

**THIS AGREEMENT CONTAINS AN ARBITRATION AGREEMENT SUBJECT TO THE
SOUTH CAROLINA ARBITRATION ACT. 15-48-10 et. seq.
CODE OF LAWS OF SOUTH CAROLINA 1976**

**SECOND AMENDED AND RESTATED
DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS
FOR
CLIFFS VALLEY AND CLIFFS VALLEY NORTH**

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<u>Exhibit</u>	<u>Subject Matter</u>
"A"	Land Submitted
"B"	Land Subject to Annexation
"C"	Initial Use Restrictions
"D"	Rules of Arbitration
"E"	By-Laws of Cliffs Valley Community Association

Inc.

SECOND AMENDED AND RESTATED
DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
FOR CLIFFS VALLEY AND CLIFFS VALLEY NORTH

Amending and Restating
The Amended and Restated Declarations Recorded:
Greenville County, S.C. Register of Deeds Book 1612, Page 1176
Henderson County, N.C. Register of Deeds Book 901, Page 469

THIS Second Amended and Restated Declaration of Covenants, Conditions and Restrictions For Cliffs Valley and Cliffs Valley North is made this 22nd day of February, 2002, by The Cliffs at Glassy, Inc. (the "Cliffs Valley Declarant"), The Cliffs at Panther Mountain, Inc. (the "Cliffs Valley North Declarant"), Cliffs Valley Community Association Inc. and The Cliffs Valley North Community Association.

W I T N E S S E T H:

WHEREAS, The Cliffs at Glassy, Inc., herein defined as the "Cliffs Valley Declarant", by prior filing of the "Amended and Restated Declaration of Covenants, Conditions and Restrictions for Cliffs Valley" dated April 1, 1995, and recorded at Deed Book 1612, Page 1176, in the Office of Register of Deeds ("ROD") for Greenville County, South Carolina (the "Cliffs Valley Declaration"), made certain property in Greenville County, South Carolina subject to said covenants; and

WHEREAS, The Cliffs at Panther Mountain, Inc., herein defined as the "Cliffs Valley North Declarant", by prior filing of the "Amended and Restated Declaration of Covenants, Conditions and Restrictions for Cliffs Valley North" dated June 24, 1996, and recorded at Deed Book 901, Page 469, in the ROD for Henderson County, North Carolina (the "Cliffs valley North Declaration"), made certain property in Henderson County, North Carolina subject to said covenants; and

WHEREAS, The Cliffs Valley Community Association, Inc., formed to manage the common elements created under the Cliffs Valley Declaration, and The Cliffs Valley North Community Association, formed to manage the common elements under the Cliffs Valley North Declaration, desire to apply to both of their Properties (as defined herein) the same covenants and to place under one association administration and the management responsibilities for the common elements of both; and

WHEREAS, this "Second Amended and Restated Declaration of Covenants, Conditions and Restrictions" (the "Declaration") is intended to impose upon all the Properties subjected to the Cliffs Valley North Declaration and the Cliffs Valley Declaration one set of mutually beneficial restrictions for the benefit of all owners of the Properties, to provide a flexible and reasonable procedure for the overall development of the Properties, and to establish a method for the administration, maintenance, preservation, use and enjoyment of the Properties as are now or may be hereafter subjected to this Declaration.

WHEREAS, The Cliffs Valley Community Association Inc., by and through its authorized officers, acting in accordance with the vote taken by ballot of the Members of the Cliffs Valley Community Association, Inc., 414 voting in favor, and 6 voting in opposition, have adopted this Declaration.

WHEREAS, The Cliffs Valley North Community Association, acting in accordance with the vote taken by ballot of the owners of those Properties subjected to the Cliffs Valley North Declaration pursuant to the Cliffs Valley North Declaration, 42 voting in favor, and 0 voting in opposition, have adopted this Declaration.

WHEREAS, the Cliffs Valley Declarant and the Cliffs Valley North Declarant, ratifying their intention that the Properties be under a single set of covenants, conditions and restrictions and that there be one association for the administration thereof, as also evidenced by that certain Affidavit of The Cliffs at Panther Mountain, Inc. recorded in the Henderson County, North Carolina ROD in Book 1034 at Page 106, do hereby execute this Declaration below to signify their consent hereto.

NOW, THEREFORE, all of the property described in Exhibit "A" and any additional property which is hereafter subjected to this Declaration by Supplemental Declaration (as defined herein) shall be held, sold, used and conveyed subject to the following easements, restrictions, covenants, and conditions, which are for the purpose of protecting the value and desirability of and which shall run with the title to the real property subjected to this Declaration. This Declaration shall be binding on all parties having any right, title, or interest in the Properties or any part thereof, their heirs, successors-in-title, and assigns, and shall inure to the benefit of each owner thereof.

Article 1. Definitions

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

1.1 "Area of Common Responsibility"

The Common Area, together with those areas, if any, which by the terms of this Declaration, any Supplemental Declaration or other applicable covenants, contract, or agreement with any Neighborhood, become the responsibility of the Association.

1.2 "Articles of Incorporation" or "Articles":

The Articles of Incorporation of The Cliffs Valley Community Association, Inc., as filed with the Secretary of State of the State of South Carolina as amended from time to time.

1.3 "Association":

The Cliffs Valley Community Association, Inc., a South Carolina nonprofit corporation, which, pursuant to the vote of The Cliffs Valley Community Association, Inc. and the Cliffs Valley Association adopting this Declaration, shall manage the Common Areas, discharge the Areas of Common Responsibility and administer the Community Wide Standards applicable to the Properties to which this Declaration is subject, as are their Owners, who, as such, are Members thereof, and shall include its successors or assigns.

(a) "Cliffs Valley Community Association, Inc.":

A South Carolina nonprofit corporation, recorded in the office of the Secretary of State on the 8th day of October, 1996, formed under and pursuant to the Cliffs Valley Declaration.

(b) "Cliffs Valley North Community Association":

A North Carolina unincorporated, nonprofit association formed under and pursuant to the Cliffs Valley North Declaration, whose powers, duties and responsibilities shall, pursuant to this Declaration, be discharged by the Association.

1.4 "Base Assessments":

Assessments levied on all Lots subject to assessment under Article 10 to fund Common Expenses for the general benefit of all Lots, as more particularly described in Sections 10.1 and 10.3.

1.5 "Benefited Assessment":

An assessment levied in accordance with Section 10.7.

1.6 "Board of Directors" or "Board":

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

1.7 "Builder":

Any Person which purchases one (1) or more Lots for the purpose of constructing improvements thereon for later sale to consumers or which purchases one or more parcels of land within the Properties for further subdivision, development, and resale in the ordinary course of such Person's business.

1.8 "By-Laws":

The By-Laws of The Cliffs Valley Community Association, Inc., attached hereto as Exhibit "E" and incorporated by reference, as they may be amended from time to time.

1.9 "Class 'B' Control Period":

The period of time during which the Class "B" Member is entitled to appoint a majority of the members of the Board of Directors, as provided in Section 3.1(b) of the By-Laws.

1.10 "Common Area":

All real and personal property which the Association now or hereafter owns, leases or otherwise holds possessory or use rights in for the use and enjoyment of the Owners. The term shall include the Exclusive Common Area, as defined below.

1.11 "Common Expenses":

The actual and estimated expenses incurred, or anticipated to be incurred, by the Association for the general benefit of all Owners, including any reasonable reserve, all as may be found to be necessary and appropriate by the Board pursuant to this Declaration, the By-Laws, and the Articles of Incorporation of the Association.

1.12 "Community-Wide Standard":

The standard of conduct, maintenance, or other activity generally prevailing throughout the Properties. Such standard may be more specifically determined by the Board of Directors and the New Construction Committee.

1.13 "Covenant to Share Costs":

Any agreement or contract between the Association and an owner or operator of property adjacent to the Properties for the allocation of expenses that benefit both the Association and the owner or operator of such property.

1.14 "Declarant":

Refers to the Cliffs Valley Declarant; and by its consent hereto, the Cliffs Valley North Declarant does hereby assign, set over and convey to the Cliffs Valley Declarant any and all rights, powers, reservations, easements, licenses, approvals, and consents, and the Cliffs Valley Declarant does hereby assume any and all duties and obligations, relating to or directly involving those Properties which were previously subject solely to the Cliffs Valley North Declaration and arising thereunder; provided further, however, if any such rights, powers reservations, easements, licenses, approvals, consents, duties or obligations relate solely to and run with any of the Properties owned by the Cliffs Valley North Declarant, the exercise or assumption thereof, as the case may be, by the Declarant shall be as "Attorney in Fact" for the Cliffs Valley North Declarant, a power-of-attorney, coupled with an interest and irrevocable.

(a) "Cliffs Valley Declarant":

Refers to the Cliffs at Glassy Inc., a South Carolina corporation, Declarant under the Cliffs Valley Declaration.

(b) "Cliffs Valley North Declarant":

Refers to The Cliffs at Panther Mountain, Inc., a North Carolina corporation, Declarant under the Cliffs Valley North Declaration.

1.15 "Declaration":

This "Second Amended and Restated Declaration of Covenants, Conditions and Restrictions."

(a) "Cliffs Valley Declaration"

Refers to the Amended and Restated Declaration of Covenants, Conditions and Restrictions for Cliffs Valley dated April 1, 1995, and recorded in the ROD for Greenville County, South Carolina at Deed Book 1612, Page 1176.

