly to owners by Macon County.

Exterior of the Building

The Association is responsible for the maintenance and repair of the exterior of the buildings. Any alteration or change to the exterior of the building, including ceilings below the decks, **must have prior approval** of the Chestnut Cove Condominium's Executive Board as well as the Highlands Falls Community Association's Architectural Review Committee prior to construction. The owner is responsible for the cost and maintenance of any changes or additions, even if the previous owner made the change.

In order to maintain a tidy appearance and as a consideration to your neighbors, do not hang clothing, towels, swimsuits, mats, etc., outdoors on the railings for airing or drying. In addition, porches and decks should be maintained in a clean and orderly condition free of unsightly litter.

Flooring in Upper Condominium Units

Owners of units in upper floors are permitted to install hard surface flooring only if they: (1) meet the requirements set forth below; (2) complete and sign (along with the contractor for the project) the Upper Unit Flooring Certification Form available from the Chestnut Cove Community Manager; and (3) return the completed and signed form to the Community Manager prior to the installation of hard surface flooring.

1. The owner must install an "underlayment" (i.e. a soundproofing layer below the new hard surface) with a minimum STS and IIC soundproofing rating of 68-70.
2. The owner must install above the underlayment a luxury hard surface product (e.g. luxury vinyl or laminate) that includes an additional attached underlayment with a minimum STS and IIC rating of 45-50.
3. If any of the above requirements are not met, the Board in its sole discretion may require the owner at his/her expense either to (1) remove the nonconforming products and reinstall the carpet with padding or (2) remediate the installation project to comply fully with all the above

requirements. Any failure by the owner to take corrective action as directed by the Board may subject the owner to daily fines as authorized under the Bylaws of Chestnut Cove Community Association, Inc.

Garbage Pickup

Each condo must make arrangements for its own garbage disposal. J&B Disposal, at 369-2199, provides this service. Trash and garbage cans must be kept in the outside utility closet out of sight. J&B Disposal removes the garbage from the cans in the closets, which eliminates the need to set the garbage out on pick-up days. To avoid the problem of attracting animals, trash bags and garbage cans are not to be set outside on the porches or by the curbside. If you are leasing your unit, you must provide your Lessee access to your utility closet.

Landscaping

The Executive Board contracts yearly with a landscaping company and establishes a schedule of landscaping work to be done. Owners wishing to have landscaping done beyond that which is scheduled must obtain permission from the Executive Board of the Chestnut Cove Condominium Association, the Highlands Falls Community Association, and the Highlands Falls Country Club. Owners must use only the Chestnut Cove Condominium Association's contracted landscaping company for work done on CCCA property. Services rendered at the request of the owner may be at the owner's expense.

LEASES, RENTALS OR PAID OCCUPANCIES

The Association's minimum lease/rental term or occupancy by a paying guest is not less than thirty (30) consecutive days year around. Leases, rentals or occupancies by paying guests of less than thirty (30) consecutive days are prohibited. The "Chestnut Cove Condominium Association, Inc. Lessee/Guest Occupancy Rules and Regulations" must be displayed prominently in each leased unit.

As noted in Section 6.3(n) of the Declaration of Condominium, a Unit Owner desiring to lease his or her unit must "promptly" notify the Association of each prospective tenant, the unit rented and the lease terms. Pursuant to that directive, when renting or leasing a unit, the Unit Owner must complete the HFCA Rental Guest Registration Form (the "Form"), as it may be amended from time to time, online via the Highlands Falls Community Association website (www.highlandfallsca.com).

The Form must be completed and submitted in its entirety at least FIVE BUSINESS DAYS before rental guests' arrival. Failure to do so will result in rental guests being denied entry at the gate. The completion of the Form is the sole responsibility of the Unit Owner. Unit Owners do not need to complete the Form for family members or guests.

Failure by a Unit Owner to comply with this Leasing Rule and Regulation shall subject the homeowner to a fine of one hundred dollars (\$100) after notice and hearing before the

Executive Board during which a quorum is present as authorized by the governing documents of Chestnut Cove Condominium Association, Inc. and North Carolina law. Failure to correct the violation may subject the violator to additional fines of up to one hundred dollars (\$100) per day until the issue is corrected.

Outdoor Cooking

The CCCA's insurance policy prohibits the use of charcoal-burning grills. Propane gas grills are acceptable.

Use of a propane gas fire-pit with a flame up to 6 inches is allowed on open decks.

Parking

Due to limited parking space campers, trailers, motor homes, large trucks, and recreational vehicles are not allowed in the Chestnut Cove area. No motorcycles shall be operated on the property at any time.

Do not park your car at the mailboxes to check your mail. If you are driving to the mailbox pull your car into a parking space rather than leaving it in the road. It is a blind corner, and this will help to avoid accidents.

Golf Carts

- May be owned or rented from HFCC.
- Installation of electrical boxes must comply with Executive Board approved location and design and must be installed at the owner's expense using an Executive Board approved electrician.
- Golf Carts must exhibit proof of current yearly inspection
- In general, private golf carts must maintain the same standards of appearance and mechanical condition as HFCC owned golf carts. Private golf carts must be:
 - a. Four-wheeled and battery driven.
 - b. Free from mechanical defects, rust, or damage.
 - c. Neat and clean in appearance.
- Owner must provide proof of golf cart liability insurance annually.
- Golf cart drivers must be at least 16 years old and have a current driver's license. Allowing minors to drive golf carts will result in loss of golf cart privileges.
- All passengers (other than infants) must be seated during golf cart use.
- Owners and renters must obey HFCC rules for golf carts. If you are not a member of HFCC you may not use golf carts on the cart paths or any other HFCC property.

Bird Feeders

Bird feeders are a major source of attraction to black bears. Accordingly, bird and hummingbird feeders are not permitted in Chestnut Cove, and bird seed and hummingbird nectar may not be stored exterior to the unit including in exterior storage closets. This prohibition includes all forms of seed and nectar feeders.

Pets

Dogs must be kept on leashes at all times. It is your responsibility to clean up after your dog.

Please keep your pets quiet.

Smoke Alarms

Each unit is equipped with hard-wired smoke alarms that are checked yearly and repaired, if necessary, at the owner's expense. Due to frequent power outages a battery-powered smoke alarm is recommended as a back-up.

Speeding

Use extreme caution while driving in the Chestnut Cove community. Children, pedestrians, and workers are often around and at risk.

Tree Trimming and Removal

Monies are allocated in the budget for the removal of dead and dying trees that may endanger your building. Periodically extensive pruning is done to maintain wooded areas. All other tree trimming and removal on Chestnut Cove property must have prior approval of the Executive Board and be done by a contractor approved by the Executive Board. Services rendered at the request of the owner may be at the owner's expense.

Walkways, Parking Areas and Entranceway

Walkways and parking areas are considered common areas and are maintained by the Association. Please do not park your vehicle so that it obstructs passage to the entranceway so that emergency vehicles can gain entrance when needed.

Winterizing

Highlands is well known for its cold winters. At times the temperatures are below zero. To protect your investment as well as your neighbor's investment, **ALL UNIT'S OWNERS MUST WINTERIZE YOUR UNIT IF YOU ARE NOT A YEAR-ROUND RESIDENT.** You have the option to choose your own plumber. If you plan to use your unit throughout the winter, you must employ a home-watch service to look after your home during the times you are away to alleviate any potential problems when the temperatures dip below freezing. Turning your water off during your absence reduces the chance of extended damage in the event there is a water leak. If you have any questions, please contact one of your Executive Board members or the

Managing Agent. Owners who do not winterize their property are subject to liability for damage to their own property and that of their neighbors and any associated costs.

Chestnut Cove Condominium Association Executive Board

It is the duty of the Chestnut Cove Condominium Association Executive Board to enforce the provisions of these Rules and Regulations and, if infractions are not resolved, to impose penalties when necessary.

CHESTNUT COVE CONDOMINIUM

ASSOCIATION RENTAL INFORMATION

“The Association’s minimum lease/rental term or occupancy by a paying guest is not less than thirty (30) consecutive days year-round. Leases, rentals, or occupancies by paying guests of less than thirty (30) consecutive days are prohibited. The “Chestnut Cove Condominium Association, Inc. Lessee/Guest Occupancy Rules and Regulations” must be displayed prominently in each leased unit”.

PLEASE COMPLETE THE GOOGLE RENTAL FORM
ONLINE VIA THE HFCA WEBSITE
WWW.HIGHLANDSFALLSCA.COM, BY CLICKING
ON THE RENTAL TAB AND CLICKING THE RENTAL
FORM OPTION. ONCE YOU COMPLETE THE
FORM, THE INFORMATION WILL BE SUBMITTED
TO BOTH HFCA AND THE CHESTNUT COVE
BOARD.

CHESTNUT COVE CONDOMINIUM ASSOCIATION, INC.
LESSEE/GUEST OCCUPANCY RULES AND
REGULATIONS

Leases, Rentals, or Paid Occupancies

The Association's minimum lease/rental term or paid occupancy is not less than thirty (30) consecutive days. Leases, rentals, or occupancies by paying guests of less than thirty (30) consecutive days are prohibited.

The unit owner must complete the HFCA Rental Guest Registration Form (the "Form") online via the Highlands Falls Community Association website (www.highlandsfallsca.com). The Form is located under the Rental tab on the website. The Form must be completed and submitted in its entirety at least FIVE BUSINESS DAYS before the rental guests' arrival. Failure to do so will result in rental guests being denied entry at the gate. The completion of the Form is the sole responsibility of the unit owner. Unit owners do not need to complete the Form for family members or guests. Once the Form is completed online and submitted via the website, the information is automatically sent to HFCA, HFCA Security, and the Chestnut Cove Managing Agent, thus meeting the requirements for both HFCA and the Chestnut Cove Condominium Association.

Building Exterior

In order to maintain a tidy appearance and as a consideration to your neighbors, do not hang clothing, towels, swimsuits, mats, etc., outdoors on the railings for airing or drying. In addition, porches and decks should be maintained in a clean and orderly condition, free of beer cans, kegs, bottles, and other unsightly litter.

Garbage Pickup

You were given a key to the utility closet along with your key to the rental unit. Trash and garbage cans must be kept in the outside utility closet out of sight. If garbage service has been provided for you, the service provider removes the garbage from the cans in the closets, which eliminates the need to set the garbage out on pick-up days. To help avoid the problem of attracting animals, trash bags are not to be set outside on the porches or by the curbside at any time. A garbage disposal and recycling center is located on Buck Creek Road.

Outdoor Cooking

The Chestnut Cove Community Association insurance policy prohibits the use of charcoal burning grills. Propane gas grills are acceptable. Use of a propane gas fire-pit with a flame up to 6 inches is allowed on open decks.

Parking

Lessees/Guests must use the parking spaces next to their unit when available. Due to limited parking space campers, trailers, motor homes, large trucks, and recreational vehicles are not allowed in the Chestnut Cove parking areas. No motorcycles shall be operated on the property at any time.

Golf Carts

Lessees/Guests wishing to have golf carts must comply with the following rules:

- HFCC rules for the golf carts must be obeyed. If you are not a member of HFCC you may not use golf carts on the cart paths or any other HFCC property.
- Golf Carts may be owned or rented from HFCC.
- Golf Carts must exhibit proof of current yearly inspection.
- In general, non-HFCC golf carts must maintain the same standards of appearance and mechanical condition as HFCC-owned golf carts. Lessees/Guests wishing to use non-HFCC golf carts must apply to the Chestnut Cove Condominium Association Executive Board for approval. To be approved, non-HFCC golf carts must be:
 - a. Four-wheeled and battery driven.
 - b. Free from mechanical defects, rust, or damage.
 - c. Neat and clean in appearance.
- Lessees/Guests must provide proof of golf cart liability insurance.
- Golf cart drivers must be at least 16 years old and have a current driver's license. Allowing minors to drive golf carts will result in loss of golf cart privileges.
- All passengers (other than infants) must be seated during golf cart use

Pets

Dogs must be kept on leashes at all times. It is your responsibility to clean up after your dog. Please keep your pets quiet.

Speeding

Please use extra caution while driving in the Chestnut Cove Community. Children, pedestrians, golf carts, and workers are often around and at risk.

Walkways, Parking Areas and Entranceway

Walkways and parking areas are considered common areas and are maintained by the Association. Do not park your vehicle so that it obstructs passage to the entranceway to insure that emergency vehicles can gain entrance if needed.

HFCC Facilities and Property

- Only members of the Highlands Falls Country Club and their guests are allowed to use the golf course (including cart paths), racquet center, and swimming pool.

Chestnut Cove Condominium Association

Unit Owner Request Form

Chestnut Cove Condominium Association (CCCA)

Unit Owner Request Form

***Note—No alteration in the exterior appearance of any building nor any structure change shall be made without approval by the Chestnut Cove Condominium Association (CCCA) Executive Board AND the Highland Falls Community Association (HFCA) Community Manager.**

Decorating changes such as interior painting, wallpapering, and window treatments, do **not** need approval from the CCCA Board.

Appliance replacement, countertop and cabinet upgrades, lighting fixture/ceiling fan replacements, and tub and sink replacements, **do not** need prior approval unless electrical or plumbing lines are being re-routed.

If in doubt regarding a request, ask a board member.

Listed below are some maintenance repairs/upgrades that require approval.

☐ Install AC/Heat – signed Conditional Agreement required.

☐ Install Gas Fireplace Logs & Exterior Tank

☐ Install Hardwood/Tile Flooring – (refer to Rules & Regulations for details of limitations)-must complete the flooring variance form for approval as well as document in the forms file for Chestnut Cove.

☐ Enclose side porch

☐ Screen side or lower level porches

☐ Install rain/water diverter on lower porch ceiling

☐ Encapsulate crawlspace

☐ Interior Work and/or includes removing/adding walls

☐ Tree, Hedge or Limb removal

☐ Re-routing plumbing or electrical lines

☐ Other

Describe in **DETAIL THE WORK TO BE DONE** Submit pictures, dimensions, materials to be used, estimate duration of work, proposed beginning & end dates, etc. The more explicitly you outline the work, the faster the CCCA Board can act.

Location of Work (Chestnut Cove Unit or building number, description of site, etc.)

Written approval(s) from affected neighbors of the work. (i.e. shared crawl spaces, views from decks, and location of compressors or propane tanks affect other owners).

Name & Address & Contact numbers of the Vendor(s)/Contractor(s).

Describe the experience of your Vendor/Contractor (Include a list of past jobs, length of time in business, and other information that will help the CCCA Board assess the experience and reliability of your vendor.)

Provide the CCCA Board a copy of "PROOF OF INSURANCE" for Vendors, Contractors, Subcontractors, and any workers providing services. Request a "Certificate of Insurance" naming you as the customer.

Provide the CCCA Board with other Clarifications & Information that will help expedite the decision.

Once the CCCA Board has approved, – the request and CCCA approval must be submitted to HFCA for their approval. The unit owner is responsible for filing an application with HFCA for a permit for work to be performed and gatehouse access for all vendors.

Printed Name of Requester _____

Signatures & Date

FLOORING VARIANCE REQUIREMENTS

The Board is currently considering a change to its Rules and Regulations permitting the installation of hard surface floors that meet certain soundproofing standards in the living areas of upper units. Until such time as a new Rule and Regulation is adopted, the following requirements (hereinafter the "Flooring Variance Requirements") will govern the issuance of a variance by the Board for owners wishing to install hard surface floors in advance of the adoption of any such Rule and Regulation:

1. The owner must install an "underlayment" (i.e. a soundproofing layer below the new hard surface) with a minimum STS and IIC soundproofing rating of 68-70.
2. The owner must install above the underlayment a luxury hard surface product (e.g. luxury vinyl or laminate) that includes an additional attached underlayment with a minimum STS and IIC rating of 45-50.
3. Before proceeding with the installation process, the owner must: (1) obtain consent in writing (an email is satisfactory) from the owner's downstairs neighbor to the installation of the hard surface flooring and (2) provide a copy of the written consent to the Chestnut Cove Community Manager, Jay Finley.
4. If any of the above requirements are not met, the Board in its sole discretion may require the owner at his/her expense either to (1) remove the nonconforming products and reinstall the carpet with padding consistent with the requirements of the current Rules and Regulations or (2) remediate the installation project to comply fully with all the above variance requirements. Any failure by the owner to take corrective action as directed by the Board may subject the owner to daily fines as authorized under the Bylaws of Chestnut Cove Community Association, Inc.

I hereby certify that I have read and understand the above Flooring Variance Requirements for the installation of hard surface floors in Unit ____ of Chestnut Cove. I further certify that my installation of hard surface floors in Unit ____ will be in full compliance with the Flooring Variance Requirements.

Owner's Name: _____

Owner's Signature: _____

Date: _____

UPPER UNIT FLOORING CERTIFICATION FORM

This form must be signed by both the owner and the contractor for the project.

The Rules and Regulations of the Chestnut Cove Community Association contain the following requirements relating to the installation of hard surface floors in upper units (the "Flooring Requirements"):

1. The owner must install an "underlayment" (i.e. a soundproofing layer below the new hard surface) with a minimum STS and IIC soundproofing rating of 68-70.
2. The owner must install above the underlayment a luxury hard surface product (e.g. luxury vinyl or laminate) that includes an additional attached underlayment with a minimum STS and IIC rating of 45-50.
3. If any of the above Flooring Requirements are not met, the Board in its sole discretion may require the owner at his/her expense either to (1) remove the nonconforming products and reinstall the carpet with padding or (2) remediate the installation project to comply fully with the Flooring Requirements. Any failure by the owner to take corrective action as directed by the Board may subject the owner to daily fines as authorized under the Bylaws of Chestnut Cove Community Association, Inc.

We hereby certify that we have read and understand the Chestnut Cove Community Association Flooring Requirements for the installation of hard surface floors in Unit ___ of Chestnut Cove. We further certify that my installation of hard surface floors in Unit ___ will be in full compliance with the Flooring Requirements.

Owner's Name: _____

Owner's Signature: _____

Date: _____

Contractor's Name: _____

Contractor's Signature: _____

Date: _____

Conditional Privilege Agreement

For good and valuable considerations, including the promise and express agreement to correct and abate noise as provided herein, the Board of Directors of Chestnut Cove Condominium Association ("the Board") and _____ ("Owner")

hereby covenant, stipulate and agree as follows:

The Board grants Owner and their successors and assigns a conditional privilege to install _____ and comparable quality replacements in the future ("HP") in their condominium number _____ of Chestnut Cove, Highlands Falls Country Club Community.

The express conditions are as follows:

1. The owner must correct and abate any and all noise problems created by such HP that unreasonably disturbs neighbors who own or occupy condominium unit _____. This promise to correct and abate noise shall be continuous and shall be and remain in force and effect for life of the HP and may be recorded in the proper court of Macon County, North Carolina, and shall be binding on the subsequent owners of said condominium.
2. If at any time noise, created by said HP, in the judgment of the Board is unreasonably disturbing to said local neighbors, the Board will give Owner written notice so stating. Owner and his or her successors in interest shall take appropriate action to correct and abate the noise and shall discontinue using the HP until proper corrective action has been taken to the satisfaction of the Board; and until proper corrective action has been taken Owner's conditional privilege to operate the HP shall be revoked and rescinded and Owner hereby expressly consents to and authorizes the Board, after reasonable written notice to Owner, to disconnect HP until the noise abatement problem is corrected.