(b) "Cliffs Valley North Declaration"

Refers to the Amended and Restated Declaration of Covenants, Conditions and Restrictions for Cliffs Valley North dated June 24, 1996, and recorded in the ROD for Henderson County, North Carolina at Deed Book 901, Page 469.

1.16 "Exclusive Common Area":

A portion of the Common Area which the Association now or hereafter owns, leases, or otherwise holds possessory or use rights in for the exclusive use or primary benefit of one (1) or more, but less than all, Neighborhoods, as more particularly described in Article 2.

1.17 "Lot":

Each numbered, platted lot, whether improved or unimproved, shown on any subdivision plat of the Properties, which is intended for development, use, and occupancy as a residence for a single family. The term shall refer to the land, if any, which is part of the Lot as well as any improvements thereon. The term shall not include Common Areas, common property of any Neighborhood Association, or property dedicated to the public.

In the case of a parcel of vacant land, which has not been platted, the parcel shall be deemed to contain the number of Lots designated for residential use on the site plan approved by the Declarant until such time as the parcel is shown on a subdivision plat.

1.18 "Member":

A Person entitled to membership in the Association.

1.19 "Mortgage":

A mortgage, a deed of trust, a deed to secure debt, security deed, and any and all other similar instruments used for the purpose of encumbering real property as security for the payment or satisfaction of an obligation.

1.20 "Mortgagee":

A beneficiary or holder of a Mortgage.

1.21 "Neighborhood":

A separately developed residential area within the Properties, whether or not governed by a Neighborhood association, in which the Owners of Lots may have common interests other than those common

to all Members of the Association. For example, and by way of illustration and not limitation, each patio home development and single-family detached housing development may each constitute a separate Neighborhood, or a Neighborhood may be comprised of more than one (1) housing type with other features in common. In addition, a parcel of land intended for development as any of the above may constitute a Neighborhood, subject to division into more than one (1) Neighborhood upon development.

Where the context permits or requires, the term Neighborhood shall also refer to the Neighborhood Committee (established in accordance with the By-Laws) or Neighborhood Association (as described in Article 2 of this Declaration) having concurrent jurisdiction over the property within the Neighborhood. Neighborhood boundaries may be established and modified as provided in Article 2 of this Declaration.

1.22 "Neighborhood Assessments":

Assessments levied against the Lots in a particular Neighborhood or Neighborhoods to fund Neighborhood Expenses, as more particularly described in Sections 10.1 and 10.4.

1.23 "Neighborhood Association":

Any owners association having concurrent jurisdiction with the Association over any part of the Properties.

1.24 "Neighborhood Expenses":

The actual and estimated expenses incurred or anticipated to be incurred by the Association for the benefit of Owners of Lots within a particular Neighborhood or Neighborhoods, which may include a reasonable reserve for capital repairs and replacements, all as may be specifically authorized from time to time by the Board of Directors and as more particularly authorized herein or in any Supplemental Declaration applicable to a particular Neighborhood.

1.25 "Owner":

One (1) or more Persons who hold the record title to any Lot, but excluding in all cases any party holding an interest merely as security for the performance of an obligation. If a Lot is under a recorded contract of sale, and the contract specifically so provides, the purchaser (rather than the fee owner) will be considered the Owner.

1.26 "Person":

A natural person, a corporation, a partnership, a trustee, or any other legal entity.

1.27 "Private Amenities":

Certain real property and any improvements and facilities thereon located adjacent to, in the vicinity of, or within the Properties, which are privately owned and operated by Persons other than the Association for recreational, commercial and related purposes, such as the golf course and any other facility owned by The Cliffs at Glassy, Inc. Private Amenities may also include without limitation any hotel, inn, restaurant, and amphitheater.

1.28 "Properties":

Refers collectively to the properties known as Cliffs Valley Property and Cliffs Valley North Property which are more fully described in Exhibit "A", attached hereto together with such additional property as is hereafter subjected to this Declaration in accordance with Article 9 hereof.

(a) "Cliffs Valley Property":

Refers to the property described in Exhibit "A", Section A-1.

(b) "Cliffs Valley North Property":

Refers to the property described in Exhibit A, Section A-2.

1.29 "Special Assessment":

An assessment levied in accordance with Section 10.6.

1.30 "Supplemental Declaration":

An amendment or supplement to this Declaration filed pursuant to Article 9 which subjects additional property to this Declaration and/or imposes, expressly or by reference, additional restrictions and obligations on the land described therein. The terms shall also refer to an instrument filed by the Declarant pursuant to Article 2, which designates Neighborhoods.

Article 2. Use Of Property And Neighborhoods

2.1 Common Area.

Every owner shall have a right and nonexclusive easement of use, access, and enjoyment in and to the Common Area, subject to:

(a) This Declaration and any other applicable covenants, as they may be amended from time to time, and subject to any restrictions or limitations contained in any deed conveying such property to the Association;

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

(c) The right of the Board to suspend the right of an Owner to use recreational facilities, if any, within the common Area (i) for any period during which any charge against such Owner's Lot remains delinquent, and (ii) for a period not to exceed thirty (30) days for a single violation, or for a longer period in the case of any continuing violation, of the Declaration, any applicable Supplemental Declaration, the By-Laws, or rules of the Association after notice and a hearing pursuant to Section 3.3(f) of the Bylaws;

(d) The right of the Association, acting through the Board, to dedicate or transfer all or any part of the Common Area pursuant to Section 4.8;

(e) The right of the Association, acting through the Board, to mortgage, pledge, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred, subject to the approval requirements set forth in Section 14.2; and

(f) The rights of certain Owners to the exclusive use of those portions of the Common Area designated "Exclusive Common Ares," as more particularly described in a Section 2.3.

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

2.2. Neighborhoods.

(a) Creation.

The Declarant, in its sole discretion, may establish Neighborhoods within the Properties described in Exhibit "A" to this Declaration and any Supplemental Declaration. Declarant may assign property described therein or property already submitted to the Declaration to a specific Neighborhood by name, which Neighborhood may be then existing or newly created. If Neighborhoods are established, all Lots not specifically assigned to a Neighborhood shall be deemed assigned to the same Neighborhood.

The Lots within a particular Neighborhood may be subject to additional covenants and/or the Owners within the Neighborhood may be mandatory members of a Neighborhood Association in addition to the Association. However, a Neighborhood Association shall not be required except as required by law. Any Neighborhood that does not have a Neighborhood Association may have a Neighborhood Committee, as described in Section 5.3 of the By-Laws, to represent the interests of Owners of Lots in such Neighborhood.

(b) Modification.

The Declarant may unilaterally amend this Declaration or any Supplemental Declaration from time to time to establish or to re-designate Neighborhood boundaries; provided, however, two (2) or more Neighborhoods shall not be combined without the consent of Owners of a majority of the lots in the affected Neighborhoods. If Neighborhoods are established, the Owners of a majority of the total number of Lots within any Neighborhood may at any time petition the Board of Directors to divide the property comprising the Neighborhood into two (2) or more Neighborhoods. Such petition shall be in writing and shall include a plat of survey of the entire parcel that indicates the boundaries of the proposed Neighborhood(s) or otherwise identifies the Lots to be included within the proposed Neighborhood(s). Such petition shall be granted upon the filing of all required documents with the Board unless the Board of Directors denies such application in writing within thirty (30) days following its receipt thereof. The Board may deny an application only upon determination that there is no reasonable basis for distinguishing between the areas proposed to be divided into separate Neighborhoods. All applications and copies of any denials shall be filed with the books and records of the Association and shall be maintained as long as this Declaration is in effect.

(c) Powers of the Association Relating to Neighborhoods.

The Association shall have the power to veto any action taken or contemplated to be taken by any Neighborhood Association that the Board reasonably determines to be adverse to the interests of the Association or its Members or inconsistent with the Community-Wide Standard. The Association also shall have the power to require specific action to be taken by any Neighborhood Association in connection with its obligations and responsibilities hereunder or under any other covenants affecting the Properties. Without limiting the generality of the foregoing, the Association may (a) require specific maintenance or repairs or aesthetic changes to be effectuated by the Neighborhood Association, and (b) require that a proposed budget include certain items and that expenditures be made therefor.

Any action required by the Association in a written notice pursuant to the foregoing paragraph to be taken by a Neighborhood Association shall be taken within the reasonable time frame set by the Association in such written notice. If the Neighborhood Association fails to comply with the requirements set forth in such written notice, the Association shall have the right to effect such action on behalf of the Neighborhood Association. To cover the Association's administrative expenses in connection with the foregoing and to discourage failure to comply with the requirements of the Association, the Association shall assess the Lots in such Neighborhood for their pro rata share of any expenses incurred by the Association in taking such action in the manner provided in Section 10.7. Such assessments may be collected as a Benefited Assessment hereunder and shall be subject to all lien rights provided for herein.

Since a Neighborhood Committee is a committee of the Association, the Board shall have all of the power and control over any Neighborhood Committee that it has under applicable law over other committees of the Association. The authority of the Board shall include, without limitation, the power to veto any action taken or contemplated to be taken by any Neighborhood Committee and to require specific action to be taken by any Neighborhood Committee in connection with its obligations and responsibilities hereunder or under any other covenants affecting the Properties.