3. The condenser must be positioned per attached sketch.

4. Owner must pay the reasonable cost of planting appropriate shrubbery, required by the landscape committee of Chestnut Cove Condominium Association, around the condenser to maintain acceptable aesthetics.

5. The purpose and intent of this conditional privilege is to accommodate Owner and also make reasonably certain that the relaxed, comfortable and enjoyable atmosphere at Chestnut Cove shall continue to be pleasing to all concerned.

This agreement is made on this ____ day of _____ 20__.

Chestnut Cove Condominium Association, Inc.

, President

Owner

Owner

BY-LAWS

of

**Chestnut Cove
Condominium
Association, Inc**

BY-LAWS
OF
CHESTNUT COVE CONDOMINIUM ASSOCIATION, INC.
A NORTH CAROLINA NON-PROFIT CORPORATION

ARTICLE I

Name and Identity

The name of this non-profit corporation shall be CHESTNUT COVE CONDOMINIUM ASSOCIATION, INC.

The Articles of Incorporation of the Association have been filed in the office of the North Carolina Secretary of State and in the office of the Register of Deeds for Macon County, North Carolina.

ARTICLE II

Definitions

As used herein, the following words and terms shall have the following meanings:

2.1. Act. The North Carolina Condominium Act, Chapter 47C, North Carolina General Statutes.

2.2. Additional Real Estate. The real estate described on Exhibit B to the Declaration, together with all buildings and improvements now or hereafter constructed or located thereon, together with all rights, easements, privileges and appurtenances belonging to or in any way appertaining thereto.

2.3. Articles. The Articles of Incorporation of the Association.

2.4. Association or Corporation. CHESTNUT COVE CONDOMINIUM ASSOCIATION INC., a North Carolina non-profit corporation organized under the provisions of Chapter 55A of the North Carolina General Statutes.

2.5. Board or Executive Board. The Executive Board created and controlled by the Act, the Declaration and these By-Laws.

2.6. By-Laws. These By-Laws of the Association.

2.7. Common Elements. All portions of the Condominium except the Units. Limited Common Elements are Common Elements.

2.8. Common Expenses. Expenditures made or liabilities incurred by or on behalf of the Association, together with any allocations to reserves.

2.9. Condominium. The condominium created by the Declaration.

2.10. Declarant. Golf Properties Partners, the Developer, and (i) any other person who has executed the Declaration, or who hereafter executes an amendment to the Declaration to add Additional Real Estate, except Security Holders, and (ii) any person who succeeds to any Special Declarant Rights pursuant to Section 47C-3-104 of the Act.

2.11. Declaration. The Declaration of Condominium for Chestnut Cove, a Condominium, which is incorporated by reference herein.

2.12. Declarant Control Period. Period commencing on the record date of the Declaration and terminating upon the earliest to occur of the following: (i) one hundred twenty (120) days after conveyance of seventy five (75%) percent of the Units (including Units created pursuant to Special Declarant Rights, and specifically, but without limitation, including the maximum number of Units that the Declarant has the right to create in any Additional Real Estate the Declarant has reserved the right to add to the Condominium) to Unit Owners other than a Declarant; (ii) two (2) years after all Declarants have ceased to offer Units for sale in the ordinary course of business; or (iii) two (2) years after any Development Right to add any Units was last exercised. The Declarant may voluntarily surrender the right to appoint and remove members of the Executive Board before termination of the Declarant Control Period, but in that event, the Declarant may require for the duration of the period of Declarant Control that specified actions of the Association or the Executive Board as described in a recorded instrument executed by the Declarant be approved by the Declarant before they become effective.

2.13. Development Rights. The rights of the Declarant as described in the Declaration to add real estate to the Condominium; to create Units, Common Elements, and Limited Common Elements within the Condominium; to subdivide Units or convert Units into Common Elements; and to withdraw real estate from the Condominium.

2.14. First Mortgage and First Mortgagee. A First Mortgage is a mortgage or deed of trust which has been recorded and which is a first lien upon the Units described therein. A First Mortgagee is the holder, from time to time, of a First Mortgage, as shown on the Macon County Public Registry, including a purchaser at foreclosure sale upon foreclosure of a First Mortgage until completion of the foreclosure. If there be more than one holder of a First Mortgage, they shall be considered as, and act as, one First Mortgagee for all purposes under the Declaration and these By-Laws.

2.15. Limited Common Elements. Those portions of the Common Elements allocated by operation of Section 47C-2-102 (2) and (4) of

the Act for the exclusive use of one but fewer than all of the Units and also any Limited Common Elements specifically allocated to Units on Exhibit C to the Declaration.

2.16. Occupant. Any person or persons in possession of a Unit, including Unit Owners, the family members, lessees, guests and invitees of such person or persons, and family members, guests and invitees of such lessees.

2.17. Person. A natural person, corporation, business trust, estate, trust, partnership, association, joint venture, government, governmental subdivision or agency, or other legal or commercial entity.

2.18. Plans. Any plats or plans of the Condominium filed in the office of the Register of Deeds for Macon County, North Carolina, and by the Act made a part of the Declaration, as the same may hereafter be amended.

2.19. Plats. Any plats or plans of the Condominium filed in the office of the Register of Deeds for Macon County, North Carolina, and by the Act made a part of the Declaration, as the same may hereafter be amended.

2.20. Property. The real estate described on Exhibit A to the Declaration, and if (but not until) added by Declarant pursuant to the provisions contained in the Declaration, the real estate or any portions thereof described on Exhibit B to the Declaration, together with all buildings and improvements now or hereafter constructed or located thereon, and all rights, easements, privileges and appurtenances belonging to or in any way appertaining to said real estate.

2.21. Security Interest. The vendor's interest in a contract for deed, mortgagee's interest in a mortgage, trustee's and/or beneficiary's interest in a deed of trust, or the holder's interest in a lien.

2.22. Security Holder. Any person owning a Security Interest in a Unit.

2.23. Special Declarant Rights. Rights reserved in the Declaration and in these By-Laws for the benefit of a Declarant, as follows: to complete the improvements indicated on the Plats and Plans; to maintain sales offices, rental units, models, and sign advertising the Condominium; to use easements through the Common Elements for the purpose of making improvements within the Condominium or within real estate which may be added to the Condominium; to make the Condominium part of a larger condominium; and to elect, appoint or remove any officer of the Association or any Executive Board member during the Declarant Control Period.

2.24. Unit. A portion of the Condominium, whether or not contained solely or partially within a building, together with its

percentage of undivided interest in the Common Elements as set forth on Exhibit D to the Declaration. Each Unit is designated and delineated on the Plats and Plans.

2.25. Unit Boundaries. The boundaries of each Unit, both as to vertical and horizontal planes, as shown on the Plans, are the undecorated surfaces of the perimeter walls, exterior doors and exterior windows facing the interior of the Unit, the undecorated surfaces of the ceiling facing the interior of the Unit, and the topmost surfaces of the subflooring. It is the intention of this Section 2.24, by this definition of Unit Boundaries, to come within the provisions of Section 47C-2-102 of the Act.

2.26. Unit Owner. The person or persons, including the Declarant, owning a Unit in fee simple, and contract-for-deed purchasers of a Unit, but excluding all Security Holders.

The definitions contained in Section 47C-2-103 of the Act are incorporated herein by reference. The foregoing definitions shall be deemed, where appropriate, to supplement, explain, and add to the definitions contained in said section. In the event any of the foregoing definitions contradict, or are inconsistent with, the definitions contained in said section, the definitions contained in said section shall prevail, and the foregoing definitions shall not apply to the extent of the contradiction or inconsistency.

ARTICLE III

Offices

3.1. Principal Office. The principal office of the Association shall be located in Highlands Township, Macon County, North Carolina, in Highlands Falls Country Club Subdivision at such place as the Executive Board may from time to time establish or at such other place within Macon County, North Carolina, as the Executive Board may from time to time establish.

3.2. Registered Office. The registered office of the Association, which is required by law to be within the State of North Carolina, shall be located at 9 West Main Street, Franklin, North Carolina, 28734, or at such other place within the State of North Carolina as may from time to time be fixed and determined by the Executive Board.

3.3. Other Offices. The Executive Board may have other offices at such places as the Executive Board may designate or as the affairs of the Association may require from time to time.

ARTICLE IV

Purposes and Powers

4.1. Purposes and Powers. The purposes and powers for which the Association is organized are as follows, which shall be construed as both objectives and powers, and which shall not be deemed to limit or restrict in any manner the general powers of the Association and the enjoyment and exercise thereof as are conferred by the laws of the State of North Carolina now or hereafter in effect:

- A. To serve all purposes and exercise all powers as are set forth in the Act and the Declaration whether explicitly or implicitly.
- B. To adopt and amend By-Laws and Rules and Regulations.
- C. To adopt and amend budgets for revenues, expenditures, and reserves, and collect assessments for Common Expenses from Unit Owners.
- D. To hire and terminate managing agents and other employees, agents, and independent contractors.
- E. To institute, defend, or intervene in its own name in litigation or administrative proceedings on matters affecting the Condominium.
- F. To make contracts and incur liabilities.
- G. To regulate the use, maintenance, repair, replacement, and modification of Common Elements.
- H. To cause additional improvements to be made as a part of the Common Elements.
- I. To acquire, hold, encumber, and convey in its own name any right, title, or interest to real or personal property, provided that Common Elements may be conveyed or subjected to a security interest only pursuant to Section 47C-3-112 of the Act.
- J. To grant easements, leases, licenses and concessions through or over the Common Elements.
- K. To impose and receive any payments, fees, or charges for the use, rental, or occupation of the Common Elements other than Limited Common Elements described in Section 47C-2-102 (2) and (4) of the Act, and for services provided to Unit Owners.
- L. To impose charges for late payments of assessments and take all other measures permitted by the Act or the Declaration for the collection of assessments, and, after notice and the opportunity to be heard, to levy reasonable fines for violations of the Act, the

Declaration, the By-Laws, and the Rules and Regulations of the Association; and, subject to the provisions of the Declaration and the other provisions of these By-Laws, to assign as collateral its anticipation of receiving assessments.

M. To impose reasonable charges for the preparation and recordation of amendments to the Declaration and statements for unpaid assessments.

N. To provide for the indemnification of and maintain liability insurance for its officers, Executive Board, members, employees, and agents, and to provide other insurance as required by the Act and the Declaration.

O. To exercise any and all powers necessary and proper for the governance and operation of the Association.

P. To promote and enhance the civic, social, and recreational interests of Unit Owners within the Condominium.

Q. To acquire by gift, purchase, or otherwise, and to hold in the name of the Association real and personal property.

R. To exercise all powers granted by law to non-profit corporations and to do all lawful things and acts for the benefit of the Unit Owners and the promotion of their interests.

S. To comply in all regards with the provisions of the Declaration, and to enforce compliance with the Declaration by all persons subject thereto.

Notwithstanding anything contained hereinabove to the contrary, the Association shall exercise only such powers as are in furtherance of the exempt purposes of organizations set forth in Section 501(c)(7) of the Internal Revenue Code and its regulations as the same now exists or as it may hereafter be amended from time to time.

ARTICLE V

Limitations

The Association shall have no power to declare dividends, and no part of its net earnings shall inure to the benefit of any member or Executive Board Member of the Association or to any other private individual (except that refunds of assessments as provided for hereinbelow, in the Act, and in the Declaration may be made to Unit Owners, provided such refunds to any Unit Owner be made from funds credited to the account of such Unit Owner). The Association shall have no power or authority to engage in activities which consist of carrying on propaganda or otherwise attempting to influence legislation or to participate in or intervene in any political campaign on behalf of any candidate for political office.

ARTICLE VI

Qualifications and Responsibilities of Members

6.1. Members. Each Unit Owner shall be a member of the Association and shall remain a member until he ceases to be a Unit Owner.

6.2. More than One (1) Owner. When there is more than one (1) Unit Owner of a Unit, all such persons shall be members of the Association.

6.3. Name and Number of Unit. It shall be the obligation of each Unit Owner to register his name and the number of his Unit with the Association. It shall be the obligation of each Unit Owner to immediately notify the Association in writing of any change of address. If a Unit Owner does not so register, or changes his address and does not so notify the Association of the change, the Association may but shall be under no obligation to recognize the membership for any purposes set forth in the Declaration or these By-Laws.

6.4. Prohibition of Assignment. The interest of a member in the Association's assets cannot be transferred or encumbered except as an appurtenance to the Unit.

6.5. Indicia of Membership. The Association shall issue no shares of stock, certificates, or other indicia of membership, ownership of a Unit being sufficient for that purpose.

ARTICLE VII

Members, Meetings, and Voting

7.1. Place. Meetings of the members shall be held at the principal office of the Association, or if the same has not been established by the Executive Board, at some place within the Condominium designated by the Executive Board, or at such other place within Highlands Township, Macon County, North Carolina, as may be designated from time to time by the Executive Board.

7.2. Annual Meeting. An annual meeting of the members shall be held during the same week each year that the annual meeting of the members of Highlands Falls Country Club, Inc. is held; or, if for any reason the annual meeting of the members of Highlands Falls Country Club, Inc. is not held, or the Executive Board in its discretion decides that the annual meeting of the members should not be held during said week, then said meeting shall be held on a day selected by the Executive Board during the months of July, August or September. Said annual meeting shall be held between the hours of 9:00 A.M. and 6:00 P.M., and shall not conflict with the time of the annual meeting of the members of Highlands Falls Country Club, Inc. The first annual meeting of the members shall occur during the year 1988. The purpose of such meeting shall be the election of the Executive Board for the succeeding year (except as limited by the

provisions of Article IX hereinbelow) and for the transaction of such other business as may come before the meeting. If the election of Executive Board Members is not held on the day designated herein for the annual meeting of the members or any adjournment thereof, the Executive Board shall cause the election to be held at a special meeting of the members as soon thereafter as is convenient.

7.3. Special Meetings. Special meetings of the members may be called by the President, by majority of the Executive Board, or by Unit Owners having twenty (20%) percent of the votes in the Association. If a special meeting is called, notice thereof shall be given to the members.

7.4. Budget Meetings. Within thirty (30) days after the adoption of any proposed budget for the Condominium, the Executive Board shall provide a summary of the budget to all Unit Owners and shall set a date for a meeting of the Unit Owners to consider ratification of the budget. The summary shall be transmitted to each Unit Owner along with the notice of the meeting required by Section 7.5 hereinbelow. Notwithstanding any provision contained hereinbelow to the contrary, the date set for the meeting shall be not less than fourteen (14) nor more than thirty (30) days after the date of transmitting of the summary and giving of notice to the members. Notwithstanding anything contained hereinbelow to the contrary, the budget is ratified unless at that meeting a majority of all the Unit Owners rejects the budget. If and in the event the proposed budget is rejected, the periodic budget last ratified shall be continued until such time as the Unit Owners ratify a subsequent budget proposed by the Executive Board.

7.5. Notice of Meetings. Not less than ten (10) nor more than fifty (50) days in advance of any meeting of the members, the Secretary or the Secretary's designee shall cause notice thereof to be hand delivered or sent prepaid by United States Mail to the mailing address of each Unit Owner on file with the Secretary or to any other mailing address designated in writing by the Unit Owner. The notice of any meeting of members must state the time and place of the meeting and the items on the agenda, including any proposed amendment to the Declaration or By-Laws, any budget changes, and any proposal to remove a member of the Executive Board.

7.6. Quorum; Adjournment if no Quorum. A quorum is deemed present throughout any meeting of the members of the Association if persons entitled to cast fifty one (51%) percent of the votes which may be cast for the election of the Executive Board are present in person or by proxy at the beginning of the meeting. During the Declarant Control Period it shall be assumed for purposes of determining the presence of a quorum that members of the Executive Board are to be elected by the members. If a quorum is not present, the meeting shall be adjourned from time to time until a quorum is present.

7.7. Voting. The total votes in the Association are allocated to Units by the Declaration. The votes allocated to a Unit may be

cast by the Unit Owner of that Unit. When there is more than one (1) Unit Owner of a Unit, the votes for that Unit shall be cast as such owners shall determine. The votes allocated to a Unit shall not be split but shall be voted as a single whole. If the Unit Owners of a given Unit cannot agree on the manner in which to cast the votes allocated to that Unit, then the votes allocated to that Unit shall not be counted. The Association shall not be entitled to cast the votes allocated to any Unit owned by it.

7.8. Manner of Casting Votes. Votes may be cast in person. Votes allocated to a Unit may be cast pursuant to a proxy duly executed by a Unit Owner. If a Unit is owned by more than one (1) person, each Owner of the Unit may vote or register protest to the casting of votes by the other Owners of the Unit through a duly executed proxy. A Unit Owner may not revoke a proxy given pursuant to this Section except by written notice of revocation delivered to the person presiding over a meeting of the Association. A proxy is void if it is not dated. A proxy terminates one (1) year after its date unless it specifies a shorter term.

7.9. Manner of Acting. Whenever the Association requires a decision of its members upon any matter, such decision shall be expressed on behalf of the membership by the voting members of the Association. All questions shall be decided by a majority of the votes cast on the question unless the provisions of the Act, the Declaration, or these By-Laws require a greater vote.

7.10. Informal Action by Members. Any action required by law to be taken at a meeting of the members or any action that may be taken at a meeting of the members may be taken without a meeting if a consent in writing setting forth the action so taken or referring by reference to documents containing a description of the action so taken is signed by all the members entitled to vote with respect to the subject matter thereof.

7.11. Prohibition of Cumulative Voting. There shall be no cumulative voting.

7.12. Order of Business. The order of business at all annual meetings shall be as follows:

- A. Roll call.
- B. Proof of notice of meeting.
- C. Adoption of minutes of previous meeting.
- D. Reports of officers.
- E. Reports of committees.
- F. Appointment of inspectors of election.
- G. Election of Executive Board Members.

H. Unfinished business.

I. Budget matters.

J. New business.

L. Adjournment.

The order of business at all special meetings of the members shall be as determined by the Secretary of the Association.

Except as may be otherwise provided herein, the parliamentary conduct of all meetings of members shall be governed by the latest edition of Robert's Rules of Order.

ARTICLE VIII

Executive Board

8.1. Management. The affairs of the Association and the Condominium shall be managed by the Executive Board. Each member of the Executive Board shall be a natural person who is a Unit Owner, or a natural person who is the nominee of a Unit Owner which is an entity other than a natural person; provided, during the Declarant Control Period, those members of the Executive Board that are appointed by the Declarant need not be a Unit Owner. Executive Board Members need not be residents of the State of North Carolina. The Executive Board may act in all instances on behalf of the Association.

8.2. Fiduciary Standing. In performance of their duties, the members of the Executive Board shall be deemed to stand in a fiduciary relationship to the Association and the Unit Owners, and shall discharge their duties in good faith with that diligence and care which ordinary prudent men would exercise under similar circumstances in like positions.

8.3. Limitations. The Executive Board may not act on behalf of the Association to amend the Declaration, terminate the Condominium, or to elect members of the Executive Board or determine the qualifications, powers, and duties or terms of office of the Executive Board Members, but the Executive Board may fill vacancies in its membership for the unexpired portion of any term, and may fill vacancies created by reason of an increase in the number of members of the Executive Board.