2.3. Exclusive Common Area.

Certain portions of the Common Area may be designated as Exclusive Common Area and reserved for the exclusive use or primary benefit of Owners and occupants of Lots within a particular Neighborhood or Neighborhoods. By way of illustration and not limitation, Exclusive Common Area may include entry features, landscaped medians and cul-de-sacs, ponds and other portions of the Common Area within a particular Neighborhood or Neighborhoods. All costs associated with maintenance, repair, replacement, and insurance of an Exclusive Common Area shall be assessed as a Neighborhood Assessment against the Owners of Lots in those Neighborhoods to which the Exclusive Common Area is assigned.

Initially, any Exclusive Common Area shall be designated as such and the exclusive use thereof shall be assigned in the deed by which the Declarant conveys the Common Area to the Association or on the plat of survey relating to such Common Area; provided, any such assignment shall not preclude the Declarant from later assigning use of the same Exclusive Common Area to additional Lots and/or Neighborhoods, so long as the Declarant has a right to subject additional property to this Declaration pursuant to Section 9.1. Thereafter, a portion of the Common Area may be assigned as Exclusive Common Area of a particular Neighborhood or Neighborhoods and Exclusive Common Area may be reassigned only upon the vote of Members holding a majority of the total votes in the Association, including a majority of the votes within the Neighborhood(s) to which the Exclusive Common Area is assigned, if applicable, and within the Cliffs Valley & Cliffs Valley North

Declaration of Covenants, Conditions and Restrictions

Neighborhood(s) to which the Exclusive Common Area is to be assigned. As long as the Declarant or the Cliffs Valley North Declarant owns any property described on Exhibits "A" or "B" for development and/or sale, any such assignment or reassignment shall also require the consent of the Declarant.

The Association may, upon approval of a majority of the members of the Neighborhood Committee or Board of Directors of the Neighborhood Association for the Neighborhoods to which certain Exclusive Common Areas are assigned, permit Owners of Lots in other Neighborhoods to use all or a portion of such Exclusive Common Areas upon payment of reasonable user fees, which fees shall be used to offset the Neighborhood Expenses attributable to such Exclusive Common Areas.

Article 3. Membership And Voting Rights

3.1 Membership.

Every Owner shall be deemed to have a membership in the Association. Membership shall be appurtenant to and may not be separated from ownership of any Lot.

No Owner, whether one (1) or more Persons, shall have more than one (1) membership per Lot owned. In the event a Lot is owned by more than one (1) Person, all co-Owners shall be entitled to the privileges of membership, subject to the restrictions on voting set forth in Section 3.2 and in the By-Laws and all such co-Owners shall be jointly and severally obligated to perform the responsibilities of Owners hereunder. The membership rights and privileges of an Owner who is a natural person may be exercised by the Member or the Member's spouse. The membership rights of an Owner which is a corporation, partnership or other legal entity shall be exercised by the individual designated from time to time by the Owner in a written instrument provided to the Secretary of the Association.

3.2 Voting.

The Association shall have two (2) classes of membership, Class 'A and Class "B."

(a) Class "A".

Class "A" Members shall be all Owners except the Class "B" Member, if any. Class "A" Members shall be entitled to one (1) equal vote for each Lot in which they hold the interest required for membership under Section 3.1; there shall be only one (1) vote per Lot.

In any situation where there is more than one (1) Owner of a particular Lot, the vote for such Lot shall be exercised as such co-Owners determine among themselves and advise the Secretary to the Association in writing prior to any meeting. In the absence of such advice, the Lot's vote shall be suspended if more than one (1) Person seeks to exercise it.

(b) Class "B".

The sole Class "B" Member shall be the Declarant. The Class "B" Member shall be entitled to one (1) equal vote for each Lot that it or the Cliffs Valley North Declarant owns which is submitted to the Declaration, and such vote shall be weighted equally to the vote allocated to each Class "A" Member. The Class "B" Member shall be entitled to appoint a majority of the members of the Board of Directors during

the Class "B" Control Period, as specified in Section 3.1(b) of the By-Laws. After termination of the Class "B" Control Period, the Class "B" Member shall have a right to disapprove actions of the Board of Directors and committees as provided in Section 3.1(c) of the By-Laws. Additional rights of the Class "B" Member are specified elsewhere in the Declaration and the By-Laws.

The Class "B" membership shall terminate and become converted to Class "A" membership upon the earlier of:

- (i) two (2) years after expiration of the Class "B" Control Period pursuant to Article 3 of the By-Laws; or
- (ii) when, in its discretion, the Declarant so determines and declares in a recorded instrument.

Article 4. Association Functions

4.1 Common Area.

The Association, subject to the rights of the Owners set forth in this Declaration, shall be responsible for the exclusive management and control of the Common Area and all improvements thereon (including, without limitation, furnishings, equipment, and common landscaped areas) and shall keep it in good, clean, attractive, and sanitary condition, order, and repair, pursuant to the terms and conditions hereof and consistent with Community-Wide Standard.

4.2 Personal Property and Real Property for Common Use.

The Association, through action of its Board of Directors, may acquire, hold and dispose of tangible and intangible personal property and real property. The Declarant or its designee may convey to the Association improved or unimproved real estate located within the property described in Exhibits "A" or "B," personal property and leasehold and other property interests. Upon conveyance or dedication by the Declarant to the Association, such property shall be accepted by the Association and thereafter shall be maintained by the Association at its expense for the benefit of its Members, subject to any restrictions or limitations set forth in the deed of conveyance.

4.3 Rules and Regulations.

The Association, through its Board of Directors, may make, modify and enforce reasonable rules and regulations governing the use of the Properties, which rules and regulations shall be consistent with the rights and duties established by this Declaration. Such rules and regulations shall be binding upon all Owners, occupants, invitees, and licensees, if any until and unless overruled, cancelled, or modified at a regular or special meeting of the Association by the vote of Members holding at least sixty-seven percent (67%) of the total Class "A" votes in the Association and by the Class "B" Member, so long as such membership shall exist.

4.4 Enforcement.

The Association shall be authorized to impose sanctions for violations of this Declaration, the By-Laws, or rules and regulations. Sanctions may include reasonable monetary fines and suspension of the right to vote and to use any recreational facilities within the Common Area. In addition, the Association, through the Board, in accordance with Section 3.3(f) of the By-Laws, shall have the right to exercise self-help to cure violations and shall be entitled to suspend any services provided by the Association to any Owner or such Owner's Lot in the event that such Owner is more than thirty (30) days delinquent in paying any assessment or other charge due to the Association. The Board shall have the power to seek relief in any court for violations or to abate nuisances. Sanctions shall be imposed as provided in the By-Laws.

4.5 Implied Rights.

The Association may exercise any other right or privilege given to it expressly by this Declaration or the By-Laws. The Association may also exercise every other right or privilege reasonably implied from the existence of any right or privilege given to it herein or reasonably necessary to effectuate any such right or privilege.

4.6 Governmental Interests.

For so long as the Declarant or the Cliffs Valley North Declarant owns any property described on Exhibits "A" or "B," the Association shall permit the Declarant to designate sites within the Properties for fire, police, water and sewer facilities, parks, and other public facilities. The sites may include portions of the Common Areas and upon written notice from Declarant, the Association shall execute such documents as may be necessary to convey or dedicate property for such purposes.

4.7 Indemnification.

The Association, to the fullest extent allowed by applicable law and in accordance therewith, shall indemnify every officer, director, and committee member again any and all damages and expenses, including counsel fees, reasonably incurred by or imposed upon such officer, director, or committee member in connection with any action, suit, or other proceeding (including settlement of any suit or proceeding, if approved by the then Board of Directors) to which he or she may be a party by reason of being or having been an officer, director, or committee member.

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

4.8 Dedication of Common Areas.

The Board shall have the power to dedicate portions of the Common Areas to any local, state, or federal governmental entity, subject to such approval as may be required by Section 14.2.

4.9 Security.

The Association may, but shall not be obligated to, maintain or support certain activities within the Properties designed to make the Properties safer than they otherwise might be.

Neither the Association, the Declarant, nor any successor Declarant, nor the Cliffs Valley North Declarant shall in any way be considered insurers or guarantors of security within the Properties. Neither the Association, the Declarant, nor any successor declarant, nor the Cliffs Valley North Declarant shall be held liable for any loss or damage for failure to provide adequate security or ineffectiveness of security measures undertaken.

All Owners and occupants of any Lot, and all tenants, guests, and invitees of any Owner, acknowledge that the Association, and its Board of Directors, the Declarant, any successor declarant, and New Construction and Modifications Committees do not represent or warrant that any entry gate, patrolling of the Properties, or other security system designated by or installed according to guidelines established by the Declarant or the New Construction or Modifications Committees may not be compromised or circumvented; nor that any entry gate, patrolling of the Properties, or other security systems will prevent loss by burglary, theft, hold-up, or otherwise; nor that entry gate, patrolling of the Properties or other security systems will in all cases provide the detection or protection for which the system is designed and intended.

All Owners and occupants of any Lot, and all tenants, guests, and invitees of any Owner, acknowledge and understand that the Association, its Board of Directors, committees, Declarant, or any successor declarant are not insurers.

All Owners and occupants of any Lot and all tenants, guests, and invitees of any Owner assume all risks for loss or damage to Persons, to Lots, and to the contents of Lots and further acknowledge that the Association, its Board of Directors, committees, the Declarant, or any successor declarant have made no representations or warranties, or has any Owner, occupant, or any tenant, guest, or invitee of any Owner relied upon any representation or warranties, expressed or implied, relative to any entry gate, patrolling of the properties or other security systems recommended or installed or any security measures undertaken within the Properties.

4.10 Covenant(s) to Share Costs.

So long as the Class "B" membership exists, the Declarant may, but shall not be obligated to, execute and record various declarations, covenants, and deed restrictions which may constitute covenants running with the title to certain parcels of land outside the Properties, assigning to the owners and occupants of such parcels and their members, guests, employees, agents and invitees, as applicable, certain rights to use all or portions of the Common Areas and obligating the owners of such parcels to share in the certain costs incurred by the Association which benefit such parcels. Such Covenants to Share Costs may expand the Area

of Common Responsibility and provide remedies to the owners of such parcels for the Association's failure to perform. Upon request of the Declarant, the Association shall join in such Covenants to Share Costs. The Association shall comply with the terms of any and all such Covenants to Share Costs.

Article 5. Maintenance

5.1 Association's Responsibility.

The Association shall maintain and keep in good repair the Area of Common Responsibility, such maintenance to be funded as hereinafter provided. The Area of Common Responsibility shall include, but need not be limited to: (1) all landscaping and other flora, parks, scenic overlooks, structures, and improvements, including bike and pedestrian pathways/trails serving the Properties or situated upon the Common Area; (2) any private streets shown on any recorded plat of the Properties serving the Properties or situated upon the Common Area or a Lot; and (3) such portions of any additional property included within the Area of Common Responsibility as may be dictated by this Declaration, any Supplemental Declaration, any Covenant to Share Costs, or any covenant, contract, or agreement for maintenance thereof entered into by the Association.

The Association may maintain other property that it does not own, including, without limitation, property dedicated to the public, if the Board of Directors determines that such maintenance is necessary or desirable to maintain the Community-Wide Standard.

Except as otherwise specifically provided herein, all costs associated with maintenance, repair and replacement of the Area of Common Responsibility shall be a Common Expense to be allocated among all Lots as part of the Base Assessment; provided, however, all costs associated with maintenance, repair and replacement of Exclusive Common Area shall be a Neighborhood Expense assessed as a Neighborhood Assessment solely against the Lots within the Neighborhoods to which the Exclusive Common Area is assigned.

5.2 Owners Responsibility.

Except to the extent otherwise specifically provided above, each Owner shall maintain his or her Lot and all structures, parking areas, and other improvements on the Lot in a manner consistent with the Community Wide Standard and all applicable covenants, unless such maintenance responsibility is otherwise assumed by or assigned to the Association or a Neighborhood pursuant to any Supplemental Declaration or other declaration of covenants applicable to such Lot. In addition to any other enforcement rights available to the Association, if any Owner fails properly to perform his or her maintenance responsibility, the Association may perform such maintenance responsibilities and assess all costs incurred by the Association against the Lot and the Owner in accordance with Section 10.7. However, the Association shall afford the Owner reasonable notice and an opportunity to cure the problem prior to entry, except when entry is required due to an emergency situation.

5.3 Neighborhood's Responsibility.

Upon resolution of the Board or pursuant to additional covenants applicable to the Neighborhood, a Neighborhood may be delegated responsibility for operating, maintaining and insuring certain portions of the Area of Common Responsibility which are the responsibility of the Association within

or adjacent to such Neighborhood. This may include, without limitation, maintaining any signage, entry features, right-of-way and greenspace between the Neighborhood and adjacent public roads, private streets within the Neighborhood, and ponds within the Neighborhood, regardless of ownership and regardless of the fact that such maintenance may be performed by the Association; provided, however, all Neighborhoods which are similarly situated shall be treated the same. The costs of such operation, maintenance, and insurance shall be paid by the Owners within such Neighborhood though either Neighborhood Assessments established by the Board or assessment of the Owners within such Neighborhood by the Neighborhood Association assigned such responsibility.

Any Neighborhood having responsibility for maintenance of all or a portion of the property within such Neighborhood shall perform such maintenance responsibility in a manner consistent with the Community-Wide Standard. If any Neighborhood fails, in the opinion of the Board, to perform its maintenance responsibility as required herein and in any additional covenants, the Association may perform it and assess the costs against all Lots within such Neighborhood as provided in Section 10.7. In addition, the Association may assume such maintenance responsibility by agreement with the Neighborhood and assess the costs thereof as a Neighborhood Assessment against those Lots within the Neighborhood to which the services are provided. The provision of services in accordance with this paragraph shall not constitute discrimination within a class.

5.4 Standard of Performance.

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

5.5 Party Walls, Party Fences and Party Driveways.

(a) Applicability.

Each wall, fence or driveway built as a part of the original construction on the Lots:

- (i) any part of which is built upon or straddling the boundary line between two adjoining Lots; or
- (ii) which is built within four feet of the boundary line between adjoining Lots, has no windows or doors, and is intended to serve as a privacy wall for the benefit of the adjoining Lot; or
- (iii) which, in the reasonable determination of the Board, otherwise serves and/or separates two adjoining Lots, regardless of whether constructed wholly within the boundaries of one Lot;

shall constitute a party wall, party fence, or party driveway, respectively (herein referred to as "party structures"). The Owners of each such Lot (the "Adjoining Owners") shall own that portion of the party structure lying within the boundaries of their respective Lots and shall have an easement for use and enjoyment and, if needed, for support, in that portion, if any, of the party structure lying within the boundaries of the adjoining Lot.

(b) Maintenance.

Upon written request of either Adjoining Owner, which request is delivered to the Board with a copy to the other Adjoining Owner, and agreement of the Board that a party structure is in need of maintenance, repair or replacement, the Board shall perform the necessary maintenance, repair or replacement of the party structure on behalf of the Owners. Except as otherwise provided in subsection (c) below, all costs of such maintenance, repair or replacement shall be assessed equally to the Adjoining Owners and their Lots as a Benefited Assessment under Section 10.7.

(c) Damage and Destruction.

Each Adjoining Owner shall be responsible for maintaining a property insurance policy on that portion of any party structure lying within the boundaries of such Owner's Lot, as more particularly provided in Section 6.3., and shall be entitled to all insurance proceeds paid under such policy on account of any insured loss.

If a party structure is destroyed or damaged by fire or other casualty, the Board shall proceed promptly to repair or restore the party structure and shall assess all costs incurred against the Adjoining Owner who is responsible for insuring the party structure and against his or her Lot as a Benefited Assessment under Section 10.7. If both Adjoining Owners are responsible for insuring portions of the party structure, then such costs shall be assessed equally against the Adjoining Owners and their Lots. However, nothing herein shall prejudice the right of either Adjoining Owner to recover from the other under any rule of law regarding liability for negligent or willful acts or omissions.

Article 6. Insurance

6.1 Association Insurance.

The Association, acting through its Board or its duly authorized agent, shall obtain and continue in effect if reasonably available the following types of insurance:

(a) Blanket property insurance covering "risks of direct physical loss" on a "special form" basis (or comparable coverage by whatever name denominated) for all insurable improvements on the Common Area and on other portions of the area of Common Responsibility to the extent that it has assumed responsibility for maintenance, repair and/or replacement in the event of a casualty. In addition, the Association may, upon request of a Neighborhood, and shall, if so specified in a Supplemental Declaration applicable to the Neighborhood, obtain and continue in effect property insurance covering "risks of direct physical loss" on a "special form" basis for all insurable improvements in the Neighborhood. If "risks of direct physical loss" on a "special form" basis is not generally available at reasonable cost, then "broad form" coverage may be substituted. All property insurance policies obtained by the Association shall have policy limits sufficient to cover the full insurable replacement cost of the insured property. Costs of property

insurance obtained by the Association on behalf of a Neighborhood shall be charged to the Owners of Lots within the benefited Neighborhood as a Neighborhood Assessment;

(b) Commercial general liability policy on the Area of Common Responsibility, insuring the Association and its Members for damage or injury caused by the negligence of the Association or any of its Members, employees, agents, or contractors while acting on its behalf. If generally available at reasonable cost, the commercial general liability policy shall have a limit of at least \$1,000,000.00 per occurrence with respect to bodily injury, personal injury, and property damage;

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

(d) Directors and officers' liability coverage;

(e) Fidelity insurance covering all persons responsible for handling Association funds in an amount determined by its best business judgment but not less than one-sixth of the annual Base Assessments on all Lots plus reserves on hand. Fidelity insurance policies shall contain a waiver of all defenses based upon the exclusion of persons serving without compensation; and

(f) Such additional insurance as the Board, in its best business judgment, determines advisable.

(g) The Association shall have no insurance responsibility for any part of property of any Private Amenity.

6.2 Association Policy Requirements.

The Association shall arrange for an annual review of the sufficiency of insurance coverage by one or more qualified persons, at least one of whom must be familiar with insurable replacement costs in the Greenville County, South Carolina and Henderson County, North Carolina, areas.

All Association policies shall provide for a certificate of insurance to be furnished to each Member insured, to the Association, and to the Neighborhood Association, if any.