8.4. Number, Tenure, and Qualifications. The number of Members of the Executive Board shall be five (5). Members of the Executive Board shall be elected at the annual meeting of the members (except as limited by the provisions of Article IX hereinbelow). The term of office of each Executive Board Member shall be until the next annual meeting of the members and the election and qualification of his successor (except as limited by the provisions of Article IX

hereinbelow). An Executive Board Member may succeed himself. The first Executive Board shall consist of the five (5) persons named in the Articles of Incorporation.

8.5. Election of Executive Board Members. The members shall elect the Executive Board Members by a majority of the votes cast in the election (except as limited by the provisions of Article IX hereinbelow).

8.6. Removal of Executive Board Members. The Unit Owners, by at least sixty seven (67%) percent vote of all votes cast on the question, may at any meeting of the Unit Owners at which a quorum is present remove any Executive Board Member with or without cause, other than members appointed by the Declarant.

8.7. Vacancies. Except for vacancies among the Executive Board Members the Declarant is entitled to appoint during the Declarant Control Period, any vacancy occurring in the Executive Board and any Executive Board membership to be filled by reason of an increase in the number of members of the Executive Board, shall be filled by the existing or remaining Executive Board Members, whether or not constituting a quorum. An Executive Board Member appointed to fill a vacancy shall serve for the unexpired term of his predecessor in office.

8.8. Regular Annual Meeting; Additional Regular Meetings; Special Meetings. A regular annual meeting of the Executive Board shall be held without any other notice than this By-Law immediately after the annual meeting of members. The Executive Board may provide by resolution the time for holding additional regular meetings without other notice than such resolution. Special meetings of the Executive Board may be called by or at the request of the President or any three (3) members of the Executive Board.

8.9. Place and Manner of Executive Board Meetings; Voting by Proxy. The place of any regular annual meeting of the Executive Board, any additional regular meeting of the Executive Board, and any special meeting of the Executive Board shall be at some place within the Highlands Falls Country Club Subdivision, unless some other place is specified by resolution of the Executive Board or is specified in the notice of the meeting. Such resolution or specification may fix the place for the Executive Board meeting at any place within or outside the State of North Carolina. Any Executive Board meeting may be by conference telephone call if so specified by resolution or if so specified in the notice of the meeting. If an Executive Board meeting is to be held by conference telephone call, all Executive Board members must cooperate in arranging the call, and no action by any Executive Board Member refusing to so cooperate shall be permitted to call into question the legality or propriety of any such meeting. At any meeting of the Executive Board, any Executive Board Member may vote by means of a duly executed proxy given to another Executive Board Member. A proxy is void if not dated. A proxy terminates one (1) year after its date unless it specifies a shorter term.

8.10. Notice. Notice of any special meeting of the Executive Board shall be given at least two (2) days in advance thereof by the Secretary at the address for each Executive Board Member shown on the Secretary's list, and it shall be the responsibility of each Executive Board Member to provide the Secretary with his current address. Notice may be hand delivered, sent prepaid by United States Mail, or given by telephone conversation directly with the Executive Board Member receiving notice. Any Executive Board Member may waive notice of any meeting. The business to be transacted at a meeting of the Executive Board need not be specified in the notice or waiver of notice of such meeting unless specifically required by law or by these By-Laws.

8.11. Quorum. A quorum is deemed present throughout any meeting of the Executive Board if persons entitled to cast fifty one (51%) percent of the votes are present in person or by proxy at the beginning of the meeting. The purposes of this section 8.11 in the case of an Executive Board meeting being held by telephone conference call, an Executive Board Member is deemed "present" if he or the Executive Board Member holding his proxy is in communication by means of the call. If less than a majority of Executive Board Members are present at any meeting, a majority of the Executive Board Members present may adjourn the meeting from time to time without further notice.

8.12. Board Decisions. The act of a majority of the Executive Board Members participating in person, by telephone, or by proxy at a meeting at which a quorum is present shall be the act of the Executive Board unless the act of a greater number is required by the Act or these By-Laws. Each Executive Board Member shall be entitled to one (1) vote.

8.13. Board Action without Meeting. Any action that may be taken at a meeting of the Executive Board may be taken without a meeting if such action is authorized in a writing setting forth the action taken and signed by a majority of the Executive Board Members.

8.14. Compensation of Executive Board Members Restricted. Executive Board Members shall receive no compensation for their services, but may be paid for out-of-pocket expenses incurred in the performance of their duties as Executive Board Members. Nothing herein contained shall be construed to preclude any Executive Board Member from serving the Association in any other capacity and receiving compensation therefor.

8.15. Committees and Managing Agent.

A. Committees of Executive Board Members. The Executive Board may by resolution designate one (1) or more committees, each of which shall consist of two (2) or more Executive Board Members, which committees, to the extent provided in such resolution, shall have and exercise the authority of the Executive Board in the management of the Association; but the designation of such committees and the

delegation thereto of authority shall not operate to relieve the Executive Board or any individual Executive Board Member of any responsibility imposed on him by law.

B. Other Committees. Other committees not having and exercising the authority of the Executive Board in the management of the Association may be designated by resolution of the Executive Board. Except as otherwise provided in such resolution, members of each such committee shall be members of the Association, and the members thereof shall be appointed by the President of the Association. Any such committee member may be removed by the Executive Board with or without cause or notice.

C. Managing Agent. The Executive Board may by resolution designate a managing agent and may delegate to the managing agent all or part of the power and authority of the Executive Board and all or part of the power and authority of any officer; but the appointment and designation of such managing agent and the delegation thereto of authority shall not operate to relieve the Executive Board or any individual Executive Board Member of any responsibility imposed on him by law, but shall operate to relieve any officer of such of that officer's responsibility as is designated to the managing agent.

8.16. Powers and Duties of the Executive Board. All of the powers and duties of the Association shall be exercised by the Executive Board, including those existing under the common law, applicable statutes, the Act, the Declaration, the Articles of Incorporation, and these By-Laws, as any thereof may from time to time be amended. Such powers and duties shall be exercised in accordance with the provisions of applicable law, the Declaration, the Articles of Incorporation, and these By-Laws, and shall include, without limitation, the following:

A. To prepare and provide to members annually, a report containing at least the following:

(i) A statement of any capital expenditures in excess of two (2%) percent of the current budget or Five Thousand (\$5,000.00) Dollars, whichever is greater, anticipated by the Association during the current year or succeeding two (2) fiscal years.

(ii) A statement of the status and amount of any reserve or replacement fund and any portion of the fund designated for any specified project by the Executive Board.

(iii) A statement of the financial condition of the Association for the last fiscal year.

(iv) A statement of the status of any pending suits or judgments in which the Association is a party.

(v) A statement of the insurance coverage provided by the Association.

(vi) A statement of any unpaid assessments payable to the Association, identifying the Unit and the amount of the unpaid assessment.

B. To adopt and amend budgets; to determine and collect assessments to pay the Common Expenses; and to take all steps necessary for the collection of assessments as provided in the Declaration.

C. To regulate the use of, and to maintain, repair, replace, modify and improve the Common Elements.

D. To adopt and amend rules and regulations and to establish reasonable penalties for infraction thereof.

E. To enforce the provisions of the Declaration, the Articles of Incorporation, these By-Laws, the Act, and rules and regulations by all legal means, including injunction and recovery of monetary penalties.

F. To hire and terminate managing agents and to delegate to such agents such powers and duties as the Executive Board shall determine, except such as are specifically required by the Declaration, the Articles of Incorporation, these By-Laws, or the Act, to be done by the Executive Board or the members.

G. To hire and terminate agents and independent contractors, attorneys, accountants, and other providers of services.

H. To institute, defend, intervene in, or settle any litigation or administrative proceedings in its own name on behalf of itself on matters affecting the Condominium, the Common Elements, or more than one (1) Unit.

I. To establish and dissolve and liquidate, from time to time, reserve accounts for purposes set forth in the Declaration.

J. To borrow money for the maintenance, repair, replacement, modification or improvement of Common Elements and to pledge and pay assessments, and any and all other revenue and income, for such purpose.

K. To buy Units, in foreclosure of an assessment lien, or at any other time or for any other reason, and to sell, lease, mortgage, and otherwise deal in Units from time to time owned by the Association.

L. To impose and receive payments, fees and charges for the use, rental or operation of the Common Elements other than the Limited Common Elements, except for portions of the Common Elements which provide access to the Units.

M. To grant leases, licenses, concessions and easements of, to, through, and over the Common Elements.

N. To impose and collect reasonable charges, including reasonable costs and attorneys' fees, for the evaluation, preparation and recordation of amendments to the Declaration and certificates of unpaid assessments.

O. To provide for indemnification of the Association's officers and Executive Board Members and to maintain officers' and Executive Board Members' liability insurance.

P. To sit as an adjudicatory panel pursuant to the Declaration and, after giving notice and an opportunity to be heard, to levy fines for violations of the Declaration, these By-Laws, or the rules and regulations.

ARTICLE IX

Declarant Control Period

The provisions of this Article IX shall prevail over all provisions of these By-Laws to the contrary. During the Declarant Control Period, the Declarant shall have control of the Association through its power to appoint and remove Executive Board Members in the manner hereinbelow provided. Until such time as twenty five (25%) percent of the Units (including Units created pursuant to Special Declarant Rights, and specifically, but without limitation, including the maximum number of Units that the Declarant has the right to create in any Additional Real Estate the Declarant has reserved the right to add to the Condominium) have been conveyed to Unit Owners other than a Declarant, the Declarant shall appoint all members of the Executive Board. Until said time, the provisions contained in Articles VII and VIII hereinabove providing for the election of Executive Board Members at the annual meeting of members by the members shall not be in effect, but the annual meetings of the members shall nonetheless be held and other business properly before such meetings shall be conducted in the manner herein provided. The Executive Board Members appointed by the Declarant shall continue to hold office at the pleasure of the Declarant, and the Declarant may appoint or remove its members of the Executive Board as frequently and in such manner and order as it deems expedient.

At such time as twenty five (25%) percent of the Units (including Units created pursuant to Special Declarant Rights, and specifically, but without limitation, including the maximum numbers of Units that the Declarant has the right to create in any Additional Real Estate the Declarant has reserved the right to add to the Condominium) have been conveyed to Unit Owners other than a Declarant, the members shall have the right to elect two (2) of the Executive Board Members. If such percentage is attained on or after the sixtieth (60th) day preceding the next scheduled annual meeting of members and prior to the time notice is given of such annual meeting of the members, said two (2) Executive Board Members to be elected by the members shall be elected at said annual meeting. If said percentage is attained at any other time, a special meeting of the members shall

be called for the purpose of electing said two (2) Executive Board Members. After the members obtain the right to elect two (2) Executive Board Members, the Declarant shall continue to have the right to appoint and remove the other three (3) Executive Board Members for the duration of the Declarant Control Period.

The Declarant Control Period shall terminate upon the earliest to occur of the following: (i) one hundred twenty (120) days after the conveyance of seventy five (75%) percent of the Units (including Units created pursuant to Special Declarant Rights, and specifically, but without limitation, including the maximum numbers of Units that the Declarant has the right to create in any Additional Real Estate the Declarant has reserved the right to add to the Condominium) to Units Owners other than a Declarant; (ii) two (2) years after all Declarants have ceased to offer Units for sale in the ordinary course of business; or (iii) two (2) years after any Development Right to add new Units was last exercised. The Declarant may voluntarily surrender the right to appoint and remove Executive Board Members before termination of the Declarant Control Period, but in that event the Declarant may require for the duration of the Declarant Control Period that specified actions of the Association and the Executive Board as described in a recorded instrument executed by the Declarant be approved by the Declarant before they become effective.

If the Declarant Control Period ends on or after the sixtieth (60th) day preceding the next scheduled annual meeting of the members and prior to the time notice is given of such annual meeting of the members, all Executive Board Members shall be elected by the members at the annual meeting. If the Declarant Control Period ends at any other time, a special meeting of the members shall be called for the purpose of electing Executive Board Members.

In the Declaration, the Declarant has reserved the right to add Additional Real Estate to the Condominium and to create a maximum of two hundred forty five (245) additional Units therein, to add none, part or all of the Additional Real Estate; and to add Additional Real Estate at different times. The Declarant has reserved a period of twenty (20) years from the record date of the Declaration within which to exercise its Development Rights to create additional Units and to add Additional Real Estate. Subject to the limitation that the Declarant Control Period terminates no later than two (2) years after any Development Right to add new Units was last exercised, in determining for the purposes of this Article IX the percentage of Units in the Condominium which have been conveyed to Unit Owners other than a Declarant, the total number of Units in the Condominium shall be the sum of the following:

A. The number of existing Units; plus

B. The maximum number of new Units which could be created if the Declarant added to the Condominium all of the Additional Real Estate it has reserved the right to add and created therein all of the Units it has reserved the right to create; plus

C. The maximum number of new Units the Declarant has reserved the right to create in real estate already a part of the Condominium.

In determining for the purposes of this Article IX the percentage of Units in the Condominium which have been conveyed to Unit Owners other than a Declarant, the total number of Units in the Condominium shall not be merely the number of existing Units unless and until the Declarant has no further right to add Additional Real Estate and has no further right to create new Units in real estate already a part of the Condominium.

ARTICLE X

Officers

10.1. Designation of Officers. The officers of the Association shall be a President, a Vice-President, a Secretary, and a Treasurer. Each officer shall be a natural person who is a Unit Owner or a natural person who is the nominee of a Unit Owner which is an entity other than a natural person; provided, during the Declarant Control Period, officers need not be a Unit Owner or the nominee of a Unit Owner. A person may hold more than one office at one time, except that the President shall not at the same time hold another office in the Association.

10.2. Election and Term of Office. The officers of the Association shall be elected annually by the Executive Board at the regular annual meeting of the Executive Board. If the election of officers is not held at such meeting, such election shall be held at the ensuing meeting of the Executive Board. Each officer shall hold office until a successor has been duly elected and qualifies.

10.3. Additional Officers. The Executive Board may elect or appoint such officers, including one (1) or more Assistant Vice-Presidents, Assistant Secretaries, or Assistant Treasurers, as it shall deem desirable. Such officers to have the authority and perform the duties prescribed from time to time by the Executive Board. Such officers shall hold office at the pleasure of the Executive Board.

10.4. Removal. Any officer elected or appointed by the Executive Board may be removed by the Executive Board whenever in its judgment the best interests of the Association would be served thereby. Such removal may be with or without cause, and may be without notice. Such removal shall be without prejudice to the contract rights, if any, of the officer so removed.

10.5. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or otherwise shall be filled by the Executive Board for the unexpired portion of the term.

10.6. Powers and Duties. The several officers shall have such powers and shall perform such duties as may from time to time be specified in resolutions or other directives of the Executive Board.

In the absence of such specifications, each officer shall have the powers and authority and shall perform and discharge the duties of officers of the same title serving in non-profit corporations having the same or similar general purposes and objectives as this Association. In addition, the officers shall have the following specific duties:

A. President. The President shall be the chief executive officer of the Association; shall have all of the powers and duties incident to the office of a president of a corporation, including but not limited to the duty to preside at all meetings of the Executive Board and the members (except meetings in which he stands for election), and the general supervision of the officers and the management of the business and affairs of the Association; and shall see that all actions and resolutions of the Executive Board are carried into effect.

B. Vice-President. The Vice-President shall perform such duties of the President as shall be assigned to him by the President, and in the absence of the President shall perform the duties and functions of the President.

C. Secretary. The Secretary shall have the specific duty at all times of maintaining a list showing with respect to each Unit the Unit Owners thereof, the address of each Unit Owner, and the status of the assessments attributable to the Unit. It shall be the responsibility of the Secretary to send, serve and deliver all notices, statements, summaries, assessments, and similar information as required by law, the Act or these By-Laws, and to do so in the time or times prescribed. The Secretary shall keep the minutes of all meetings and actions of the Executive Board and of the members, shall keep the records of the Association except those kept by the Treasurer, and shall perform all other duties incident to the office of a secretary of a corporation.

D. Treasurer. The Treasurer shall have custody of all intangible property of the corporation including funds, securities and evidences of indebtedness; shall keep the books of the Association in accordance with good accounting practices and principles, and upon request shall submit them together with all vouchers, receipts, records and other papers to the Executive Board for examination and approval; shall deposit all monies and other valuable effects in depositories designated by the Executive Board; shall disburse funds of the Association as directed by the Executive Board; shall provide to persons entitled thereto information concerning the finances of the Association; and shall perform all other duties incident to the office of a treasurer of a corporation.

10.7. Compensation of Officers Restricted. Officers shall receive no compensation for their services, but may be paid for out-of-pocket expenses incurred in the performance of their duties as officers. Nothing herein contained shall be construed to preclude any officer from serving the Association in any other capacity and receiving compensation therefor.

10.8. Preparation, Execution, Certification and Recordation of Amendments to the Declaration. At any time it becomes necessary or advisable for the Association to prepare, execute, certify and/or record amendments to the Declaration on behalf of the Association, the President or in his absence the Vice-President shall have the responsibility to attend to the same, and the same shall be executed on behalf of the Association in the same manner as a Deed.

ARTICLE XI

Contract, Deposits and Funds, etc.

11.1. Contracts. The Executive Board may authorize any officer or officers, agent or agents of the Association, in addition to the officers so authorized by these By-Laws, to enter into any contracts or execute and deliver any instrument in the name of and on behalf of the Association, and such authority may be general or may be confined to specific instances.

11.2. Checks, Drafts, or Orders. All checks, drafts, or orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Association shall be signed by such officer or officers, agent or agents of the Association, and in such manner, as shall from time to time be determined by resolution of the Executive Board. In the absence of such determination by the Executive Board, such instruments shall be signed by the Secretary or by the Treasurer.

11.3. Deposits. All funds of the Association shall be deposited from time to time to the credit of the Association in such banks, trust companies, or other depositories as the Executive Board may select.

11.4. Gifts. The Executive Board may accept on behalf of the Association any contribution, gift, bequest or devise for any purpose of the Association. Specifically, the Executive Board shall accept on behalf of the Association any conveyance of any nature whatsoever from the Declarant or from Golf Properties, Inc., Highlands Falls Community Association, Inc., or Highlands Falls Country Club, Inc.

11.5. Fiscal Year. The fiscal year of the Association shall be the calendar year; provided, that the Executive Board may from time to time by resolution change the fiscal year to some other designated period.

ARTICLE XII

Books and Records

The Association shall keep correct and complete books and records of accounts and shall also keep minutes of the proceedings of its members, the Executive Board, and committees having and exercising

any authority of the Executive Board, and it shall keep at the principal office of the Association a record giving the names and addresses of the Unit Owners. All books and records of the Association may be inspected by any Unit Owner or his or its agent or attorney for any proper purpose at any reasonable time.

ARTICLE XIII

Seal

The corporate seal shall be the same as that impressed in the right margin of this Article XIII.

ARTICLE XIV

Waiver of Notice

Whenever any notice is required to be given under the provisions of Chapter 55A of the General Statutes, the Act, or these By-Laws, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time of any event specified in the notice, shall be deemed equivalent to the giving of such notice.

ARTICLE XV

Assessments

15.1. Assessments for Common Expenses. The Association shall, as required and contemplated by the Act, make periodic assessments against the Units and Unit Owners thereof for the Common Expenses of, expenditures made by, and financial liability of the Association.