Except as otherwise provided in Section 6.1 with respect to property within a Neighborhood, premiums for all insurance on the Area of Common Responsibility shall be Common Expenses and shall be included in the Base Assessment. However, premiums for insurance on Exclusive Common Areas may be included in the Neighborhood Assessment of the Neighborhoods benefited unless the Board reasonably determines that other treatment of the premiums is more appropriate.

The policies may contain a reasonable deductible and the amount thereof shall not be subtracted from the face amount of the policy in determining whether the insurance at least equals the coverage required hereunder. In the event of an insured loss, the deductible shall be treated as a Common Expense or a Neighborhood Expense in the same manner as the premiums for the applicable insurance coverage. However, if the Board reasonably determines, after notice and an opportunity to be heard in accordance with Section 3.3(f) of the By-Laws, that the loss is the result of the negligence or willful conduct

of one or more Owners, their guests, invitees, or lessees, then the Board may assess the full amount of such deductible against such Owners and their Lots in accordance with Section 10.7.

(a) All insurance coverage obtained by the Board shall:

(i) Be written with a company authorized to do business in the States of North and South Carolina, as applicable to the situs of the insured property, which satisfies the requirements of the Federal National Mortgage Association, or such other secondary mortgage market agencies or federal agencies as the Board requires;

(ii) Be written in the name of the Association as trustee for the benefited parties. Policies on the Common Area shall be for the benefit of the Association and its Members. Policies secured on behalf of a Neighborhood shall be for the benefit of the Neighborhood Association, if any, the Owners of Lots within the Neighborhood, and their Mortgagees, as their interests may appear,

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

(iv) Contain an inflation guard endorsement; and

(v) Include an agreed amount endorsement if the policy contains a coinsurance clause.

(b) In addition, the Board shall be required to use reasonable efforts to secure insurance policies providing the following:

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

(ii) A waiver of the insurer's right to repair and reconstruct instead of paying cash;

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

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

(v) An endorsement requiring at least 30 days prior written notice to the Association of any cancellation, substantial modification, or nonrenewal;

(vi) A cross liability provision;

(vii) Vest in the Board exclusive authority to adjust losses; provided, however, no Mortgagee having an interest in such losses may be prohibited from participating in the settlement negotiations, if any, related to the loss; and

(viii) List the Lot Owners as additional insureds under the policy.

6.3 Owners Insurance.

By virtue of taking title to a Lot, each Owner covenants and agrees with all other Owners and with the Association to carry property insurance for the full insurable replacement cost of his or her Lot, less a reasonable deductible, and liability insurance, unless either the Neighborhood in which the Lot is located or the Association carries such insurance (which they are not obligated to do hereunder).

Each Owner further covenants and agrees that in the event of damage to or destruction of structures on or comprising a Lot, the Owner shall proceed promptly to repair or to reconstruct in a manner consistent with the original construction or such other plans and specifications as are approved in accordance with Article 11 of this Declaration. Alternatively, the Owner shall clear the Lot of all debris and ruins and maintain the Lot in a neat and attractive, landscaped condition consistent with the Community-Wide Standard. The Owner shall pay any costs that are not covered by insurance proceeds.

Additional recorded covenants applicable to any Neighborhood may establish more stringent requirements regarding the standards for rebuilding or reconstructing structures on the Lots within such Neighborhood and the standards for clearing and maintaining the Lots in the event the structures are not rebuilt or reconstructed.

6.4 Damage and Destruction.

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

(b) Any damage to or destruction of the Common Area shall be repaired or reconstructed unless Members holding at least sixty-seven percent (67%) of the total Class "A" votes in the Association and the Class "B" Member, if any, decide within sixty (60) days after the loss not to repair or reconstruct.

(c) Any damage to or destruction of the common property of any Neighborhood Association shall be repaired or reconstructed unless the Owners holding at least sixty-seven (67%) of the total vote of the Neighborhood Association decide within sixty (60) days after the damage or destruction not to repair or reconstruct.

(d) If either the insurance proceeds or reliable and detailed estimates of the cost of repair or reconstruction, or both, are not available to the Association within such 60-day period, then the period may be extended for not more than sixty (60) additional days. No Mortgagee shall have the right to participate in

the determination of whether the damage or destruction to the Common Area or common property of a Neighborhood Association shall be repaired or reconstructed.

(e) If determined in the manner described above that the damage or destruction to the Common Area or to the common property of any Neighborhood Association shall not be repaired or reconstructed and no alternative improvements are authorized, the affected property shall be cleared of all debris and ruins and thereafter shall be maintained by the Association or the Neighborhood Association, as applicable, in a neat and attractive, landscaped condition consistent with the Community-Wide Standard.

6.5 Disbursement of Proceeds.

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

6.6 Repair and Reconstruction.

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

Article 7. No Partition

Except as is permitted in this Declaration or amendments hereto, the Common Area shall remain undivided, and no Owner nor any other Person shall bring any action for partition of the whole or any part thereof without the written consent of all Owners and Mortgagees.

Article 8. Condemnation

If any part of the Common Area shall be taken (or conveyed in lieu of and under threat of condemnation by the Board acting upon approval of Members holding at least sixty-seven percent (67%) of the total Class "A" votes in the Association and of the Declarant, as long as the Declarant or the Cliffs Valley North Declarant owns any property described in Exhibits "A" or "B") by any authority having the power of condemnation or eminent domain, each Owner, shall be entitled to notice thereof. The award made for such taking shall be payable to the Association as trustee for all Owners to be disbursed as follows:

If the taking involves a portion of the Common Area on which improvements have been constructed, then the Association shall restore or replace such improvements so taken on the remaining land included in the Common Area to the extent lands are available, unless within sixty (60) days after such taking the Declarant, so long as the Declarant or the Cliffs Valley North Declarant owns any property described in Exhibits "A" or "B" of this Declaration, and Members holding at least sixty-seven percent (67%) of the total Class "A" vote of the Association shall otherwise agree. Any such construction shall be in accordance with plans approved by the Board. If such improvements are to be repaired or restored, the provisions in Article 6 hereof regarding the disbursement of funds for the repair of casualty damage or destruction shall apply.

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

Article 9. Annexation And Withdrawal Of Property

9.1 Annexation Without Approval of Membership.

(a) Cliffs Valley Property:

The Cliffs Valley Declarant shall have the unilateral right, privilege, and option, from time to time at any time until December 31, 2004, to subject to the provisions of this Declaration and the jurisdiction of the Association all or any portion of the real property described in Exhibit "B", Section B-1. The Cliffs Valley Declarant shall have the unilateral right to transfer to any other Person the right, privilege, and option to annex additional property which is herein reserved to the Cliffs Valley Declarant, provided that such transferee or assignee shall be the developer of at least a portion of the real property described in Exhibit "A", Section A-1 or Exhibit "B", Section B-1, and that such transfer is memorialized in a written, recorded instrument executed by the Cliffs Valley Declarant. Nothing in this Declaration shall be construed to require the Cliffs Valley Declarant or any successor to annex or develop any of the property set forth in Exhibit "B", Section B-1 in any manner whatsoever.

Such annexation shall be accomplished by filing a Supplemental Declaration annexing such property in the ROD Office of Greenville County, South Carolina. Such Supplemental Declaration shall not require the consent of any Owner, but shall require the consent of the owner of such property, if other than the Cliffs Valley Declarant. Any such annexation shall be effective upon the filing for record of such Supplemental Declaration unless otherwise provided therein.

(b) Cliffs Valley North Property:

The Cliffs Valley North Declarant shall have the unilateral right, privilege, and option, from time to time at any time until December 31, 2006, to subject to the provisions of this Declaration and the jurisdiction of the Association all or any portion of the real property described in Exhibit "B", Section B-2. The Cliffs Valley North Declarant shall have the unilateral right to transfer to any other Person the right, privilege, and option to annex additional property which is herein reserved to The Cliffs Valley North Declarant, provided that such transferee or assignee shall be the developer of at least a portion of the real property described in Exhibit "A", Section A-2 or Exhibit "B", Section B-2, and that such transfer is memorialized in a written, recorded instrument executed by the Cliffs Valley North Declarant. Nothing in this Declaration shall be construed to require the Cliffs Valley North Declarant or any successor to annex or develop any of the property set forth in Exhibit "B", Section B-2 in any manner whatsoever.

Such annexation shall be accomplished by filing a Supplemental Declaration annexing such property in the ROD Office of Henderson County, North Carolina. Such Supplemental Declaration shall not require the consent of any Owner, but shall require the consent of the owner of such property, if other than the Cliffs Valley North Declarant. Any such annexation shall be effective upon the filing for record of such Supplemental Declaration unless otherwise provided therein.

9.2 Annexation With Approval of Membership.

Subject to the consent of the owner thereof, the Association may annex real property other than that described on Exhibit "B," and following the expiration of the right in Section 9.1, any property described on Exhibit "B," (Section B-1 and Section B-2) to the provisions of this Declaration and the jurisdiction of the Association. Such annexation shall require the affirmative vote of Members holding a majority of the votes of the Association represented at a meeting duly called for such purpose and the consent of the Declarant, so long as Declarant owns property subject to this Declaration or which may become subject to this Declaration in accordance with Section 9.1.

Annexation shall be accomplished by filing a Supplemental Declaration describing the property being annexed in the public records of Greenville County, South Carolina or Henderson County, North Carolina, as applicable to the property being annexed. Any such Supplemental Declaration shall be signed by the President and the Secretary of the Association, and by the owner of the property being annexed. Any such annexation shall be effective upon filing unless otherwise provided therein.