15.2. Purposes and Uses of Common Expense Assessments. The purposes and uses of the Common Expense assessments shall include those mentioned, contemplated and implied in the Declaration; those mentioned, contemplated and implied in the Act; those mentioned, contemplated and implied in these By-Laws; and any others as may from time to time be reasonably established by the Board or the Association. The Common Expenses for which the Common Expense assessments shall mean and include all sums declared Common Expenses by the Act, the Declaration, or these By-Laws, and shall include specifically but without limitation the following items: real estate taxes and other governmental assessments or charges against the property until the Units are separately assessed; premiums for any and all insurance maintained by the Association including any deductibles or co-insurance amount not covered by insurance; utility charges not charged directly to Unit Owners; legal and accounting fees; fees for other professional services; costs and expenses incurred in connection with any litigation or administrative proceedings in which the Association is involved; deficits remaining from any prior assessment; the cost

including fees and interest incurred in connection with any borrowing done by the Association; the cost of all fidelity bonds; costs imposed upon the Association or upon any part of the Common Elements or upon the Property or incurred by the Association as a result of the performance, enforcement or amendment of any agreement or easement to which the Association is a party or to which the Common Elements or Property or any part thereof is or may be subject; and amounts determined necessary for reserve funds.

15.3. Commencement of Liability for and Frequency of Common Expense Assessments. Until the Association makes a Common Expense assessment the Declarant shall pay all Common Expenses. The Association may make the initial Common Expense assessment at such time as it deems fit. Beginning with and from the time the Association makes the initial Common Expense assessment, the Association shall pay all Common Expenses. Following its initial Common Expense assessment, the Association shall make the periodic Common Expense assessments with such frequency and upon such schedule as may be from time to time determined and modified by the Board, but in no event less frequently than annually. Notice of assessments shall be given to the Unit Owners in the manner provided herein in such form as may be from time to time prescribed by the Board. The notice shall specify the due date, which must be not less than fifteen (15) days following the date of the notice of assessment.

15.4. Reserves. The Association shall establish in such amount as the Board may from time to time in its discretion deem proper a reserve fund from the Common Expense assessments to be held in an interest bearing account for the purpose of: (a) major rehabilitation, repairs and landscaping of the Common Elements; (b) emergencies and repairs required as a result of storm, fire, flood, wind, natural disaster, or other casualty loss; (c) the initial cost of any new services to be provided by the Association; and (d) any other purposes approved by the Board or the Association.

15.5. Amount of Assessments. Assessments for Common Expenses shall be made equally against all Units and Unit Owners thereof, except that:

(i) Any Common Expense associated with the maintenance, repair, or replacement of a Limited Common Element must be assessed against the Unit, or in equal shares against the Units, to which such Limited Common Element was assigned at the time the expense was incurred;

(ii) Any Common Expenses benefitting less than all the Units must be assessed against the Unit benefitted, or equally against the Units benefitted;

(iii) The costs of insurance must be assessed in proportion to risk;

(iv) The costs of utilities must be assessed in proportion to usage;

(v) Assessments to pay a judgment against the Association shall be made equally against the Units that were in the Condominium at the time the judgment was entered;

(vi) Fines imposed under Section 10.6 of the Declaration (Section 15.6 of these By-Laws) shall be assessed against the appropriate Unit; and

(vii) Any other charges or items assessable by the Association, which by the terms of the Declaration, the Act, these By-Laws, or the rules and regulations of the Association are intended to be paid as a Common Expense assessment by one or more but less than all the Unit Owners, shall be assessed only against the appropriate Unit(s) and Unit Owner(s).

In determining which Common Expenses should be assessed equally against all Units and which should be assessed only against a particular Unit or against some but less than all of the Units, the Executive Board shall have absolute authority and discretion, and its decisions cannot be questioned by any Unit Owner.

The normal costs, expenses and indebtedness incurred by the Association and the normal liabilities of the Association shall be paid, if possible, when the same first accrue, or become due, or are incurred. Therefore, the periodic assessments shall be in an amount sufficient not only to pay current normal costs, expenses, indebtedness and liabilities, but also to establish the capacity to pay the normal costs, expenses, indebtedness and liabilities reasonably anticipated to become due or be incurred in the period (not to exceed one (1) year) following the assessment. In addition, the periodic assessments shall as necessary include amounts designated to establish or enlarge the reserve mentioned in Section 10.4 of the Declaration (Section 15.4 hereinabove).

15.6. Fines Because of Violation--Additional Amounts of Assessments. The Board shall have the power to assess fines against Unit Owners for the violation by the Unit Owners or Occupants of the provisions of the Declaration, these By-Laws, or the rules and regulations of the Board or the Association. No fine shall exceed the maximum amount prescribed by the Act. Each violation, no matter how numerous or repeated the violations may be, may be assessed the maximum fine. The Board shall sit as an adjudicatory panel, and shall accord the party charged with the violation notice of the charge, opportunity to be heard and to present evidence, and notice of the decision. Notice of the Board's decision, if a fine is imposed, shall constitute an assessment against the Unit.

15.7. Effect of Non-payment of Assessments; the Personal Obligation of the Owner; Lien; Remedies of the Association. If any assessment is not paid by the due date, such assessment shall be delinquent and shall bear interest from the due date at the rate of eighteen (18%) percent per annum, or the maximum interest rate allowed by law (including Section 47C-3-115 of the Act), whichever is higher.

Any assessment levied against a Unit remaining unpaid for a period of thirty (30) days or longer from the date of the notice of assessment shall constitute a lien on that Unit when filed of record in the office of the Clerk of Superior Court for Macon County, North Carolina, in the manner provided therefor by Article 8 of Chapter 44 of the General Statutes. The Association's lien may be foreclosed in like manner as a mortgage on real estate under power of sale under Article 2A of Chapter 45 of the General Statutes.

If any delinquent assessment is not paid within thirty (30) days from the date of the notice of assessment and is placed in the hands of any attorney for collection, there shall be added to the amount due all costs of collection including reasonable attorneys' fees not to exceed fifteen (15%) percent of the outstanding balance.

The lien shall include the amount of all interest which accrues and continues to accrue upon the assessment, and shall include the aforementioned costs of collection and attorneys' fees.

All assessments, interest, costs, and attorneys' fees shall be and constitute the personal joint and several obligation of each Unit Owner as of the date of the notice of assessment. The Association may, in addition or in the alternative to enforcing its lien, bring an action against the Unit Owners to seek a money judgment for the amount of the assessment, interest, and costs of collection and attorneys' fees.

The Association may purchase the Unit at any sale ordered pursuant to an action to foreclose the lien.

15.8. Prohibition of Exemption from Liability for Contribution Toward Common Expenses. No Unit Owner may exempt himself from liability for his share of the Common Expenses assessed by the Association by waiver of the use of enjoyment of any of the Common Elements or by abandonment of his Unit or otherwise.

15.9. Incorporation by Reference of Provisions of Declaration. The provisions of Article X of the Declaration entitled "Assessments" are hereby incorporated by reference into these By-Laws and made a part of these By-Laws to the same extent as though said provisions were set forth in full herein, and every person subject to these By-Laws shall be fully subject to the provisions of said Article X of the Declaration.

15.10. Allocation of Common Surplus. Any Common Surplus, including funds in reserve accounts, may be allocated to each Unit in

accordance with its percentage of Common Expenses and, if allocated, shall be owned by the Unit Owners of that Unit and, if allocated, may be paid to the Unit Owners or credited against that Unit's share of Common Expenses subsequently assessed.

15.11. Preparation of Budget. For each fiscal year the Executive Board shall prepare and adopt a budget including therein estimates of the amounts necessary to pay the Common Expenses together with amounts considered appropriate by the Executive Board for allocation to reserves. After preparation and adoption of each such budget, the Executive Board shall provide each member with a summary in the manner provided in Section 7.4 hereinabove. Unless the budget for the fiscal year is rejected at the meeting of the members held for the purpose of considering the budget pursuant to Section 7.4 hereinabove, subsequent assessments for that fiscal year shall be based upon such budget. The first budget after creation of the Condominium shall be prepared and adopted by the Executive Board only for the balance of the then fiscal year of the Association, and said budget shall be prepared as soon as possible after substantial completion of the initial two (2) buildings of the Condominium.

Anything contained in this Section 15.11 notwithstanding, failure of the Executive Board or delay by the Executive Board in preparing any budget or in levying any assessments shall not constitute a waiver or release of the Unit Owners' obligation to pay assessments at such time as the same are determined and levied by the Executive Board. Until new assessments pursuant to a new budget is levied by the Executive Board, Unit Owners shall continue to pay assessments in the existing amounts and at the same periodic times then in effect. Any deficiencies or inadequacies in the procedure followed by the Executive Board in adopting the budget or levying an assessment shall not in any way affect the validity of the assessment or the obligation of the Unit Owners to pay the assessment.

15.12. Accounting Procedures. All sums collected by the Association from assessments shall be accounted for according to standard accounting procedures, but the Executive Board shall have broad discretion in determining accounting procedures and allocations to particular accounts, subject always to specific directives contained in the Declaration and these By-Laws.

15.13. Assessment List; Certificate. All assessments shall be set forth upon a list of the Units which shall be available at the principal office of the Association for inspection at all reasonable times by Unit Owners and Security Holders and their duly authorized representatives. Such list shall include for each Unit the name and address of each Unit Owner, all assessments levied, and the amount of all assessments unpaid. The Association, upon written request, shall forthwith furnish to a Unit Owner, to his authorized agent or to a First Mortgagee a statement setting forth the amount of unpaid assessments currently levied against the Unit. The Association may charge a reasonable fee for the preparation and delivery of such statement.

ARTICLE XVI

Relocation of Boundaries between Adjoining Units; Subdivision of Units; Alterations of Units

16.1. Procedure. If any Unit Owner desires to (i) relocate the boundaries of his Unit pursuant to Section 3.3 of the Declaration and Section 47C-2-112 of the Act; (ii) alter his Unit by removing partitions or creating appertures pursuant to Section 3.3 of the Declaration and Section 47C-2-111 of the Act; or (iii) make any alterations to his Unit that do not impair the structural integrity or mechanical systems or lessen the support of any portion of the Condominium, the procedure set out in this Article XVI shall be followed.

16.2. Application, Consideration, Determination, Etc. Prior to doing any work on the property whatsoever to effect any kind of relocation of boundaries between adjoining Units or alteration of Units, the Unit Owners desiring to effect the same shall file with the Executive Board an application which shall set out in detail the nature of the requested relocations or alterations. Such application shall be in such form and shall contain such data and information as the Executive Board may from time to time require. The Executive Board may charge such fees as it may deem appropriate for its consideration of such application, which fees must be paid with the submission of the application. Such application must be accompanied by plats and plans prepared by an architect licensed under the provisions of Chapter 83 of the General Statutes or by an engineer registered under the provisions of Chapter 89C of the General Statutes detailing the proposed alterations or proposed relocations. The application shall also be accompanied by a paid receipt from the architect or engineer indicating that he has received payment in full for his work.

Upon receipt of such application, the Executive Board shall meet forthwith and in any event within thirty (30) days from the receipt of the application. The Executive Board shall consider the application and shall within a reasonable amount of time notify the applicants that the proposal is reasonable or is unreasonable. The Executive Board shall have total and complete discretion in its determination, and if the Executive Board determines that the application is unreasonable and rejects the application, such decision shall be absolutely binding and may not be questioned by any Unit Owners or other persons, and no appeal shall lie from the Executive Board's decision.

If the Executive Board determines that the application is reasonable and gives its permission to the Unit Owners to proceed with the work, the Executive Board may impose such conditions or designate such changes to the plans as it desires and the work can only proceed in strict compliance with the Executive Board's instructions. The Association shall thereupon prepare and record an amendment to the Declaration that identifies the Units involved in the relocations or alterations, states the nature of the relocations or alterations, is executed by the Unit Owners and the Association, contains words of conveyance, and is indexed in the name of the

grantor and the grantee by the Register of Deeds. The Association shall also prepare and record plats or plans necessary to show the alterations or relocations and any resulting dimensions. The amendment and the plats and plans shall be prepared by the Association and such agents or attorneys as the Association designates. The Unit Owners making application shall be responsible in full for the costs and expenses of the preparation and recording of the amendment and the plats and plans. The Executive Board may require payment from the Unit Owners for the preparation and recording of the same prior to making any arrangements for such preparation. Any failure by the Unit Owners making application to pay any such costs and expenses shall be collected by the Executive Board in any manner it deems proper, and the Executive Board shall specifically have the right to add such amounts to the assessments against the Units in question.

16.3. Effect on Allocated Interests. No relocation of boundaries between adjoining Units or alterations of Units shall cause a change in the allocated interests of the affected Units, and the allocated interests of the affected Units shall remain the same as prior to the alterations or relocations.

16.4. Subdivision of Units. Any Unit owned by the Declarant, by any affiliate of the Declarant or by any person with respect to which Declarant is an affiliate may be subdivided into two (2) or more Units pursuant to the provisions of Section 47C-2-113 of the Act and pursuant to Section 3.3 of the Declaration, and the same must be done in strict conformity with the provisions of the Act. Any Unit owned by any other person may not be subdivided except to effect a boundary relocation. Boundaries of Units may not be relocated in such a way as to effectively create additional Units.

ARTICLE XVII

Compliance, Enforcement, Fines and Penalties

17.1. Compliance with the Declaration, By-Laws, and Rules and Regulations. Each Unit Owner and Occupant shall comply with all applicable provisions of the Act, the Declaration, these By-Laws, the Articles of Incorporation, and the rules and regulations promulgated by the Executive Board or the Association, as from time to time amended. Failure to comply shall be grounds for an action by the Association, aggrieved Unit Owner, or any person adversely affected, for recovery of damages, for injunctive relief, and for such other relief as may be available at law or in equity. In the event of a violation or a failure to comply, the Executive Board and the Association shall have each and every other remedy available at law or in equity, and nothing herein or in the Declaration shall be deemed to waive, restrict, or release any remedy which the Executive Board or the Association might have. The Executive Board shall have the power to assess fines against Unit Owners for violation by the Unit Owners or Occupants of the provisions of the Declaration, these By-Laws, or the rules and regulations of the Executive Board or the Association in the manner set forth in Section 10.6 of the Declaration.

17.2. Suspension of Voting Rights. In the event a Unit Owner or Occupant should violate or fail to comply with the provisions of the Act, the Declaration, these By-Laws, or the rules and regulations promulgated by the Association or the Executive Board, the Executive Board shall have the right, in addition to and in the alternative to other remedies available to the Executive Board, to suspend the right of the defaulting Unit Owners to vote as a members of the Association until the default is cured.

17.3. Violation Hearing. In the event a Unit Owner or Occupant should violate or fail to comply with the provisions of the Act, the Declaration, these By-Laws, or the rules and regulations promulgated by the Association or the Executive Board, the Executive Board shall have the right, but not the obligation, to invoke the provisions of this Section 17.3. In the event of such violation or failure to comply, the Executive Board may give written notice specifying the nature of the violation or failure to comply, the steps necessary to cure same, and the time within which the cure should be effected. Such notice shall be given to each defaulting Unit Owner. Within the time limit specified in the notice, the defaulting Unit Owners may cure the default specified or serve upon the Executive Board written notice requesting a hearing before the Executive Board. If a hearing is so requested, the Executive Board shall give notice to the defaulting Unit Owners and to each First Mortgagee entitled thereto, specifying the nature of the violation or failure to comply and the time and place of the hearing. At the hearing, the Executive Board shall take such evidence and/or hear such testimony as it deems necessary or desirable. Procedure and rules of evidence shall be as specified by the Executive Board. Upon taking evidence and/or hearing testimony, the Executive Board, at the hearing or at such later time as it shall determine, shall give notice of its decision to the Unit Owners. The Executive Board shall have the right to waive the violation or failure to comply or to make a finding that the violation or failure to comply did in fact occur or exist and/or continues to occur or exist.

In the event the Executive Board should elect to proceed under this Section 17.3, it may at any time after so electing discontinue the proceedings under this Section 17.3 and proceed with any other remedies available to it at law, in equity, or under the Declaration or these By-Laws. The Executive Board shall also have the right to disregard the provisions of this Section 17.3 in the event of a violation or failure to comply and to seek any other remedies available to it. No person other than the Executive Board may invoke the provisions of this Section 17.3.

17.4. Non-waiver of Covenants. The failure of the Association, the Executive Board, or any Unit Owner to enforce any term, provision, right, covenant or condition that may be contained by the Act, the Declaration, these By-Laws, the Articles of Incorporation, or the rules and regulations of the Executive Board or the Association at any time or times shall not constitute a waiver or abrogation of the right of the Association, the Executive Board or such Unit Owners to enforce such term, provision, right, covenant or condition at any subsequent time or times, regardless of the number of violations or breaches that might have theretofore occurred.

ARTICLE XVIII

Amendment

18.1. Amendment of Declaration. The Declaration may be amended only in strict compliance with Section 13.1 of the Declaration and in compliance with the Act, including without limitation Section 47C-2-117 of the Act, and no amendment altering or impairing Special Declarant Rights or Development Rights may be made without the written consent of the Declarant.

18.2. Amendment of By-Laws. Strictly subject to all provisions of the Declaration relating to amendment of By-Laws and all provisions of the Act relating to amendment of By-Laws, these By-Laws may be altered, amended or repealed and new By-Laws may be adopted upon majority vote of the members present at any regular or special meeting of the Association at which a quorum exists; provided, the notice of such meeting given to the members must include copies of the proposed alterations, amendments, or new By-Laws, or a statement that the By-Laws are to be repealed if that is the case.

ARTICLE XIX

Termination of Condominium

The Condominium may be terminated only in strict compliance with all provisions of the Declaration and the Act.

ARTICLE XX

Rules and Regulations

The Executive Board is specifically granted authority to promulgate from time to time such rules and regulations as it deems reasonable and necessary governing the administration, management, operation and use of the Common Elements and the Association. Any rule or regulation adopted by the Executive Board may be amended, modified, or revoked by the members at any annual or special meeting of the members. The members shall have the authority to promulgate such rules and regulations as are deemed reasonable and necessary to govern the administration, management, operation and use of the Common Elements and the Association. Any such rule or regulation promulgated by the members shall prevail over any contrary rule or regulation promulgated by the Executive Board. The Secretary shall have the responsibility of keeping accurate records of such rules and regulations and of providing copies to all members.

ARTICLE XXI

General Provisions

21.1. Conflict with the Act or Declaration; Severability. Should any of the terms, conditions, provisions, paragraphs, or

clauses of these By-Laws conflict with and provisions of the Act or any provisions of the Declaration, the provisions of the Act or the Declaration shall control. The invalidity of any covenant, restriction, condition, limitation, provision, paragraph or clause of these By-Laws or of any part of the same, or the application thereof to any person or circumstance, shall not impair or affect in any manner the validity, enforceability or effect of the rest of these By-Laws, or the application of any such covenant, restriction, condition, limitation, provision, paragraph or clause to any other person or circumstance.

21.2. Interpretation of By-Laws. Whenever appropriate, singular may be read as plural, plural may be read as singular; the masculine gender may be read as the feminine or neuter gender, and the neuter gender may be read as the masculine or feminine gender. Compound words beginning with the prefix "here" shall refer to these entire By-Laws and not merely to the part in which they appear.

21.3. Notices. Any notice required to be given to any person under the provisions of these By-Laws shall be deemed to have been properly given when hand delivered or when mailed with the proper postage affixed to the address appearing on the Association's membership list. Notice to any one of two or more Unit Owners of a single Unit shall constitute notice to all Unit Owners of such Unit. It shall be the obligation of every Unit Owner to immediately notify the Association in writing of any change of address.