9.3 Withdrawal of Property.

The Declarant reserves the right to amend this Declaration unilaterally at any time so long as it holds an unexpired option to annex property pursuant to this Article, without prior notice and without the consent of any Person, for the purpose of removing certain portions of the Properties then owned by the Declarant, the Cliffs Valley North Declarant or any affiliate of either or both of them or by the Association from the provisions of this Declaration, to the extent originally included in error or as a result of any changes whatsoever in the plans for the Properties desired to be effected by the Declarant, provided such withdrawal is not unequivocally contrary to the overall, uniform scheme of development for the Properties.

9.4 Additional Covenants and Easements.

The Declarant may unilaterally subject any portion of the property submitted to this Declaration initially or by Supplemental Declaration to additional covenants and easements, including covenants obligating the Association to maintain and insure such property on behalf of the Owners and obligating such Owners to pay the costs incurred by the Association through Neighborhood Assessments. Such additional covenants and easements shall be set forth in a Supplemental Declaration filed either concurrent with or after the annexation of the subject property and shall require the written consent of the owners of such property, if other than the Declarant.

9.5 Amendment Of article 9.

This Article 9 shall not be amended without the prior written consent of Declarant so long as the Declarant or the Cliffs Valley North Declarant owns any property described in Exhibits "A" or "B."

Article 10. Assessments

10.1 Creation of Assessments.

There are hereby created assessments for Association expenses as may from time to time specifically be authorized by the Board of Directors, to be commenced at the time and in the manner set forth in Section 10.9. There shall be four (4) types of assessments: (a) Base Assessments to fund Common

Expenses for the general benefit of all Lots; (b) Neighborhood Assessments for Neighborhood Expenses benefiting only Lots within a particular Neighborhood or Neighborhoods; (c) Special Assessments as described in Section 10.6; and (d) Benefited Assessments as described in Section 10.7. Each Owner, by acceptance of a deed or recorded contract of sale for any portion of the Properties, is deemed to covenant and agree to pay these assessments.

All assessments, together with interest at a rate to be set by the Board (not to exceed the highest rate allowed by South Carolina and North Carolina law) as computed from the date the delinquency first occurs, late charges, costs, and reasonable attorneys fees, shall be a charge on the land and shall be a continuing lien upon each Lot against which the assessment is made until paid, as more particularly provided in Section 10.8. Each such assessment, together with interest, late charges, costs, and reasonable attorneys fees, also shall be the personal obligation of the Person who was the Owner of such Lot at the time the assessment arose. In the event of a transfer of title to a Lot, the grantee shall be jointly and severally liable for such portion thereof as may be due and payable at the time of conveyance. However, no first Mortgagee who obtains title to a Lot pursuant to the remedies provided in the Mortgage shall be liable for unpaid assessments that accrued prior to such acquisition of title.

The Association shall, upon demand at any time, furnish to any Owner liable for any type of assessment a certificate in writing signed by an officer of the Association setting forth whether such assessment has been paid as to any particular Lot. Such certificate shall be conclusive evidence of payment of the Association of such assessment therein stated to have been paid. The Association may require the advance payment of a reasonable processing fee for the issuance of such certificate.

Assessments shall be paid in such manner and on such dates as may be fixed by the Board of Directors. If the Board so elects, assessments may be paid in installments. Unless the Board otherwise provides, the Base Assessment and any, Neighborhood Assessment shall be due and payable in advance on the first day of each fiscal year. If any Owner is delinquent in paying any assessments or other charges levied on his or her Lot, the Board may require any unpaid installments of all outstanding assessments to be paid in full immediately.

No Owner may waive or otherwise exempt himself or herself from liability for the assessments, including, by way of illustration and not limitation, by non-use of Common Area or abandonment of the Lot. The obligation to pay assessments is a separate and independent covenant on the part of each Owner. No diminution or abatement of assessment or set-off shall be claimed or allowed by reason of any alleged failure of the Association or Board to take some action or perform some function required to be taken or performed by the Association or Board under this Declaration or the By-Laws, or for inconvenience or discomfort arising from the making of repairs or improvements which are the responsibility of the Association, or from any action taken to comply with any law, ordinance, or with any order or directive of any municipal or other governmental authority.

10.2 Declarant's Obligation for Assessments.

The Declarant shall pay assessments on all Lots owned by Declarant which are subject to assessments as set forth in Section 10.9, if any. The Declarant shall pay on the same basis as any other Owner in accordance with this Article 10.

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

10.3 Computation of Base Assessment.

It shall be the duty of the Board, at least ninety (90) days before the beginning of each fiscal year, to prepare a budget covering the estimated Common Expenses of the Association during the coming year. The budget shall include a capital contribution establishing a reserve and in accordance with a budget separately prepared as provided in Section 10.5.

The Base Assessment shall be levied equally against all Lots and shall be set at a level that is reasonably expected to produce total income for the Association equal to the total budgeted Common Expenses, including reserves. The Base Assessment may be increased each year without the approval of the Members by 10% per annum simple interest on a cumulative basis, excluding any capital contributions required to be paid in any one year. For instance, if the Base Assessment in year 1 is \$100, it may be increased to \$110 in year 2. If, instead, the Base Assessment in year 2 remains the same as year 1 at \$100, the Base Assessment for year 3 may be increased to \$120 without a vote of the Members. If the proposed budget would result in a Base Assessment increase exceeding 10% per annum, simple interest on a cumulative basis as aforesaid, the proposed budget and Base Assessment must be approved by a majority of the Members voting in person or by written ballot, at or for which a quorum is present or voting by ballot, as the case may be. In setting the Base Assessment, the Board shall take into account the number of Lots subject to assessment under Section 10.9 on the first day of the fiscal year for which the budget is prepared and the number of Lots reasonably anticipated to become subject to assessment during the fiscal year. In determining the level of assessments, the Board, in its discretion, may consider other sources of funds available to the Association, including any amounts due from any party pursuant to a Covenant to Share Costs.

So long as the Declarant has the right unilaterally to annex additional property pursuant to Article 9 hereof, the Declarant may elect on an annual basis, but shall not be obligated, to reduce the resulting Base Assessment for any fiscal year by payment of a subsidy (in addition to any amounts paid by Declarant under Section 10.2), which may be either a contribution, an advance against future assessments due from the Declarant, or a loan, in the Declarant's discretion. Any such subsidy shall be conspicuously disclosed as a line item in the Common Expense budget and shall be made known to the membership. The payment of such subsidy in any year shall under no circumstances obligate the Declarant to continue payment of such subsidy in future year, unless otherwise provided in a written agreement between the Association and the Declarant.

The Board shall cause a copy of the budget and notice of the amount of the Base Assessment to be levied against each Lot for the following year to be delivered to each Owner at least thirty (30) days prior to the beginning of the fiscal year for which it is to be effective. Such budget and assessment shall become effective unless disapproved at a meeting by Members holding at least sixty-seven percent (67%) of the total votes in the Association and by the Class "B" Member, if such exists. There shall be no obligation to call a meeting for the purpose of considering the budget except on petition of the Members as provided for special meetings in Section 2.4 of the By-Laws, which petition must be presented to the Board within ten (10) days after the deliver of the notice of assessments.

Notwithstanding the foregoing, however, in the event the proposed budget is disapproved or the Board fails for any reason to determine the budget for any year, then and until such time as a budget shall have been determined, the budget in effect for the immediately preceding year shall continue for the current year.

10.4 Computation of Neighborhood Assessments.

It shall be the duty of the Board, at least ninety (90) days before the beginning of each fiscal year, to prepare a separate budget covering the estimated Neighborhood expenses to be incurred by the Association for each Neighborhood on whose behalf Neighborhood Expenses are expected to be incurred during the coming year. Such budget shall include a capital contribution establishing a reserve fund for repair and replacement for capital items maintained as a Neighborhood Expense, if any, within the Neighborhood. Neighborhood Expenses shall be allocated equally among all Lots within the Neighborhood benefited thereby and levied as a Neighborhood Assessment unless otherwise specified in the Supplemental Declaration applicable to such Neighborhood or if so directed by the Neighborhood in writing to the Board of Directors.

The Board shall cause a copy of such budget and notice of the amount of the Neighborhood Assessment to be levied on each Lot in the Neighborhood for the coming year to be delivered to each Owner of a Lot in the Neighborhood at least thirty (30) days prior to the beginning of the fiscal year. Such budget and assessment shall become effective unless disapproved by a majority vote of the Owners of Lots in the Neighborhood to which the Neighborhood Assessment applies. However, there shall be no obligation to call a meeting for the purpose of considering the budget except on petition of Owners of at least ten percent (10%) of the Lots in such Neighborhood.

In the event the proposed budget for any Neighborhood is disapproved or the board fails for any reason to determine the budget for any year, then and until such time as a budget shall have been determined, the budget in effect for the immediately preceding year shall continue for the current year.

10.5 Reserve Budget and Capital Contribution.

The Board of Directors shall annually prepare reserve budgets for both general and Neighborhood purposes, which take into account the number and nature of replaceable assets, the expected life of each asset, and the expected repair or replacement cost. The Board shall set the required capital contribution in an amount sufficient to permit meeting the projected needs of the Association, as shown on the budget, with respect both to amount and timing by annual Base Assessments or Neighborhood Assessments, as appropriate, over the period of the budget. The capital contribution required, if any, shall be fixed by the Board and included within and distributed with the applicable budget and notice of assessments, as provided in Sections 10.3 and 10.4.

10.6 Special Assessments.

In addition to other assessments authorized hereunder, the Association may levy Special Assessments from time to time to cover unbudgeted expenses or expenses in excess of those budgeted. Such Special Assessment may be levied against the entire membership, if such Special Assessment is for Common Expenses, or against the Lots within any Neighborhood if such Special Assessment is for Neighborhood Expenses. Except as otherwise specifically provided in this Declaration, any Special Assessment shall have the affirmative vote or written consent of Members holding at least a majority of the total votes allocated to

Lots which will be subject to such Special Assessment, and the affirmative vote or written consent of the Class "B" Member, if such exists.

Special Assessments shall be payable in such manner and at such times as determined by the Board, and may be payable in installments extending beyond the fiscal year in which the Special Assessment is approved, if the Board so determines.

10.7 Benefited Assessments.

The Board shall have the power to specifically assess expenses of the Association against Lots (a) receiving benefits, items, or services not provided to all Lots Within a Neighborhood or within the Properties that are incurred upon request of the Owner of a Lot for specific items or services relating to the Lot or (b) that are incurred as a consequence of the conduct of a particular Owner or Owners, occupants of such Owners' Units or their licensees, invitees, or guests. The Association may also levy a Benefited Assessment against any Lot or Neighborhood to reimburse the Association for costs incurred in bringing the Lot or Neighborhood into compliance with the provisions of the Declaration, any applicable Supplemental Declaration, the Articles, the By-Laws, and the Association rules and regulations. Such Benefited Assessments may be levied upon the vote of the Board after notice to the Owner or Neighborhood, as applicable, and an opportunity for a hearing.

10.8 Lien for Assessments.

The Association shall have a lien against each Lot to secure payment of delinquent assessments, as well as interest, late charges (subject to the limitations of applicable law), and costs of collection (including attorneys fees). Such lien shall be prior and superior to all other liens, except (a) the liens of all taxes, bonds, assessments, and other levies which by law would be superior, and (b) the lien or charge of any first Mortgage of record (meaning any recorded Mortgage with first priority over other Mortgages) made in good faith and for value. Such lien, when delinquent, may be enforced by suit, judgment, and judicial or nonjudicial foreclosure in accordance with the law of the situs of the property.

The Association, acting on behalf of the Owners, shall have the power to bid for the Lot at the foreclosure sale and to acquire, hold, lease, mortgage, and convey the Lot. During the period in which a Lot is owned by the Association following foreclosure: (a) no right of vote shall be exercised on its behalf; (b) no assessment shall be levied on it; and (c) each other Lot shall be charged, in addition to its usual assessment, its equal pro rata share of the assessment that would have been charged such Lot had it not been acquired by the Association as a result of foreclosure. Suit to recover a money judgment for unpaid Common Expenses and attorneys fees shall be maintainable without foreclosing or waiving the lien securing the same.

The sale or transfer of any Lot shall not affect the assessment lien or relieve such Lot from the lien for any assessments thereafter becoming due. However, the sale or transfer of any Lot pursuant to judicial or nonjudicial foreclosure of a first Mortgage shall extinguish the lien as to any installments of such assessments that became due prior to such sale or transfer. Where the Mortgagee holding a first Mortgage of record or other purchaser of a Lot obtains title pursuant to judicial or nonjudicial foreclosure of the Mortgage, it shall not be personally liable for the share of the Common Expenses or assessments by the Association chargeable to such Lot which became due prior to such acquisition of title. Such unpaid share of Common Expenses or assessments shall be deemed to be Common Expenses collectible from Owners of all Lots subject to assessment under Section 10.9, including such acquirer, its successors and assigns.

10.9 Date of Commencement of Assessments.

The obligation to pay the assessments provided for herein shall commence as to a Lot on the first day of the month following: (a) the month in which the Lot is made subject to this Declaration, or (b) the month in which the Board first determines a budget and levies assessments pursuant to this Article, whichever is later. The first annual Base Assessment and Neighborhood Assessment, if any, levied on each Lot shall be adjusted according to the number of months remaining in the fiscal year at the time assessments commence on the Lot.

10.10 Failure to Assess.

The omission or failure of the Board to fix the assessment amounts or rates or to deliver or mail to each Owner an assessment notice shall not be deemed a waiver, modification, or a release of any Owner from the obligation to pay assessments. In such event, each Owner shall continue to pay Base Assessments and Neighborhood Assessments on the same basis as for the last year for which an assessment was made, if any, until a new assessment is made, at which time any shortfalls in Collections may be assessed retroactively by the Association.

10.11 Capitalization of Association.

Upon acquisition of record title to a Lot by the first Owner thereof other than the Declarant or a Builder, a contribution shall be made by or on behalf of the purchaser to the working capital of the Association in an amount equal to one-sixth (1/6) of the annual Base Assessment per Lot for that year as determined by the Board. This amount shall be in addition to, not in lieu of, the annual Base Assessment levied on the Lot and shall not be considered an advance payment of any portion thereof. This amount shall be deposited into the purchase and sales escrow and disbursed therefrom to the Association for use in covering operating expenses and other expenses incurred by the Association pursuant to the terms of this Declaration and the By-Laws.

10.12 Exempt Property.

The following property shall be exempt from payment of Base Assessments, Neighborhood Assessments, Special Assessments, and Benefited Assessments:

- (a) All Common Area;
- (b) All property dedicated to and accepted by any governmental authority or public utility, including without limitation public schools, public streets, and public parks, if any; and
- (c) Property owned by an Neighborhood Association for the common use and enjoyment of its members, or owned by the members of a Neighborhood Association as tenants-in-common.

Article 11. Architectural Standards

11.1 General.

No structure shall be placed, erected, or installed upon any Lot, and no construction or modification (including staking, clearing, excavation, grading and other site work, exterior alteration or modification of existing improvements, and planting or removal of plants, trees, or shrubs) shall take place except in strict compliance with this Article, until the requirements below have been fully met, and approval of the appropriate committee has been obtained pursuant to Section 11.2.

Nothing contained herein shall be construed to limit the right of an Owner to remodel the interior of his or her Lot or to paint the interior of his or her Lot any color desired. However, modifications or alterations to the interior of screened porches, patios, and similar portions of a Lot visible from outside the Lot shall be subject to approval. No permission or approval shall be required to repaint the exterior of a structure in accordance with the originally approved color scheme or to rebuild in accordance with originally approved plans and specifications.

All dwellings constructed on any portion of the Properties shall be designed by and built in accordance with the plans and specifications of a licensed architect or other qualified building designer.

This Article shall not apply to the activities of the Declarant nor to construction or improvements or modifications to the Common Area by or on behalf of the Association.

This Article may not be amended without the Declarant's written consent so long as the Declarant or the Cliffs Valley North Declarant owns any land subject to this Declaration or subject to annexation to this Declaration.

11.2 Architectural Review.

Responsibility for administration of the Design Guidelines, as defined below, and review of all applications for construction and modifications under this Article shall be handled by two (2) committees, as described in subsections (a) and (b) of this Section. The members of the committees need not be Members of the Association or representatives of Members, and may, but need not, include architects, engineers or similar professionals, whose compensation, if any, shall be established from time to time by the Board of Directors. The Board of Directors may establish reasonable fees to be charged by the committees on behalf of the Association for review of applications hereunder and may require such fees to be paid in full prior to review of any application.

(a) New Construction Committee.

The New Construction Committee (NCC) shall consist of at least three (3), but not more than five (5), Persons and shall have exclusive jurisdiction over all original construction on any portion of the Properties. Until December 31, 2003, the Declarant retains the right to appoint all members of the New Construction Committee who shall serve at the discretion of the Declarant. There shall be no surrender of this right prior to that time except in a written instrument in recordable form executed by Declarant. Upon the expiration of such right, the Board of Directors may, at its option, appoint members of the NCC, who shall serve and may be removed at the Board's discretion, or combine the NCC and Modifications Committee into a

single architectural review committee which shall assume all rights and responsibilities for both committees under this Article.

(b) Modifications Committee.

The Board of Directors may establish a Modifications Committee (MC) to consist of at least three (3) and no more than five (5) persons, all of whom shall be appointed by, and shall serve at the discretion of, the Board of Directors. Member of the MC may include architects or similar professionals who are not members of the Association. The MC, if established, shall have jurisdiction over modifications, additions, or alterations made on or to existing structures on Lots or containing Lots and the open space, if any, appurtenant thereto. Notwithstanding the above, the NCC shall have the right to veto any action taken by the MC that the NCC determines, in its sole discretion, to be inconsistent with the guidelines promulgated by the NCC.

11.3 Guidelines and Procedures.

(a) The Declarant shall prepare the initial design and development guidelines and application and review procedures (the "Design Guidelines"), which shall be applicable to all construction activities within the Properties. The Design Guidelines may contain general provisions applicable to all of the Properties as well as specific provisions which vary from one portion of the Properties to another depending upon the location, unique characteristics, and intended use of such portion of the Properties.