DECLARATION OF CONDOMINIUM FOR

**Chestnut Cove,
A Condominium**

DECLARATION OF CONDOMINIUM FOR
CHESTNUT COVE, A CONDOMINIUM

THIS DECLARATION, made and entered into this the 1st day of November, 1987, by GOLF PROPERTIES PARTNERS, a Mississippi General Partnership, a Memorandum of the Partnership Agreement and Addendums thereto being recorded in the office of the Register of Deeds for Macon County, North Carolina, in Book F-17 at page 229 (hereinafter sometimes referred to as "GPP," sometimes referred to as "Developer," and sometimes referred to as "Declarant"), pursuant to the North Carolina Condominium Act, Chapter 47C of the General Statutes of North Carolina;

W I T N E S S E T H :

THAT WHEREAS, Declarant is the owner in fee simple of that certain real estate located in Highlands Township, Macon County, North Carolina, and described in and conveyed by the deed dated June 12, 1987, from Golf Properties, Inc. to Golf Properties Partners, recorded in the office of the Register of Deeds for Macon County, North Carolina, in Book J-17 at page 62, the legal description thereof being shown on "Exhibit A" attached hereto, which is incorporated by reference herein, together with all buildings and improvements now or hereafter constructed or located thereon, together with all rights, easements, privileges and appurtenances belonging or in any way appertaining thereto; and

WHEREAS, Declarant desires to submit all of said real property to the Act.

NOW, THEREFORE, Declarant, as owner of said real estate, hereby declares as follows:

ARTICLE I

Definitions

Definitions. As used herein, the following words and terms shall have the following meanings:

1.1. Act. The North Carolina Condominium Act, Chapter 47C, North Carolina General Statutes.

1.2. Additional Real Estate. The real estate described on "Exhibit B" attached hereto, which is incorporated by reference herein, together with all buildings and improvements now or hereafter constructed or located thereon, together with all rights, easements, privileges and appurtenances belonging to or in any way appertaining thereto.

1.3. Association. CHESTNUT COVE CONDOMINIUM ASSOCIATION, INC., a North Carolina non-profit corporation organized under the provisions of Chapter 55A of the North Carolina General Statutes.

1.4. Board. The Executive Board of the Association.

1.5. By-Laws. The By-Laws of the Association, which are hereby incorporated by reference herein.

1.6. Common Elements. All portions of the Condominium except the Units. Limited Common Elements are Common Elements.

1.7. Common Expenses. Expenditures made or liabilities incurred by or on behalf of the Association, together with any allocations to reserves.

1.8. Condominium. The condominium created by this Declaration.

1.9. Declarant. GFP, the developer, and (i) any other person who has executed this Declaration, or who hereafter executes an amendment to this Declaration to add Additional Real Estate, except Security Holders, and (ii) any person who succeeds to any Special Declarant Rights pursuant to Section 47C-3-104 of the Act.

1.10. Declarant Control Period. The period commencing on the record date of this Declaration and terminating upon the earliest to occur of the following: (i) one hundred twenty (120) days after conveyance of seventy five (75%) percent of the Units (including Units created pursuant to Special Declarant Rights, and specifically, but without limitation, including the maximum number of Units that the Declarant has the right to create in any Additional Real Estate the Declarant has reserved the right to add to the Condominium) to Unit Owners other than a Declarant; (ii) two (2) years after all Declarants have ceased to offer Units for sale in the ordinary course of business; or (iii) two (2) years after any Development Right to add any Units was last exercised. The Declarant may voluntarily surrender the right to appoint and remove members of the Executive Board before termination of the Declarant Control Period, but in that event, the Declarant may require for the duration of the period of Declarant Control that specified actions of the Association or the Executive Board as described in a recorded instrument executed by the Declarant be approved by the Declarant before they become effective.

1.11. Development Rights. The rights of the Declarant as described hereinbelow to add real estate to the Condominium; to create Units, Common Elements, and Limited Common Elements within the Condominium; to subdivide Units or convert Units into Common Elements; and to withdraw real estate from the Condominium.

1.12. First Mortgage and First Mortgagee. A First Mortgage is a mortgage or deed of trust which has been recorded and which is a first lien upon the Units described therein. A First Mortgagee is the holder, from time to time, of a First Mortgage, as shown on the Macon County Public Registry, including a purchaser at foreclosure sale upon foreclosure of a First Mortgage until completion of the foreclosure. If there be more than one holder of a First Mortgage, they shall be considered as, and act as, one First Mortgagee for all purposes under this Declaration and the By-Laws.

1.13. Limited Common Elements. Those portions of the Common Elements allocated by operation of Section 47C-2-102 (2) and (4) of the Act for the exclusive use of one but fewer than all of the Units and also any Limited Common Elements specifically allocated to Units on "Exhibit C" attached hereto, which is incorporated by reference herein.

1.14. Occupant. Any person or persons in possession of a Unit, including Unit Owners, the family members, lessees, guests and invitees of such person or persons, and family members, guests and invitees of such lessees.

1.15. Person. A natural person, corporation, business trust, estate, trust, partnership, association, joint venture, government, governmental subdivision or agency, or other legal or commercial entity.

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1.16. Plans. Any plats or plans of the Condominium filed in the office of the Register of Deeds for Macon County, North Carolina, or Jackson County, North Carolina, and by the Act made a part of this Declaration, as the same may hereafter be amended.

1.17. Plats. Any plats or plans of the Condominium filed in the office of the Register of Deeds for Macon County, North Carolina, or Jackson County, North Carolina, and by the Act made a part of this Declaration, as the same may hereafter be amended.

1.18. Property. The real estate described on Exhibit A, and if (but not until) added by Declarant pursuant to the provisions contained hereinbelow, the real estate or any portions thereof described on Exhibit B, together with all buildings and improvements now or hereafter constructed or located thereon, and all rights, easements, privileges and appurtenances belonging to or in any way appertaining to said real estate.

1.19. Security Interest. The vendor's interest in a contract for deed, mortgagee's interest in a mortgage, trustee's and/or beneficiary's interest in a deed of trust, or the holder's interest in a lien.

1.20. Security Holder. Any person owning a Security Interest in a Unit.

1.21. Special Declarant Rights. Rights reserved herein and in the By-laws for the benefit of a Declarant, as follows: to complete the improvements indicated on the plats and Plans; to maintain sales offices, rental units, models, and signs advertising the Condominium; to use easements through the Common Elements for the purpose of making improvements within the Condominium or within real estate which may be added to the Condominium; to make the Condominium part of a larger condominium; and to elect, appoint or remove any officer of the Association or any executive board member during the Declarant Control Period.

1.22. Unit. A portion of the Condominium, whether or not contained solely or partially within a building, together with its percentage of undivided interest in the Common Elements as set forth on "Exhibit D" attached hereto, which is incorporated by reference herein. Each Unit is designated and delineated on the Plats and Plans.

1.23. Unit Boundaries. The boundaries of each Unit, both as to vertical and horizontal planes, as shown on the Plans, are the undecorated surfaces of the perimeter walls, exterior doors and exterior windows facing the interior of the Unit, the undecorated surfaces of the ceiling facing the interior of the Unit, and the topmost surfaces of the subflooring. It is the intention of this Section 1.23, by this definition of Unit Boundaries, to come within the provisions of Section 47C-2-102 of the Act.

1.24. Unit Owner. The person or persons, including the Declarant, owning a Unit in fee simple, and contract-for-deed purchasers of a Unit, but excluding all Security Holders.

The definitions contained in Section 47C-2-103 of the Act are incorporated herein by reference. The foregoing definitions shall be deemed, where appropriate, to supplement, explain, and add to the definitions contained in said section. In the event any of the foregoing definitions contradict, or are inconsistent with, the definitions contained in said section, the definitions contained in said section shall prevail, and the foregoing definitions shall not apply to the extent of the contradiction or inconsistency.

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ARTICLE II

Name

2.1. Name. The name of the Condominium is CHESTNUT COVE, A CONDOMINIUM.

ARTICLE III

Submission of Property to the Act

3.1. Submission. Declarant hereby submits the Property to the Act.

3.2. Division of Property into Separately owned Units. Declarant, pursuant to the Act, and to establish a plan of condominium ownership for the Condominium, does hereby divide the Property into eight (8) Units and does hereby designate all such Units for separate ownership, subject, however, to the provisions of Section 1.3 hereof. The boundaries of each Unit created hereby, including the Unit's identifying number, are shown on the Plats and Plans, to which reference is hereby specifically made pursuant to Section 47C-2-105 and 2-109 of the Act. Said Plats and Plans are recorded in Condominium File # , Macon County Public Registry.

3.3. Relocation of Boundaries Between Adjoining Units; Subdivision of Units; Alterations of Units. Subject to the provisions of the By-Laws and the rules and regulations of the Association, the boundaries of a Unit may be relocated pursuant to the provisions of Section 47C-2-112 of the Act. Subject to the provisions of the By-Laws and the rules and regulations of the Association, any Unit owned by the Declarant by any affiliate of Declarant, or by any person with respect to which Declarant is an affiliate may be subdivided into two (2) or more Units pursuant to the provisions of Section 47C-2-113 of the Act. Any Unit owned by any other person may not be subdivided, except to effect a boundary relocation. Boundaries of Units may not be relocated in such a way as to effectively create additional Units. Subject to the provisions of the By-Laws and the rules and regulations of the Association, a Unit may be altered pursuant to the provisions of Section 47C-2-111 of the Act.

3.4. Limited Common Elements. The Limited Common Elements serving or designed to serve each Unit are hereby allocated solely and exclusively to each such Unit. In addition to the Limited Common Elements defined in Section 1.13, Limited Common Elements include those set forth on Exhibit C which are hereby allocated to Units as shown on Exhibit C.

3.5. Interests Allocated to Units. The allocations to each Unit of a percentage of undivided interest in the Common Elements, of a percentage of the Common Expenses, and of votes in the Association, are as stated on Exhibit D attached hereto, which is incorporated by reference herein. The undivided interests in the common areas, the Common Expenses, and the votes in the Association are allocated equally to each of the Units in the Condominium. The formula used to establish the allocations is that each unit receives an allocation equal to that received by every other Unit.

3.6. Encumbrances. The liens, defects and encumbrances on the Property to which the rights of Unit Owners and Occupants are hereby made subject are set out on Exhibit E attached hereto, which is incorporated by reference herein.

3.7. Condominium Ordinances. The Condominium is not subject to any code, real estate use law, ordinance, charter provision, or regulation (i) prohibiting the condominium form of ownership, or (ii)

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imposing conditions or requirements upon a condominium which are not imposed upon physically similar developments under a different form of ownership.

3.8 Reservation of Special Declarant Rights and Development Rights. Declarant hereby reserves all Special Declarant Rights and Development Rights. All and any Development Rights may be exercised within the twenty (20) year period commencing with and following the recording of this Declaration, and cannot be exercised after the expiration of said twenty (20) year period. All and any Development Rights may be exercised with respect to all or any portion or portions of the Property or Additional Real Estate at different times, without any limitation as to the number or frequency of times, and no assurances are made in regard to the boundaries of the parcels that might be affected by the exercise of Development Rights or to any order in which any portions of the Property or Additional Real Estate may be subjected to the exercise of any Development Rights. If any Development Right is exercised in any portion of the Property or the Additional Real Estate, that Development Right need not be exercised in any other portion of the remainder of the Property or Additional Real Estate.

ARTICLE IV

Development Right to Add Additional Real Estate; Other Development Rights

4.1. Declarant's Right to Add Additional Real Estate. Declarant expressly reserves the right to add the Additional Real Estate to the Condominium. All or any part or parts of the Additional Real Estate identified and described on Exhibit B may be added to the Condominium at different times, but no assurances are made in regard to the order in which such portions may be added. Declarant shall have no duty or obligation of any kind to add any or all of the Additional Real Estate. The method of adding the Additional Real Estate to the Condominium shall be pursuant to Section 47C-2-110 of the Act.

4.2. Present Ownership of Additional Real Estate. The Additional Real Estate is currently owned in whole or in part by Golf Properties, Inc., a North Carolina corporation, which is an affiliate of GPP. The partners in GPP are The Parkway Company, a Texas Corporation; Citizens Growth Properties, an Ohio Business Trust; and Fred C. Craig, Inc., a Mississippi Corporation. The Parkway Company and Citizens Growth Properties own a controlling interest in GPP. The Parkway Company and Citizens Growth Properties also own all of the stock in Golf Properties, Inc.

4.3. Maximum Number of Additional Units; Units Restricted to Residential Use. The maximum number of additional Units that may be created within the First Tract of the Additional Real Estate is forty five (45) Units. The maximum number of additional Units that may be created within the Second, Third, and Fourth Tracts of the Additional Real Estate is two hundred (200) Units. Therefore, the total maximum number of additional Units that may be created within the additional real estate is two hundred forty five (245). All of such Units will be restricted exclusively to residential use.

4.4. Change in Allocated Interests. If and each time Declarant exercises its right to add Additional Real Estate to the Condominium, there will be a reduction in the percentage of undivided interest in the Common Elements, the percentage of Common Expenses, and the votes in the Association attributable to each Unit. Each Unit's percentage of undivided interest in the Common Elements and percentage of Common Expenses can be reduced down to but not below .3953 percent. Each Unit's votes in the Association can be reduced down to but not below 1/253. The formula to be used to reallocate the allocated interests among all Units included in the Condominium after each addition of

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Additional Real Estate to the Condominium shall be that each Unit shall always have an allocation of allocated interests equal to that of every other Unit.

4.5. Compatibility of Style, Etc. Any buildings, Units or other improvements that may be erected upon the First Tract of the Additional Real Estate or a portion thereof will be compatible with the existing buildings, Units and improvements in the Condominium in terms of architectural style, and quality of construction. With respect to the size of any buildings, Units or other improvements erected upon the First Tract of the Additional Real Estate or a portion thereof, the size of Units will be approximately the same size as or will be larger than that of the existing Units in the Condominium; otherwise, no assurances are made in regard to size. With respect to any buildings, Units or other improvements that may be erected upon the Second, Third, or the Fourth Tracts of the Additional Real Estate, no assurances are made in regard to architectural style, quality of construction and size.

4.6. No Assurances, Etc. Except as set forth hereinabove in this Article IV, no assurances are made with respect to: (a) any Common Elements or Limited Common Elements and the types and sizes thereof that may be created in any Additional Real Estate that may be added to the Condominium; (b) any limitations as to the locations of any buildings or other improvements that may be made within any Additional Real Estate that may be added to the Condominium; and (c) whether the proportion of the Limited Common Elements to Units in any Additional Real Estate that may be added to the Condominium will be approximately equal to the proportion from time to time existing within the Condominium.

4.7. Restrictions. All restrictions in the Declaration affecting use, occupancy and alienation of Units will apply to any Units created in any portion of the First Tract of the Additional Real Estate that may be added to the Condominium. With respect to any other Additional Real Estate that may be added to the Condominium, no assurances are made in this regard.

4.8. Applicability of Assurances if Additional Real Estate Not Added. No assurances made in this Article IV will apply with respect to any Additional Real Estate that is not added to the Condominium.

4.9. Other Development Rights. Declarant expressly reserves Development Rights in addition to the Development Right set forth above in this Article IV to add the Additional Real Estate to the Condominium. The additional Development Rights reserved are the right to create Units, Common Elements, and Limited Common Elements within the Condominium; the right to subdivide Units or convert Units into Common Elements; and the right to withdraw real estate from the Condominium. None of these additional Development Rights may be exercised at any time in such a way that would violate or contravene the Act or any other provision of this Declaration. The Declarant shall have the right, with respect to the Property and any of the Additional Real Estate added to the Property, to create within existing Common Elements new Units, new Common Elements, and new Limited Common Elements. The Declarant shall have the right, with respect to the Property and any of the Additional Real Estate added to the Property, to subdivide existing Units owned by Declarant into two (2) or more Units and to convert any existing Units owned by Declarant into Common Elements or Limited Common Elements. The Declarant shall have the right, with respect to the Property and any of the Additional Real Estate added to the Property, to withdraw real estate from the Condominium, and if the same is done, the withdrawn real estate shall have the same character as though it had never been submitted to the provisions of this Declaration.

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ARTICLE V

Easements

5.1. Easements. In the event that by reason of the construction, reconstruction, rehabilitation, alteration or improvement of the buildings or improvements comprising a part of the Property, any part of the Common Elements now or hereafter encroached upon any part of any Unit, or any part of any Unit now or hereafter encroaches upon any part of the Common Elements or upon any part of another Unit, an easement for the continued existence and maintenance of each such encroachment is hereby declared and granted and shall continue for so long as each such encroachment exists; provided, that in no event shall an easement for such encroachment be created if such encroachment is detrimental to or interferes with the reasonable use and enjoyment of the Common Elements or Units so encroached upon, or if such encroachment is created by willful misconduct or willful failure to adhere to the Plans and Plans.

5.2. Easements Through Walls. Easements are hereby reserved to Declarant and declared and granted to the Association and to such persons as are authorized by the Association, to install, lay, maintain, repair and replace any chases, flues, ducts, vents, pipes, wires, conduits and other utility installations, and structural components running through the walls of the Units, whether or not such walls lie in whole or in part within the boundaries of any Unit.

5.3. Easements to Repair, Maintain, Restore and Reconstruct. Wherever in, and whenever by, this Declaration, the By-Laws or the Act, the Declarant, a Unit Owner, the Association, the Board, or any other person, is authorized to enter upon a Unit or the Common Elements to repair, maintain, restore or reconstruct all or any part of a Unit or the Common Elements, such easements as are necessary for such entry and such repair, maintenance, restoration or reconstruction are hereby reserved, declared and granted.

5.4. Declarant's Easement. Declarant hereby reserves such easements through the Common Elements and Limited Common Elements as may be reasonably necessary or expedient for the purposes of discharging its obligations, exercising its Special Declarant Rights, exercising its Development Rights, and completing the development and construction of the Condominium, which easements shall exist as long as reasonably necessary or expedient for such purposes.

5.5. Easements Through Condominium Lands for Roads and Utilities Reserved to Declarant and Granted to Others. Declarant hereby reserves unto itself and its successors and assigns, easements for ingress, egress, and regress upon, under, and across roads, streets, and drives leading to and through the Condominium, said easements to be fifty (50) feet in width with the centerlines of the easements corresponding to the centerlines of the roads, streets, and drives. Declarant reserves unto itself and its successors and assigns, easements for the installation, repair, maintenance, replacement, upkeep, and inspection of utility lines and conduits for electricity, water, sewer, cable television, and other utilities along and under said roads, streets, and drives. Declarant reserves unto itself, its successors and assigns, easements through and beneath all Common Elements for the installation, repair, maintenance, replacement, upkeep, and inspection of utility lines and conduits for electricity, water, sewer, cable television, and other utilities. Said reserved utility easements may be used to serve real estate not a part of the Condominium. The same easements reserved to Declarant in this Article V are hereby declared and granted to the Association, to Golf Properties, Inc., to Highlands Falls Community Association, Inc, to Highlands Falls Country Club, Inc. and to the successors and assigns of each.

5.6. Easement to Highlands Falls Country Club, Inc. Inasmuch as the Condominium adjoins a golf course presently owned by Highlands

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Falls Country Club, Inc., an easement is hereby granted to Highlands Falls Country Club, Inc., its successors, assigns, and members, and to all persons from time to time authorized to use and play on the golf course, for the purpose of going upon the Condominium for the retrieval of golf balls, playing of golf, and purposes reasonably related thereto. Further, an easement for a golf cart path and the use thereof is reserved and is hereby declared and granted to all of said persons for the golf cart path which runs across the Northern end of the Property from present fairway #11 to present fairway #14.

5.7. Easements to Run With Land. All easements and rights described in this Article V are appurtenant easements running with the land, and except as otherwise expressly provided in this Article V shall be perpetually in full force and effect, and shall, as applicable, inure to the benefit of and/or be binding upon Declarant, the Association, Unit Owners, Occupants, Tenancy Holders and any other person having any interest in the Condominium or any part thereof. The Condominium and every part thereof shall be conveyed and encumbered subject to and together with all easements and rights described in this Article V, whether or not specifically mentioned in any such conveyance or encumbrance.

ARTICLE VI

Restrictions, Conditions and Covenants

6.1. Compliance with Declaration, By-Laws and Rules and Regulations; Membership in Association. Each Unit Owner and Occupant shall comply with all applicable provisions of the Act, this Declaration, the By-Laws, the Articles of Incorporation of the Association, and rules and regulations promulgated by the Board or the Association, as from time to time amended. Failure to comply shall be grounds for an action by the Association, an aggrieved Unit Owner, or any person adversely affected, for recovery of damages, for injunctive relief, and for such other relief as may be available at law or in equity. In addition to all other available remedies, violation of any of the provisions of this Article VI shall subject the violator to fines in the manner more fully set forth hereinbelow. Every person who is a Unit Owner must and shall automatically be a member of the Association. When more than one (1) person is a Unit Owner of any one (1) Unit, all such persons shall be members of the Association. Each Unit and Unit Owner shall be governed by the Articles of Incorporation, By-Laws, and Rules and Regulations of the Association. Anything contained in this Declaration to the contrary notwithstanding, during the Declarant Control Period, the Declarant shall control the Association to the greatest extent possible under the Act, and as provided in the By-Laws. The Association shall be governed by the Act, and by the Association's Articles of Incorporation, By-Laws, and Rules and Regulations.

6.2. Administration of Condominium. The Condominium shall be administered by the Association in accordance with the provisions of the Act, this Declaration, the By-Laws, and the rules and regulations promulgated by the Board or the Association, as from time to time amended.

6.3. Use Restrictions; Use by Declarant. The following use restrictions shall be applicable to the Association and to each Unit Owner and Occupant, with respect to the Condominium, each Unit, and the Common Elements:

(a) Single Family Residential Use, etc. The Units may and shall be occupied and used by Unit Owners and Occupants for residential purposes only. No unit may be used for any purposes whatsoever (particularly, but without limitation, purposes associated with any business, employment, office, profession, manufacturing activity, or commercial activity) other than residential purposes. Only one (1)

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family, and their guests, may occupy a Unit at any one (1) time. There shall be no timesharing of any Unit. No owner may seek or effect a partitioning in kind with respect to that owner's interest in a Unit. No owner may take action to create ownership of a Unit in such a manner that the characteristic of the form of ownership would be a divided interest. The Association may from time to time adopt reasonable rules and regulations restricting the number of persons who may simultaneously dwell within or occupy any Unit.

(h) Disposal of Waste. All plumbing fixtures, dishwashers, and toilets shall be connected to the existing sewage system, and no other form of waste disposal shall be permitted.

(c) Nuisances. No noxious or offensive activities or nuisances shall be permitted by any Unit Owner or Occupant, or by those within their control, in or about any Unit or the Common Elements.

(d) Signs. No "For Sale" or "For Rent" signs, other signs, window displays or advertising shall be maintained or permitted by any Unit Owner or Occupant in or about any Unit or the Common Elements, unless prior written consent is obtained from the Board.

(e) Animals. No animals or pets may be kept or maintained in or about any Unit or the Common Elements, except as may be permitted by the By-Laws or the rules and regulations promulgated from time to time by the Board or the Association.

(f) Garbage and Refuse Disposal. No Unit Owner or Occupant shall burn trash, garbage or other debris or refuse, nor may junked or inoperative vehicles, litter, refuse or garbage be accumulated in or about any Unit or the Common Elements.

(g) Control of Trash Receptacles. No receptacles for trash, ashes, garbage and refuse may be maintained outside any Unit, or inside any Unit in such a way that the same can be seen from outside the Unit, except as may be established or permitted by the By-Laws or by the rules and regulations promulgated from time to time by the Board or the Association.

(h) Vehicles, Conveyances, etc. No commercial vehicles, boats, trailers, mobile homes, motor homes, campers, travel trailers, trucks larger than one (1) ton, or other similar type of vehicle or conveyance shall be parked, stored, or otherwise permitted to remain within any part of the Condominium. No Unit Owner or Occupant may customarily keep, maintain, park, store or otherwise have within any part of the Condominium more than two (2) automobiles or other vehicles not prohibited by this Section 6.3(h), or any vehicle that is not fully operable.

(i) Water Source. Water may be obtained for use in any Unit only from the existing water system owned and operated by Highlands Falls Community Association, Inc., or from such other system as may be approved or provided by the Association, and from no other source.

(j) Outside Storage. No Unit Owner or Occupant may store or keep anything whatsoever outside a Unit, except the vehicles permitted under Section 6.3(h), or as may be permitted by the rules and regulations promulgated from time to time by the Board or the Association.

(k) Television, radio, or other antennae. No antenna of any kind, for television, radio, shortwave, or any other use, may be erected, placed, maintained or located on the outside of any Unit or in the Common Elements.

(l) Use Affecting Insurance. Nothing shall be done to, in or about any Unit or the Common Elements that does or might reasonably tend to increase any rate of insurance maintained with respect to the Condominium, without the prior written consent of the Board. No Unit

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Owner or Occupant shall permit anything to be done or kept in or about any Unit or the Common Elements that does or might reasonably result in the cancellation of insurance maintained with respect to the Condominium, or that would be in violation of any law, or that does or reasonably might result in the commitment of waste to or in any Unit or the Common Elements.

(m) Alterations of Common Elements. No Unit Owner or Occupant, except Declarant during the Declarant Control Period, shall alter, construct anything upon, or remove anything from, the Common Elements, or paint, decorate, landscape or adorn any portion of the Common Elements, unless prior written consent is obtained from the Board.

(n) Prohibition of Renting for Transient or Hotel Purposes. No Unit Owner shall rent his Unit for transient or hotel purposes. Each permitted lease shall lease an entire Unit, and shall be subject to this Declaration and to the By-Laws, rules and regulations of the Association. Any failure of the lessee to comply with the terms of this Declaration, the By-Laws, or the rules and regulations of the Association shall be deemed to be a default under the lease, and each lease shall be deemed to grant to the Association the right to seek and obtain any remedies available to the Unit Owner in the event of lessee's default under the terms of the lease. Any Unit Owner who enters into a lease of his Unit shall promptly notify the Association of the name and address of each lessee, the Unit rented, and the term of the lease. Except as limited by the foregoing restrictions, each Unit Owner shall have the full right to lease his Unit. This Section 6.3(n) shall not apply to the Declarant, or to any Unit owned by the Declarant.

(o) Declarant's Reservation of Special Declarant Rights With Respect to Signs, Sales Offices, Models, Rentals, etc. Notwithstanding any of the foregoing restrictions or any provisions of this Declaration, the By-Laws, and the rules and regulations of the Board of the Association, Declarant shall have the following rights:

(i) To maintain sales offices and models in any Units owned by Declarant; to maintain sales offices and models in Units not owned by Declarant so long as Declarant owns one (1) or more Units in the Condominium; from time to time to relocate, discontinue and reestablish sales offices and models;

(ii) To rent or lease any Units owned by Declarant, orally or in writing, upon any terms, for any length of time, to any person, without any person's consent, provided neither the lease nor the lessee violate any of the restrictions contained in this Section 6.3 (except Section 6.3(n));

(iii) From time to time to change the use or combination of uses of such sales offices, models and rentals, provided the same are used only for sales offices, models, or rentals; and

(iv) To maintain signs in or about any Units owned by Declarant or in or about the Common Elements advertising the Condominium, until all of the Units have been conveyed to Unit Owners other than Declarant. Declarant shall repair or pay for the repair of damage done by the removal of signs.

(p) Rules and Regulations. In addition to the foregoing restrictions, conditions and covenants concerning the use of the

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Condominium, reasonable rules and regulations not in conflict therewith and supplementary thereto may be promulgated and amended from time to time by the Board or the Association, as more fully provided in the By-Laws, and the same shall be as binding as had they been set forth in this Declaration.

(q) Applicability of Restrictions Concerning Highlands Falls Community Association, Inc. Each Unit and each Unit Owner shall be subject to the Amended Declaration of Protective Covenants and Restrictions Providing for Highlands Falls Community Association, Inc., recorded in Book K-14 at page 204, Macon County Public Registry, to the same extent as every lot in Highlands Falls Country Club Subdivision that is subject to said Amended Declaration, and shall be subject to all of the obligations contained therein, including without limitation the obligations of membership in Highlands Falls Community Association, Inc. and of paying all dues, assessments, and charges required therein. Each Unit and Unit Owner shall have the rights, easements, and privileges granted in said Amended Declaration.

(r) Restrictions, Conditions and Covenants to Run With Land. Each Unit and each Unit Owner and Occupant shall be subject to all restrictions, conditions and covenants of this Declaration, and all such restrictions, conditions and covenants shall be deemed to be covenants running with the land, and shall bind every person having any interest in the Property, and shall inure to the benefit of every Unit Owner.

ARTICLE VII

Management, Maintenance, Repairs, Replacements, Alterations and Improvements

7.1. Common Elements.

(a) By the Association. The management, replacement, maintenance, repair, alteration and improvement of the Common Elements shall be the responsibility of the Association, and, subject to the provisions of Section 7.2 hereof, the cost thereof shall be a Common Expense to the extent not paid by Unit Owners pursuant to Section 7.1(b) hereof. All damage caused to a Unit by any work on or to the Common Elements done by or for the Association shall be repaired or replaced by the Association, and the cost thereof shall be a Common Expense.

(b) By Unit Owners. Each Unit Owner shall pay all costs to repair and replace all portions of the Common Elements that may become damaged or destroyed by reason of his negligent or intentional acts or the negligent or intentional acts of any Occupant of his Unit. Such payment shall be made upon demand made by the Association.

7.2. Common Expenses Associated with Limited Common Elements or Benefitting Less Than All Units.

(a) Any Common Expense associated with the maintenance, repair, or replacement of a Limited Common Element shall be assessed against the Unit, or in equal shares against the Units, to which such Limited Common Element was assigned at the time the expense was incurred.

(b) In addition, the Association may assess any Common Expense benefitting less than all of the Units against the Unit benefitted or equally against the Units benefitted.

7.3. Units. Each Unit Owner shall maintain his Unit at all times, whether occupied or unoccupied, in a good and clean condition, and shall repair and replace, at his expense, all portions of his Unit. If a Unit is not properly maintained, the Association shall

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have the right to do so, and, subject to the provisions of Section 7.3(a), to enter the Unit as often as necessary to do so, and the costs to the Association of so doing shall be added to and become a part of the assessments to which such Unit is subject. The Association, its officers, agents and employees, shall incur no liability on account of any maintenance so performed. Each Unit Owner shall perform his maintenance responsibilities in such a manner so as to not unreasonably disturb other Occupants; shall promptly report to the Board, or its agents, any defect or need for repairs the responsibility for which is that of the Association; and, to the extent that such expense is not covered by the proceeds of insurance carried by the Association, shall pay all costs to repair and replace any portion of another Unit that has become damaged or destroyed by reason of his own acts or omissions, or the acts or omissions of any Occupant of his Unit. Such payment shall be made upon demand by the Unit Owners of such other Unit. Nothing herein contained shall modify any waiver by insurance companies of rights of subrogation.

7.4. Right of Entry.

(a) By the Association. The Association, and any person authorized by the Association, may enter any Unit or any of the Limited Common Elements in case of an emergency or dangerous condition or situation originating in or threatening that Unit or any of the Limited Common Elements. The Association, and any person authorized by the Association, after reasonable notice to a Unit Owner or Occupant, may enter that Unit or any of the Limited Common Elements for the purposes of performing any of the Association's duties or obligations or exercising any of the Association's powers under the Act, this Declaration or the By-Laws with respect to that or any other Unit, any Limited Common Elements, or the Common Elements. Notwithstanding Section 7.4, the Association shall be responsible for the repair of any damage caused by the Association or its authorized person to the entered Unit, and the cost thereof shall be a Common Expense to be assessed equally against all Unit Owners. All such entries shall be made and done so as to cause as little inconvenience as possible to the Unit Owner and Occupants of the entered Unit.

(b) By Unit Owners. Each Unit Owner and Occupant shall allow other Unit Owners and Occupants, and their representatives, to enter his Unit, or Limited Common Elements allocated to his Unit, when reasonably necessary for the purpose of altering, maintaining, repairing or replacing the Unit of the Unit Owner or Occupant making such entry, or when reasonably necessary for the purpose of the performance of his duties under the Act, this Declaration, or the By-Laws by the Unit Owner or Occupant making such entry; provided, that requests for entry are made in advance and that such entry is at a time convenient to the Unit Owner or Occupant whose Unit or Limited Common Element is to be entered. In case of an emergency or dangerous condition or situation, such right of entry shall be immediate. Notwithstanding Section 7.4, the person making such entry shall be responsible for repair of any damage caused by such person to the entered Unit or Limited Common Element.

ARTICLE VIII

Insurance

8.1. Property Insurance. Commencing not later than the time of the first conveyance of a Unit to a person other than the Declarant, the Association shall maintain to the extent available property insurance on the Common Elements and on the Units insuring against all risks of direct physical loss commonly insured against, including fire and extended coverage perils. The total amount of insurance after application of any deductibles shall be not less than eighty (80%) percent of the replacement costs of the insured property at the time the insurance is purchased and at each renewal date, exclusive of

land, excavations, foundations and other items normally excluded from property insurance policies. Such insurance shall insure against such risks and contain such provisions as the Board from time to time shall determine, but at a minimum shall always conform in all respects to the requirements of the Act. Any portion of the Condominium for which insurance is required under this Section which is damaged or destroyed shall be repaired or replaced promptly by the Association unless: (a) the Condominium is terminated; (b) repair or replacement would be illegal under any State or local health or safety statute or ordinance; or (c) the Unit Owners decide not to rebuild by an eighty (80%) percent vote, including one hundred (100%) percent approval of the Owners of Units not to be rebuilt or Owners assigned to Limited Common Elements not to be rebuilt. The cost of repair or replacement in excess of insurance proceeds and reserves is a Common Expense. If the entire Condominium is not repaired or replaced: (a) the insurance proceeds attributable to the damaged Common Elements shall be used to restore the damaged area to a condition compatible with the remainder of the Condominium; (b) the insurance proceeds attributable to Units and Limited Common Elements which 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 allocated or to security holders as their interests may appear; and (c) the remainder of the proceeds shall be distributed to all Unit Owners or security holders as their interests may appear in proportion to their Common Element interests. If the Unit Owners vote not to rebuild any Unit, that Unit's allocated interests are automatically reallocated upon the vote as if the Unit had been condemned under Section 47C-1-107(a) of the Act, and the Association promptly shall prepare, execute and record an amendment to this Declaration reflecting the reallocations. Notwithstanding the provisions of this Section 8.1, Section 47C-2-118 of the Act governs the distribution of insurance proceeds if the Condominium is terminated. The insurance shall provide that notwithstanding any provision thereof that gives the insurer an election to restore damage in lieu of making a cash settlement, such option shall not be exercisable in the event the decision is made not to restore the Condominium or any portion thereof in accordance with the preceding provisions.

8.2. Public Liability Insurance. Commencing not later than the time of the first conveyance of a Unit to a person other than the Declarant, the Association shall maintain to the extent available public liability insurance for the benefit of the Unit Owners, Occupants, holders of a vendor's interest in a Contract for Deed on a Unit, the Association, the Board, the manager (if any), the Declarant, and the respective officers, directors, agents and employees of each in such amounts and with such coverage as shall be determined by the Board, but in the amount of at least One Million (\$1,000,000.00) Dollars per occurrence for death, bodily injury and property damage. Said insurance shall contain a severability-of-interest endorsement precluding the insurer from denying liability because of negligent acts of any insured; shall insure all of such benefitted parties against such liability arising out of or in connection with the use, ownership, or maintenance of the Common Elements, and the streets, sidewalks and public spaces adjoining the Condominium; and shall insure the Association, the Board, the manager (if any), and their respective officers, directors, agents and employees against such liability arising out of or in connection with the use or maintenance of the Units.

8.3. Fidelity Coverage. Fidelity coverage shall be maintained to the extent available by the Association in commercial blanket form covering each director and officer of the Association, any employee or agent of the Association and any other person handling or responsible for handling funds of the Association in the face amount of at least the greater of (i) one and one-half (1 1/2) times the estimated annual operating expenses and reserves of the Association, or (ii) the sum of three (3) months' aggregate assessments on all Units plus the Association's reserve funds. Such bonds shall contain an appropriate endorsement to cover persons who serve without compensation. The premiums on such bonds shall be a Common Expense.

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8.4. Notice of Lack of Insurance. If the insurance called for to be carried hereinabove is not reasonably available, the Association promptly shall cause notice of that fact to be given to all Unit Owners.

8.5. Other Insurance. The Association may procure such other insurance, including without limitation worker's compensation insurance, and Directors' and Officers' liability insurance, as it may from time to time deem appropriate to protect the Association, its officers, directors, agents, employees, or the Unit Owners.

8.6. Other Insurance Provisions. The insurance policies that must be carried pursuant to Section 8.1 and Section 8.2 hereinabove, must provide that: (a) each Unit Owner is an insured person under the policy with respect to liability arising out of his interest in the Common Elements or membership in the Association; (b) the insurer waives the right to subrogation under the policy against any Unit Owner or Occupant; (c) no act or omission by any Unit Owner, unless acting within the scope of his authority on behalf of the Association, will preclude recovery under the policy; and (d) if at the time of a loss under the policy there is other insurance in the name of a Unit Owner covering the same risks covered by the policy, the Association's policy provides primary insurance. Any loss covered by the insurance required by Section 8.1 hereinabove shall be adjusted with the Association, but the insurance proceeds for that loss shall be payable to any insurance trustee designated for that purpose or otherwise to the Association and not to any mortgagee, beneficiary under a Deed of Trust, or other security holder. The insurance trustee or the Association shall hold any insurance proceeds in trust for Unit Owners and security holders as their interests may appear. Subject to the provisions of Section 8.1 hereinabove, the proceeds shall be disbursed first for the repair or restoration of the damaged property, and Unit Owners and security holders are not entitled to receive payment of any portion of the proceeds unless there is a surplus of proceeds after the property has been completely repaired or restored or the Condominium is terminated.

8.7. 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.

8.8. Individual Policy for Unit Owners. Each Unit Owner may obtain insurance, at his own expense, affording personal property, additional living expense, condominium assessment, personal liability, and any other coverage obtainable, to the extent and in the amounts such Unit Owner deems necessary to protect his own interests; provided, that any such insurance shall contain waivers pursuant to Section 7.3 and shall provide that it is without contribution as against the insurance purchased by the Association. If a casualty loss is sustained and there is a reduction in the amount of the proceeds that would otherwise be payable on the insurance purchased by the Association due to the proration of insurance purchased by a Unit Owner under this Section, such Unit Owner shall be liable to the Association to the extent of such reduction and shall pay the amount of such reduction to the Association upon demand, and assigns the proceeds of his insurance, to the extent of such reduction, to the Association.

ARTICLE IX

9.1. Casualty Damage. If all or any part of the Property shall be damaged or destroyed, the same shall be repaired or replaced, and proceeds of insurance shall be used and applied in accordance with the provisions of Section 47C-3-113(e) and (h) of the Act.

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ARTICLE X

Assessments

10.1. Assessments for Common Expenses. The Association shall, as required and contemplated by the Act, make periodic assessments against the Units and Unit Owners thereof for the Common Expenses of, expenditures made by, and financial liability of the Association.

10.2. Purposes and Uses of Common Expense Assessments. The purposes and uses of the Common Expense Assessments shall include those mentioned, contemplated and implied herein; those mentioned, contemplated and implied in the Act; and any others as may from time to time be reasonably established by the Board or the Association. The Common Expenses for which the Common Expense assessments shall mean and include all sums declared Common Expenses by the Act, this Declaration, or the By-Laws, and shall include specifically but without limitation the following items: real estate taxes and other governmental assessments or charges against the property until the Units are separately assessed; premiums for any and all insurance maintained by the Association including any deductibles or co-insurance amount not covered by insurance; utility charges not charged directly to Unit Owners; legal and accounting fees; fees for other professional services; costs and expenses incurred in connection with any litigation or administrative proceedings in which the Association is involved; deficits remaining from any prior assessment; the cost including fees and interest incurred in connection with any borrowing done by the Association; the cost of all fidelity bonds; costs imposed upon the Association or upon any part of the Common Elements or upon the Property or incurred by the Association as a result of the performance, enforcement or amendment of any agreement or easement to which the Association is a party or to which the Common Elements or Property or any part thereof is or may be subject; and amounts determined necessary for reserve funds.

10.3. Commencement of Liability for and Frequency of Common Expense Assessments. Until the Association makes a Common Expense assessment the Declarant shall pay all Common Expenses. The Association may make the initial Common Expense assessment at such time as it deems fit. Beginning with and from the time the Association makes the initial Common Expense assessment, the Association shall pay all Common Expenses. Following its initial Common Expense assessment, the Association shall make the periodic Common Expense assessments with such frequency and upon such schedule as may be from time to time determined and modified by the Board, but in no event less frequently than annually. Notice of assessments shall be given to the Unit Owners in the manner provided hereinbelow in such form as may be from time to time prescribed by the Board. The notice shall specify the due date, which must be no less than fifteen (15) days following the date of the notice of assessment.

10.4. Reserves. The Association shall establish in such amount as the Board may from time to time in its discretion deem proper a reserve fund from the Common Expense assessments to be held in an interest bearing account for the purpose of: (a) major rehabilitation, repairs and landscaping of the Common Elements; (b) emergencies and repairs required as a result of storm, fire, flood, wind, natural disaster, or other casualty loss; (c) the initial cost of any new services to be provided by the Association; and (d) any other purposes approved by the Board or the Association.

10.5. Amount of Assessments. Assessments for Common Expenses shall be made equally against all Units and Unit Owners thereof, except that:

- (i) Any Common Expense associated with the maintenance, repair, or replacement of a Limited Common Element must be assessed against

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the Unit, or in equal shares against the Units, to which such limited Common Element was assigned at the time the expense was incurred;

(iii) Any Common Expenses benefitting less than all the Units must be assessed against the Unit benefited, or equally against the Units benefited;

(iv) The costs of insurance must be assessed in proportion to risk;

(v) The costs of utilities must be assessed in proportion to usage;

(vi) Assessments to pay a judgment against the Association shall be made equally against the Units that were in the Condominium at the time the judgment was entered;

(vii) Fines imposed under Section 10.6 shall be assessed against the appropriate Unit; and

(viii) Any other charges or items assessable by the Association, which by the terms of this Declaration, the Act, the By-Laws, or the rules and regulations of the Association are intended to be paid as a Common Expense assessment by one or more but less than all the Unit Owners, shall be assessed only against the appropriate Unit(s) and Unit Owner(s).

In determining which Common Expenses should be assessed equally against all Units and which should be assessed only against a particular Unit or against some but less than all of the Units, the Executive Board shall have absolute authority and discretion, and its decisions cannot be questioned by any Unit Owner.

The normal costs, expenses and indebtedness incurred by the Association and the normal liabilities of the Association shall be paid, if possible, when the same first accrue, or become due, or are incurred. Therefore, the periodic assessments shall be in an amount sufficient not only to pay current normal costs, expenses, indebtedness and liabilities, but also to establish the capacity to pay the normal costs, expenses, indebtedness and liabilities reasonably anticipated to become due or be incurred in the period (not to exceed one (1) year) following the assessment. In addition, the periodic assessments shall as necessary include amounts designated to establish or enlarge the reserve mentioned in Section 10.4 hereinabove.

10.6. Fines Because of Violation--Additional Amounts of Assessments. The Board shall have the power to assess fines against Unit Owners for the violation by the Unit Owners or Occupants of the provisions of this Declaration, the By-Laws, or the rules and regulations of the Board or the Association. No fine shall exceed the maximum amount prescribed by the Act. Each violation, no matter how numerous or repeated the violations may be, may be assessed the maximum fine. The Board shall sit as an adjudicatory panel, and shall accord the party charged with the violation notice of the charge, opportunity to be heard and to present evidence, and notice of the decision. Notice of the Board's decision, if a fine is imposed, shall constitute an assessment against the Unit.

10.7. Effect of Non-payment of Assessments; the Personal Obligation of the Owner; Lien; Remedies of the Association. If any assessment is not paid by the due date such assessment shall be delinquent

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and shall bear interest from the due date at the rate of eighteen (18%) percent per annum, of the maximum interest rate allowed by law (including Section 47C-1-115 of the Act), whichever is higher.

Any assessment levied against a Unit remaining unpaid for a period of thirty (30) days or longer from the date of the notice of assessment shall constitute a lien on that Unit when filed of record in the office of the Clerk of Superior Court for Marion County, North Carolina, in the manner provided therefor by Article 9 of Chapter 44 of the General Statutes. The Association's lien may be foreclosed in like manner as a mortgage on real estate under power of sale under Article 2A of Chapter 45 of the General Statutes.

If any delinquent assessment is not paid within thirty (30) days from the date of the notice of assessment and is placed in the hands of any attorney for collection, there shall be added to the amount due all costs of collection including reasonable attorney's fees not to exceed fifteen (15%) percent of the outstanding balance.

The lien shall include the amount of all interest which accrues and continues to accrue upon the assessment, and shall include the aforementioned costs of collection and attorney's fees.

All assessments, interest, costs, and attorney's fees shall be and constitute the personal joint and several obligation of each Unit Owner as of the date of the notice of assessment. The Association may, in addition or in the alternative to enforcing its lien, bring an action against the Unit Owners to seek a money judgment for the amount of the assessment, interest, and costs of collection and attorney's fees.

The Association may purchase the Unit at any sale ordered pursuant to an action to foreclose the lien.

10.8. Prohibition of Exemption from Liability for Contribution Toward Common Expenses. No Unit Owner may exempt himself from liability for his share of the Common Expenses assessed by the Association by waiver of the use of enjoyment of any of the Common Elements or by abandonment of his Unit or otherwise.

10.9. Incorporation by Reference of Provisions of By-Laws. The provisions of Article XV of the By-Laws entitled "Assessments" as from time to time amended are hereby incorporated by reference into this Declaration and made a part of this Declaration to the same extent as though said provisions were set forth in full herein, and every person subject to this Declaration shall be fully subject to the provisions of said Article XV of the By-Laws.

10.10. Assessments as Collateral. Subject to the other provisions of this Declaration and the provisions of the By-Laws, the Association shall have the right to assign as collateral its anticipation of receiving assessments.

ARTICLE XI

Condemnation

11.1. Condemnation. In the event of a taking by eminent domain, or by a conveyance in lieu thereof, of all or any part of the Property, the same shall be repaired or restored, and the awards paid on account thereof shall be used and applied in accordance with Section 47C-1-107 of the Act.

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ARTICLE XII

Termination

12.1. Termination. The Condominium may be terminated only in strict compliance with Section 40C-2-119 of the Act.

ARTICLE XIII

Amendment

13.1. Amendment. This Declaration may be amended only in strict compliance with the Act, including, without limitation, Section 40C-2-117 of the Act, except that no amendment altering or impairing Special Declarant Rights or Development Rights may be made without the written consent of Declarant.

ARTICLE XIV

Rights of First Mortgagees

The following provisions shall take precedence over all other provisions of this Declaration and the By-Laws:

14.1. Availability of Condominium Documents, Books, Records and Financial Statements. The Association shall, upon request and during normal business hours, make available for inspection by Unit Owners and the First Mortgagees and the insurers and guarantors of a First Mortgage on any Unit, current copies of the Declaration, the By-Laws, other rules and regulations governing the Condominium, and the books, records and financial statements of the Association. The Association shall provide an audited financial statement for the preceding fiscal year if requested in writing by a First Mortgagee or insurer or guarantor of a First Mortgage. The Association shall, upon request and during normal business hours, make available for inspection by prospective purchasers of Units, current copies of the Declaration, By-Laws, other rules and regulations governing the Condominium, and, if available, the most recent annual audited financial statement.

14.2. Rights of Action. The Association and any aggrieved Unit Owner shall have a right of action against Unit Owners, and any aggrieved Unit Owner shall have a right of action against the Association, for failure to comply with the provisions of this Declaration, the By-Laws and the rules and regulations of the Association made pursuant to authority granted to the Association in this Declaration and the By-Laws.

14.3. Right of First Refusal. The right of a Unit Owner to sell, transfer, mortgage or otherwise convey his interest in his Unit shall not be subject to any right of first refusal.

14.4. Consent of First Mortgagees to Change Declaration or By-Laws. This Section 14.4 shall be effective only in the event that and only during such times as at least one (1) Unit is subject to a First Mortgage. Any decision to terminate the Condominium for reasons other than substantial destruction or condemnation shall require the prior written consent of the holders of at least sixty seven (67%) percent of the First Mortgages held upon Units in the Condominium (which percentage shall be based upon the total number of Units in the Condominium subject to a First Mortgage); provided, however, that unless a First Mortgagee gives notice as provided in Section 14.6 hereinbelow, then such First Mortgagee's consent need not be obtained nor shall such First Mortgagee be counted in determining the number of First Mortgages held upon Units in the Condominium. Except for any amendment to the Declaration made for the purpose of adding any of the

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Additional Real Estate to the Condominium in accordance with the provisions hereof, any Amendment to the Declaration or By-Laws which changes any provisions relating to the following matters shall require the prior written consent of Unit Owners holding at least sixty seven (67%) percent of the total votes in the Association and of holders of at least fifty one (51%) percent of the First Mortgages held upon Units in the Condominium (which percentage shall be based upon the total number of Units in the Condominium subject to a First Mortgage); provided, however, that unless a First Mortgagee gives notice as provided in Section 14.6 hereinbelow, then such First Mortgagee's consent need not be obtained nor shall such First Mortgagee be counted in determining the number of First Mortgages held upon Units in the Condominium:

- (a) Provisions regarding voting rights;
- (b) Provisions regarding assessments and liens for assessments;
- (c) Provisions regarding reserves for maintenance, repair and replacement of the Common Elements;
- (d) Provisions regarding responsibility for maintenance and repairs;
- (e) Provisions regarding reallocation of interests in the Common Elements or Limited Common Elements;
- (f) Provisions regarding boundaries of the Units;
- (g) Provisions regarding the conversion of Units into Common Elements or Common Elements in the Units;
- (h) Provisions regarding the expansion or contraction of the Condominium or the addition, annexation, or withdrawal of property to or from the Condominium;
- (i) Provisions regarding insurance;
- (j) Provisions regarding leasing of Units;
- (k) Provisions regarding imposition of any restrictions on a Unit Owner's right to sell, transfer, or otherwise convey his Unit; and
- (l) Provisions regarding the repair, restoration or termination of the Condominium after substantial damage or destruction or condemnation.

14.5. Consent of First Mortgagees Re: Other Matters. This Section 14.5 shall be effective only in the event that and only during such times as at least one (1) Unit is subject to a First Mortgage. The Association shall not be entitled to do or perform any of the following matters and things unless it first obtains the prior written consent of the holders of at least sixty seven (67%) percent of the First Mortgages held upon Units in the Condominium (which percentage shall be based upon the total number of Units in the Condominium subject to First Mortgages); provided, however, that unless a First Mortgagee gives notice as provided in Section 14.6 hereinbelow, then such First Mortgagee's consent need not be obtained nor shall such First Mortgagee be counted in determining the number of First Mortgages held upon Units in the Condominium:

- (a) By act or omission to seek to abandon or terminate the Condominium;
- (b) Except in the case of addition of the Additional Real Estate pursuant to the provisions of this Declaration,

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to change the allocation of interests in the Common Elements, votes in the Association, or Common Expense liabilities;

- (c) To partition or subdivide any Unit;
- (d) Except in the case of addition of the Additional Real Estate pursuant to the provisions hereof, to by act or omission seek to abandon, partition, subdivide, encumber, sell or transfer the Common Elements (provided, however, the granting of easements for public utilities or for other public purposes or the granting of easements to Highlands Falls Community Association, Inc., its heirs, successors and assigns, Highlands Falls Country Club, Inc., its heirs, successors and assigns, Golf Properties, Inc., its heirs, successors and assigns, or the Declarant, its heirs, successors and assigns shall not be deemed a transfer within the meaning of this provision); and
- (e) To use hazard insurance proceeds for losses to any part of the Condominium (whether to Units or to Common Elements) for purposes other than the repair, replacement or reconstruction thereof.

14.6. Notice from First Mortgagee to Association. If any First Mortgagee shall give notice to the Association stating its name and address and describing the Unit encumbered by the First Mortgage, and stating its desire to receive notice of the following matters and things, then the Association shall give to such First Mortgagee timely notice of the following matters and things:

- (a) Any proposed action which requires consent of a specified percentage of First Mortgagees;
- (b) Any condemnation or casualty loss that affects a material portion of the Condominium or of a Unit securing its First Mortgage;
- (c) Any sixty (60) day delinquency in the payment of assessments or charges owed by the Unit Owner of a Unit on which the First Mortgagee holds the First Mortgage or any failure in the performance of any obligation under this Declaration or the By-Laws by said Unit Owner; and
- (d) Any lapse, cancellation or material modification of any insurance policy required by this Declaration to be maintained by the Association.

Any First Mortgagee who gives notice pursuant to this Section 14.6 to the Association shall be deemed to have complied with the notice provisions of Section 14.4 and 14.5 hereinabove. Any First Mortgagee who gives notice to the Association stating that it desires all rights afforded pursuant to this Section 14.6 of the Declaration shall be deemed to have given full notice to the Association pursuant to this Section 14.6.

ARTICLE XV

Declarant Control Period

The Condominium shall be administered by the Association. With respect to the control of the Association, the provisions of this Article XV shall prevail over all provisions hereof and of the By-Laws to the contrary. During the Declarant Control Period, the Declarant shall have control of the Association through its power to appoint and remove Executive Board Members in the manner hereinbelow provided. Until such time as twenty five (25%) percent of the Units (including

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Units created pursuant to Special Declarant Rights, and specifically, but without limitation, including the maximum number of Units that the Declarant has the right to create in any Additional Real Estate the Declarant has reserved the right to add to the Condominium) have been conveyed to Unit Owners other than a Declarant, the Declarant shall appoint all members of the Executive Board. Until said time, the provisions contained in the By-Laws providing for the election of Executive Board Members at the annual meeting of members by the members shall not be in effect, but the annual meetings of the members shall nonetheless be held and other business properly before such meetings shall be conducted in the manner provided in the By-Laws. The Executive Board Members appointed by the Declarant shall continue to hold office at the pleasure of the Declarant, and the Declarant may appoint or remove its members of the Executive Board as frequently and in such manner and order as it deems expedient.

At such time as twenty five (25%) percent of the Units (including Units created pursuant to Special Declarant Rights, and specifically, but without limitation, including the maximum number of Units that the Declarant has the right to create in any Additional Real Estate the Declarant has reserved the right to add to the Condominium) have been conveyed to Unit Owners other than a Declarant, the members shall have the right to elect two (2) of the Executive Board Members. If such percentage is attained on or after the sixtieth (60th) day preceding the next scheduled annual meeting of members and prior to the time notice is given of such annual meeting of the members, said two (2) Executive Board Members to be elected by the members shall be elected at said annual meeting. If said percentage is attained at any other time, a special meeting of the members shall be called for the purpose of electing said two (2) Executive Board Members. After the members obtain the right to elect two (2) Executive Board Members, the Declarant shall continue to have the right to appoint and remove the other three (3) Executive Board Members for the duration of the Declarant Control Period.

The Declarant Control Period shall terminate upon the earliest to occur of the following: (i) one hundred twenty (120) days after the conveyance of seventy five (75%) percent of the Units (including Units created pursuant to Special Declarant Rights, and specifically, but without limitation, including the maximum number of Units that the Declarant has the right to create in any Additional Real Estate the Declarant has reserved the right to add to the Condominium) to Unit Owners other than a Declarant; (ii) two (2) years after all Declarants have ceased to offer Units for sale in the ordinary course of business; or (iii) two (2) years after any Development Right to add new Units was last exercised. The Declarant may voluntarily surrender the right to appoint and remove Executive Board Members before termination of the Declarant Control Period, but in that event the Declarant may require for the duration of the Declarant Control Period that specified actions of the Association and the Executive Board as described in a recorded instrument executed by the Declarant be approved by the Declarant before they become effective.

If the Declarant Control Period ends on or after the sixtieth (60th) day preceding the next scheduled annual meeting of the members and prior to the time notice is given of such annual meeting of the members, all Executive Board Members shall be elected by the members at the annual meeting. If the Declarant Control Period ends at any other time, a special meeting of the members shall be called for the purpose of electing Executive Board Members.

The Declarant has reserved the right to add Additional Real Estate to the Condominium and to create a maximum of two hundred forty five (245) additional Units therein, to add none, part or all of the Additional Real Estate; and to add Additional Real Estate at different times. The Declarant has reserved a period of twenty (20) years from the record date of this Declaration within which to exercise its Development Rights to create additional Units and to add Additional Real

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Estate. Subject to the limitation that the Declarant Control Period terminates no later than two (2) years after any Development Right to add new Units was last exercised, in determining for the purposes of this Article XV the percentage of Units in the Condominium which have been conveyed to Unit Owners other than a Declarant, the total number of Units in the Condominium shall be the sum of the following:

A. The number of existing Units; plus

B. The maximum number of new Units which could be created if the Declarant added to the Condominium all of the Additional Real Estate it has reserved the right to add and created therein all of the Units it has reserved the right to create; plus

C. The maximum number of new Units the Declarant has reserved the right to create in real estate already a part of the Condominium.

In determining for the purposes of this Article XV the percentage of Units in the Condominium which have been conveyed to Unit Owners other than a Declarant, the total number of Units in the Condominium shall not be merely the number of existing Units unless and until the Declarant has no further right to add Additional Real Estate and has no further right to create new Units in real estate already a part of the Condominium.

ARTICLE XVI

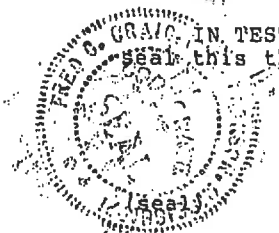
General Provisions

16.1. Conflict with the Act; Severability. Should any of the terms, conditions, provisions, paragraphs, or clauses of this Declaration conflict with any provisions of the Act, the provisions of the Act shall control unless the Act permits the Declaration to override the Act, in which event the Declaration shall control. The invalidity of any covenant, restriction, condition, limitation, provision, paragraph or clause of this Declaration, or of any part of the same, or the application thereof to any person or circumstance, shall not impair or affect in any manner the validity, enforceability or effect of the rest of this Declaration, or the application of any such covenant, restriction, condition, limitation, provision, paragraph or clause to any other person or circumstance.

16.2. Interpretation of Declaration. Whenever appropriate, singular may be read as plural, plural may be read as singular; the masculine gender may be read as the feminine or neuter gender, and the neuter gender may be read as the masculine or feminine gender. Compound words beginning with the prefix "here" shall refer to this entire Declaration and not merely to the part in which they appear.

16.3. Notices. Any notice required to be given to any person under the provisions of this Declaration shall be deemed to have been properly given when hand delivered or when mailed with the proper postage affixed to the address appearing on the Association's membership list. Notice to any one of two or more Unit Owners of a single Unit shall constitute notice to all Unit Owners of such Unit. It shall be the obligation of every Unit Owner to immediately notify the Association in writing of any change of address.

IN TESTIMONY WHEREOF, the Declarant has hereunto set his hand and seal this the day and year first above written.



Attest:

Jamie M. Williams
Secretary

GOLF PROPERTIES PARTNERS

By: FRED C. CRAIG, INC., PARTNER

By:

Fred C. Craig

President

STATE OF MISSISSIPPI
COUNTY OF Albany

I, Beverly Ann Woodhurst, a Notary Public, do hereby certify that James M. Williams personally appeared before me this day and acknowledged that he is the Secretary of FRED C. CRAIG, INC., a Mississippi corporation, and that by authority duly given and as an act of the corporation, the foregoing instrument was signed in its name by its President, sealed with its corporate seal and attested by him as its Secretary.

WITNESS my hand and Notarial Seal, this the 1st day of November, 1987.

My Commission Expires: 27 December

Beverly Ann Woodhurst
Notary Public

(seal)

NORTH CAROLINA
MACON COUNTY

The foregoing or annexed certificate of Beverly Ann Woodhurst a Notary Public, is certified to be correct. This instrument was presented for registration and recorded in this office in Book Q-17 at page 245.

This 18 day of December, 1987, at 2:00 o'clock
P. M.

Milton Lewis
REGISTER OF DEEDS

NORTH CAROLINA
JACKSON COUNTY

The foregoing or annexed 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 _____, 1987, at _____ o'clock
M.

REGISTER OF DEEDS

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TO DECLARATION OF CONDOMINIUM
FOR CHESTNUT COVE, A CONDOMINIUM

Legal Description

All the lands, easements, privileges and appurtenances as described in and conveyed by the deed dated June 12, 1987, from Golf Properties, Inc. to Golf Properties Partners recorded in the office of Register of Deeds for Macon County, North Carolina, in Book J-17 at page 62, and described in full therein as follows:

"Being a portion of PARCEL III, and PARCEL VIII, Block E, Section II, Highlands Falls Country Club as shown on a plat thereof recorded in Plat Cabinet 1, Slide 327, page 3, Macon County Registry.

"Being that certain tract of land containing 1.15 acres as described on a plat thereof entitled "Chestnut Cove, Plat Number One, at Block 'E', Section II, Highlands Falls Country Club" drawn by Scott M. Sylvester, R.L.S., drawing number 1374, dated June 12, 1987, and being recorded on Card #117, Macon County Registry, to which reference is hereby specifically made.

"Together with easements for roadway and utilities upon that certain 40' wide access and utility easement as shown on the above mentioned plat, the same running from the southeast corner of said lands and a portion of the eastern edge of the same corresponding with the western boundary of said lands. Said easement is to be used in common by grantee, its successors and assigns, with grantor, its successors and assigns, and all others who now have or may in the future acquire the right to use the same.

"Grantor specifically reserves unto itself, its successors and assigns, the right to use in common with the grantee, its successors and assigns, an easement for roadway and utilities being the 40 foot wide access and utility easement shown on said plat, the eastern edge of which corresponds with a portion of the eastern boundary of the above described lands, and the southern end of which intersects with the easement described in the preceding paragraph, all as shown on said plat.

"This conveyance is made subject to the easement for the paved carpath shown on said plat.

"This conveyance is made subject to the Amended Declaration of Restrictive and Protective Covenants for Highlands Falls Community Association, Inc. dated February 5, 1982, and recorded in Deed Book K-14, page 204, Macon County Public Registry.

"Grantor further conveys unto the grantee, and its successors and assigns, easements over the road system of Highlands Falls Country Club from the above described property to U. S. Highway 64.

"Grantor reserves unto itself, and its successors and assigns, easements for ingress, egress and regress over, under and across roads, streets and drives leading to and through said lands, said easements to be 50 feet in width, the centerlines of the easements corresponding to the centerlines of the roads, streets and drives. Grantor reserves unto itself, and its successors and assigns, easements for the installation, repair, maintenance, replacement, upkeep and inspection of lines and conduits for electricity, water, sewer, cable television and other utilities along and under said roads, streets and drives. Grantor reserves unto itself, its successors and assigns, easements through and beneath the above described lands for the installation, repair, maintenance, replacement, upkeep and inspection of utility lines and conduits for electricity, water, sewer, cable television and other utilities. Said reserved utility easements may be used to serve real estate owned by grantor or by others. Provided, however, said reserved utility easements are not reserved under the lands upon which are situated Building Number One and Building Number Two as shown on said plat."

TO DECLARATION OF CONDOMINIUM
FOR CHESTNUT COVE, A CONDOMINIUM
Additional Real Estate

Four (4) tracts of land, the FIRST TRACT, SECOND TRACT, AND THIRD TRACT lying and being in Highlands Township, Macon County, North Carolina, and the FOURTH TRACT lying and being in Cashiers Township, Jackson County, North Carolina:

FIRST TRACT: BEING all of PARCEL III, containing 7.90 acres and being all of PARCEL VIII, containing 1.22 acres, Block E, Section 11, Highlands Falls Country Club, as shown on a plat thereof entitled "Section 11, Block E, Highlands Falls Country Club" and recorded in Plat Cabinet 1, Slide 327, Page 3, and Plat Cabinet 1, Slide 333, Page 7, Macon County Public Registry, to which reference is hereby specifically made. LESS AND EXCEPT the lands, easements, privileges and appurtenances described in and conveyed by the deed dated June 12, 1987, from Golf Properties, Inc. to Golf Properties Partners, recorded in Book J-17 at page 62, Macon County Public Registry, to which reference is hereby specifically made.

SECOND TRACT: BEING all of PARCEL II, containing 7.84 acres, Block E, Section 11, Highlands Falls Country Club, as shown on a plat thereof entitled "Section 11, Block E, Highlands Falls Country Club" and recorded in Plat Cabinet 1, Slide 327, Page 3, and Plat Cabinet 1, Slide 333, Page 7, Macon County Public Registry, to which reference is hereby specifically made.

THIRD TRACT: BEING two (2) adjoining parcels of land, and more particularly described as follows:

PARCEL A: BEGINNING at a point, the northwest corner of Lot 29, Block F, Highlands Falls Country Club, and in the eastern boundary of Lot 11, Block D, Highlands Falls Country Club, said point of Beginning being located from control corner (monument) "F" in the northern edge of the right of way of Upper Divide Road, North 14 degrees 26 minutes 25 seconds West 70.00 feet; and from said point of Beginning runs with the boundary of Lot 29, Block F, North 77 degrees 19 minutes 15 seconds East 251.88 feet to a point, the northeast corner of Lot 29, Block F; runs thence with the boundaries of Lots 29 and 28, Block F, respectively and consecutively, South 8 degrees 16 minutes 45 seconds East 345.17 feet to a corner common to Lots 27 and 28, Block F, Highlands Falls Country Club, also being a corner common to Parcel B described hereinbelow; runs thence with the northwest boundary of Parcel B described hereinbelow the following four (4) courses and distances: North 85 degrees 40 minutes 30 seconds East 115.92 feet; North 56 degrees 32 minutes 40 seconds East 158.53 feet; North 40 degrees 40 minutes 40 seconds East 169.47 feet; and North 29 degrees 47 minutes 55 seconds East 356.11 feet to control corner (monument) "C", a corner common to Parcel B described hereinbelow, said point being in the southern edge of the right of way for Hemlock (Road); runs thence crossing Hemlock (Road), North 8 degrees 56 minutes 00 seconds East 50.00 feet to a point in the northern edge of the right of way for Hemlock (Road); runs thence with the northern edge of the right of way for Hemlock (Road) a curve to the right having a radius of 274.10 feet and a length of 108.59 feet; runs thence with the northern edge of the right of way for Hemlock (Road), South 58 degrees 22 minutes 05 seconds East 88.69 feet to a point near where Hemlock (Road) intersects Upper Divide Road; runs thence with the northern edge of the right of way for Hemlock (Road) and the northern edge of the right of way for Upper Divide Road a curve to the left having a radius of 25 feet and a length of 35.53 feet to a point in the northern edge of the right of way for Upper Divide Road; runs thence with the northern edge of the right of way for Upper Divide Road a

EXHIBIT B (continued)

curve to the right having a radius of 657.23 feet and a length of 130.16 feet to a point in the northern edge of said right of way; runs thence North 23 degrees 31 minutes 55 seconds West 256.63 feet; runs thence North 76 degrees 33 minutes 55 seconds East 65 feet; runs thence North 4 degrees 20 minutes 45 seconds West 244.16 feet to a point in the southern edge of the right of way for Lower Divide Road; runs thence with the southern edge of the right of way for Lower Divide Road as follows: South 81 degrees 15 minutes 45 seconds West 310.60 feet; thence a curve to the right having a radius of 581.60 feet and a length of 186.47 feet; thence North 80 degrees 22 minutes 00 seconds West 79.57 feet; thence on a curve to the left having a radius of 281.84 feet and a length of 91.05 feet; thence South 81 degrees 07 minutes 20 seconds West 55.16 feet; thence on a curve to the right having a radius of 424.20 feet and a length of 105.71 feet; thence North 84 degrees 35 minutes 55 seconds West 55.81 feet; thence on a curve to the left having a radius of 233.38 feet and a length of 89.22 feet; thence South 73 degrees 29 minutes 50 seconds West 125.40 feet; thence on a curve to the left having a radius of 737.87 feet and a length of 93.61 feet; and thence South 66 degrees 11 minutes 40 seconds West 251.55 feet to a point in the southern edge of Lower Divide Road near the place where Lower Divide Road intersects Falls Drive East; runs thence with the eastern boundaries of Lots 13, 12, and 11, Block D, respectively and consecutively, South 14 degrees 26 minutes 55 seconds East 631.45 feet to the point of BEGINNING. Being a portion of Block G, Section 11, Highlands Falls Country Club as shown on a survey entitled "Section 11, Block G, Highlands Falls Country Club" by Scott M. Sylvester, R.L.S., recorded in Plat Cabinet 1, Slide 349, Page 2, Macon County Public Registry.

PARCEL B: BEGINNING at a point, a corner common to Lots 27 and 28, Block F, Highlands Falls Country Club, said point being located from the beginning corner of Parcel A described hereinabove, South 77 degrees 19 minutes 15 seconds West 251.88 feet, and South 8 degrees 16 minutes 45 seconds East 345.17 feet; and from said point of Beginning runs with the eastern boundary of Lot 27, South 8 degrees 16 minutes 45 seconds East 265.00 feet to a point in the northern edge of Upper Divide Road; runs thence with the northern edge of Upper Divide Road as follows: North 59 degrees 43 minutes 45 seconds East 203.47 feet; thence on a curve to the left having a radius of 860.50 feet and a length of 419.09 feet; and thence North 31 degrees 49 minutes 25 seconds East 348.81 feet to a point in the northern edge of Upper Divide Road near where it is intersected by Hemlock (Road); runs thence with the northern edge of Upper Divide Road and the southern edge of Hemlock (Road) on a curve to the left having a radius of 25.00 feet and a length of 39.35 feet to a point in the southern edge of Hemlock (Road); runs thence with the southern edge of Hemlock (Road), North 58 degrees 22 minutes 05 seconds West 81.08 feet; runs thence with the southern edge of Hemlock (Road) on a curve to the left having a radius of 224.10 feet and a length of 88.78 feet to control corner (monument set) "G", a corner common to Parcel A described hereinabove; runs thence with the boundary of Parcel A described hereinabove leaving Hemlock (Road) the following four (4) courses and distances: South 29 degrees 47 minutes 55 seconds West 356.11 feet; South 40 degrees 40 minutes 40 seconds West 169.47 feet; South 56 degrees 32 minutes 40 seconds West 158.53 feet; and South 85 degrees 40 minutes 30 seconds West 115.92 feet to the point of BEGINNING. Being a portion of Block F, Section 11, Highlands Falls Country Club as shown on a survey entitled "Section 11, Block F, Highlands Falls Country Club" by Scott M. Sylvester, R.L.S., recorded in Plat Cabinet 1, Slide 349, Page 1, Macon County Public Registry.

FOURTH TRACT: BEGINNING at control corner (monument) "J", said point of Beginning being the southeast corner of Lot 51, Block G, Highlands Falls Country Club, said point being near the eastern intersection of Lower Divide Road and Upper Divide Road; runs thence with the eastern

EXHIBIT B (continued)

boundary of Block G and with the eastern boundary of the intersection of the rights of way for Upper Divide Road and Lower Divide Road, South 8 degrees 48 minutes 15 seconds East 100.6 feet to a point in the eastern edge of the intersection of the rights of way for Lower Divide Road and Upper Divide Road where they are intersected by the northern edge of the right of way for Bobcat Bluff (Road); runs thence with the eastern boundary of Block G and with the southern edge of the right of way for Upper Divide Road through the place where it is intersected by Bobcat Bluff (Road), South 69 degrees 57 minutes 45 seconds West 82.16 feet to a point, the northeast corner of Lot 29, Block G; runs thence with the eastern boundary of Lot 29, Block G, South 26 degrees 51 minutes 50 seconds East 171.58 feet to a point in the southern boundary of the Highlands Falls Country Club property and in the northern boundary of lands now or formerly owned by Pierson; runs thence with the southern boundary of the Highlands Falls Country Club property and with the northern boundary of said lands now or formerly owned by Pierson, South 87 degrees 20 minutes 10 seconds East 1272.93 feet to a poplar stump, a corner common to USFS Tract 9B; runs thence with the eastern boundary of the Highlands Falls Country Club property and with the boundary of USFS Tract 9B, North 1 degree 47 minutes 40 seconds East 986.80 feet to a 14" oak located from control corner "K" USFS monument, North 16 degrees 40 minutes 40 seconds West 1.20 feet; runs thence with the eastern boundary of the Highlands Falls Country Club property and with the boundary of USFS Tract 9B, North 17 degrees 59 minutes 20 seconds East 198.34 feet to a point in the centerline of Norton Mill Creek; runs thence up and with the centerline of Norton Mill Creek as follows: North 85 degrees 26 minutes 55 seconds West 63.33 feet; North 65 degrees 42 minutes 30 seconds West 115.96 feet; North 66 degrees 28 minutes 20 seconds West 197.38 feet; South 84 degrees 59 minutes 35 seconds West 198.05 feet; South 25 degrees 43 minutes 55 seconds West 247.36 feet; South 57 degrees 25 minutes 35 seconds West 176.06 feet; South 71 degrees 55 minutes 25 seconds West 152.40 feet; South 5 degrees 53 minutes 55 seconds West 107.55 feet (stake found); South 72 degrees 48 minutes 20 seconds West 190.25 feet (spike found); South 31 degrees 35 minutes 40 seconds West 48.89 feet to a point in the centerline of Norton Mill Creek; runs thence leaving the centerline of Norton Mill Creek, North 89 degrees 51 minutes 25 seconds West 140.78 feet to a point, the northeast corner of Lot 51, Block G, Highlands Falls Country Club; runs thence with the eastern boundary of said Lot 51, Block G, South 10 degrees 53 minutes 15 seconds West 386.12 feet to the point of BEGINNING. Being Block H, Section II, Highlands Falls Country Club as shown on a survey entitled "Section II, Block H, Highlands Falls Country Club" by Scott M. Sylvester, R.L.S., recorded in Plat Cabinet 1, Slide 349, Page 4, Macon County Public Registry.

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EXHIBIT C
TO DECLARATION OF CONDOMINIUM
FOR CHESTNUT COVE, A CONDOMINIUM
Limited Common Elements

The following Units shall be allocated the following parking spaces as Limited Common Elements in accordance with the Declaration and in addition to the Limited Common Elements allocated to such Units by the Act and elsewhere in the Declaration:

<u>Unit No.</u>	<u>Parking Spaces No.</u>
1A	1A
1B	1B
1C	1C
1D	1D
2A	2A
2B	2B
2C	2C
2D	2D

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EXHIBIT D
TO DECLARATION OF CONDOMINIUM
FOR CHESTNUT COVE, A CONDOMINIUM

Allocated Interests

<u>Unit No.</u>	<u>Percentage of Undivided Interest in Common Elements</u>	<u>Percentage of Common Expenses</u>	<u>Votes in Association</u>
1A	12.5	12.5	1/8
1B	12.5	12.5	1/8
1C	12.5	12.5	1/8
1D	12.5	12.5	1/8
2A	12.5	12.5	1/8
2B	12.5	12.5	1/8
2C	12.5	12.5	1/8
2D	12.5	12.5	1/8

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EXHIBIT E

TO DECLARATION OF CONDOMINIUM
FOR CHESTNUT COVE, A CONDOMINIUM
Liens, Defects and Encumbrances

A description of any known or recorded liens, encumbrances or defects that affect or will affect title to the Condominium is as follows:

- (a) The provisions of the Articles of Incorporation and By-Laws of Chestnut Cove Condominium Association, Inc.;
- (b) Plans and plans of Chestnut Cove, a Condominium, and the Declaration of Condominium for Chestnut Cove, a Condominium;
- (c) The easements leading from the State Road, U.S. 64, to the Condominium are non-exclusive and others now have and will in the future acquire the right to use the same;
- (d) The provisions of the Amended Declaration of Restrictive and Protective Covenants Providing for Highlands Falls Community Association, Inc. dated February 5, 1982, and recorded in Book K-14 at page 204, Macon County Public Registry;
- (e) Riparian rights of up stream and down stream property owners;
- (f) Utility easements of record; and
- (g) All easements, rights and privileges reserved to the Grantor in the deed to the Property dated June 12, 1987, from Golf Properties, Inc. to Golf Properties Partners, recorded in Book J-17 at page 62, Macon County Public Registry, which are shown in full on Exhibit A, to which reference is hereby made.

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