The NCC, acting on behalf of the Board of Directors, shall adopt such Design Guidelines at its initial organizational meeting and, thereafter, shall have sole and full authority to amend them from time to time.

The NCC shall make the Design Guidelines available to Owners and Builders who seek to engage in development of or construction upon all or any portion of the Properties and all such Persons shall conduct their activities in strict accordance with such Design Guidelines. Any amendments of the Design Guidelines adopted from time to time by the New Construction Committee in accordance with this Section shall apply to construction and modifications commenced after the date of such amendment only and shall not apply to require modifications to or removal of structures previously approved by the NCC or MC once the approved construction or modification has commenced.

The MC may promulgate detailed application and review procedures and design standards governing its area of responsibility and practice. Any such standards shall be consistent with those set forth in the Design Guidelines and shall be subject to review and approval by the NCC.

(b) Plans and specifications showing the nature, kind, shape, color, size, materials, and location of all proposed construction and modifications shall be submitted to the appropriate committee for review and approval (or disapproval). In addition, information concerning, without limitation, irrigation systems, drainage, lighting, fences, outdoor pools, and any other special features of such proposed construction or modification, as applicable, shall be submitted.

In the event that the NCC or MC fails to approve or to disapprove any application within thirty (30) days after submission of all information and materials reasonably requested, the application shall be deemed approved. However, no approval, whether expressly granted or deemed granted pursuant to

the foregoing, shall be inconsistent with the Design Guidelines unless a variance has been granted in writing by the NCC pursuant to Section 11.5.

11.4 No Waiver of Future Approvals.

The approval of either the NCC or MC of any proposals or plans and specifications or drawings for any work done or proposed, or in connection with any other matter requiring the approval and consent of such committee, shall not be deemed to constitute a waiver of any right to withhold approval or consent as to any similar proposals, plans and specifications, drawings or matters subsequently or additionally submitted for approval or consent.

11.5 Variance.

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

11.6 Limitation of Liability.

Review and approval of any application pursuant to this Article is made on the basis of aesthetic considerations only and neither the NCC nor the MC shall bear any responsibility for ensuring the structural integrity or soundness of approved construction or modifications, nor for ensuring compliance with building codes and other governmental requirements. Neither the Declarant, the Association, the Board of Directors, any committee, or member of any of the foregoing shall be held liable for any injury, damages, or loss arising out of the manner or quality of approved construction on or modifications to any Lot.

11.7 Enforcement.

Any construction, alteration, or other work done in violation of this Article shall be deemed to be nonconforming. Upon written request from the Board, Owners shall, at their own cost and expense, bring such construction, alteration or other work into conformity with this Article to the satisfaction of the Board or remove such construction, alteration, or other work and shall restore the land to substantially the same condition as existed prior to the construction, alteration or other work. Should an Owner fail to remove and restore as required hereunder, the Association shall have the right to enter the property, remove the violation, and restore the property to substantially the same condition as existed prior to the construction, alteration or other work. All costs, together with the interest at the maximum rate then allowed by law, may be assessed against the benefited Lot and collected as a Benefited Assessment pursuant to Section 10.7.

Any contractor, subcontractor, agent, employee, or other invitee of an Owner who fails to comply with the terms and provisions of this Article and the Design Guidelines may be excluded by the Board from the Properties, subject to the notice and hearing procedures contained in the By-Laws. In such event,

neither the Association, its officers, nor directors shall be held liable to any Person for exercising the rights granted by this paragraph.

In addition to the foregoing, the Board of Directors shall have the authority and standing, on behalf of the Association, to pursue all legal and equitable remedies available to enforce the provisions of this Article and the decisions of the NCC and MC.

11.8 Size of Homes.

The NCC reserves the right to establish minimum size requirements for all dwellings constructed on any portion of the Properties. The NCC, in its sole discretion, may increase or decrease the minimum size requirements for future phases of the Properties. The minimum standards for the property platted prior to the date of this Declaration are as follows:

(a) Cliffs Valley Single Family.

All one-level dwellings or residences are to have no fewer than 1,800 square feet of heated floor space. All two-story homes shall have a minimum of 1,200 square feet of heated floor space on the main level and 800 square feet of heated floor space on the second level. All residences shall be required to have a two car attached garage, unless otherwise approved in writing by the NCC.

(b) Cliffs Valley North Single Family.

All one-level dwellings or residences are to have no fewer than 2,000 square feet of heated floor space. All two-story homes shall have a minimum of 1,200 square feet of heated floor space on the main level and 800 square feet of heated floor space on the second level. All residences shall be required to have a two car attached garage, unless otherwise approved in writing by the NCC.

(c) Neighborhoods and Multi-Family/Patio Homes (Cliffs Valley and Cliffs Valley North)

All dwellings shall be of minimum square footage and a size and design style as approved by the NCC on a case-by-case basis.

Article 12. Use Restrictions And Rules

12.1 Plan of Development; Applicability; Effect.

Declarant has established a general plan of development for the Properties under this Declaration in order to protect all Owners' quality of life and collective interests, the aesthetics and environment within the Properties, and the vitality of and sense of community within the Properties, all subject to the Board's and the Members' ability to respond to changes in circumstances, conditions, needs, and desires within the community. The Properties are subject to Design Guidelines as set forth in Article XI and other restrictions governing land development, architectural control, individual conduct and uses of or actions upon the Properties. This Declaration, including the initial Use Restrictions attached hereto as Exhibit "C" and incorporated by this reference, and the rules and resolutions adopted by the Board or the Members establish affirmative and negative covenants, easements, and restrictions on the Properties.

All provisions of this Declaration and any rules shall apply to all Owners, occupants, tenants, guests and invitees of any Lot. Any lease on any Lot shall provide that the lessee and all occupants of the leased Lot shall be bound by the terms of this Declaration, the By-Laws, and the rules of the Association.

12.2 Authority to Promulgate Use Restrictions and Rules.

(a) Subject to the terms of this Article and in accordance with its duty of care and undivided loyalty to the Association and its Members, the Board may adopt rules which modify, cancel, limit, create exceptions to, or expand the initial Use Restrictions set forth on Exhibit "C." The Board shall send notice by mail to all Owners concerning any such proposed action at least five (5) business days prior to the Board meeting at which such action is to be considered. Members shall have a reasonable opportunity to be heard at a Board meeting prior to such action being taken.

Any such rules shall become effective unless disapproved at a meeting by Members holding at least sixty-seven percent (67%) of the total Class "A" votes and by the Class "B" Member, if any. The Board shall have no obligation to call a meeting of the Members to consider disapproval except upon petition of the Members as required for special meetings in By-Laws, Section 2.4.

(b) Alternatively, the Members, at a meeting duly called for such purpose as provided in By-Laws, Section 2.4, may adopt rules which modify, cancel, limit, create exceptions to, or expand the Use Restrictions and previously adopted rules by a vote of Members holding sixty-seven percent (67%) of the total Class "A" votes and the approval of the Class "B" Member, if any.

(c) At least 30 days prior to the effective date of any action under subsections (a) or (b) of this Section, the Board shall send a copy of the rule to each Owner. The Association shall provide, without cost, a copy of the Use Restrictions and rules then in effect to any requesting Member or Mortgagee.

12.3 Owners' Acknowledgment.

All Owners and occupants of Lots are given notice that use of their Lots is limited by the Use Restrictions as they may be amended, expanded and otherwise modified hereunder. Each Owner, by acceptance of a deed, acknowledges and agrees that the use and enjoyment and marketability of his or her Lot can be affected by this provision and that the Use Restrictions and rules may change from time to time.

12.4 Rights of Owners.

Except as may be specifically set forth in this Declaration (either initially or by amendment), including Exhibit "C" attached hereto, neither the Board nor the Members may adopt any rule in violation of the following provisions:

(a) Equal Treatment.

Similarly situated Owners and occupants shall be treated similarly.

(b) Speech.

The rights of Owner and occupants to display on their Lot political signs and symbols of the kinds normally displayed in or outside of residences located in single-family residential neighborhoods in individually owned property shall not be abridged, except that the Association may adopt reasonable time, place, and manner restrictions for the purpose of minimizing damage and disturbance to other Owners and occupants.

(c) Religious and Holiday Displays.

The rights of Owners and occupants to display religious and holiday signs, symbols, and decorations inside structures on their Lots of the kinds normally displayed in residences located in single-family residential neighborhoods shall not be abridged, except that the Association may adopted reasonable time, place, and manner restrictions for the purpose of minimizing damage and disturbance to other Owners and occupants.

(d) Household Composition.

No rule shall interfere with the freedom of occupants of Lots to determine the composition of their households, except that the Association shall have the power to require that all occupants be members of a single housekeeping unit and to limit the total number of occupants permitted in each Lot on the basis of the size and facilities of the Lot and its fair use of the Common Area.

(e) Activities Within Dwelling.

No rule shall interfere with the activities carried on within the confines of dwellings on the Lots, except that the Association may prohibit activities not normally associated with property restricted to residential use, and it may restrict or prohibit any activities that create monetary costs for the Association or other Owners, that create danger to the health or safety of occupants of other Lots, that generate excessive noise or traffic, that create unsightly conditions visible outside the Lot, that block the views from other Lots, or that create an unreasonable source of annoyance.

(f) Pets.

The Association may adopt reasonable rules designed to minimize damage and disturbance to other Owners and occupants, including rules requiring damage deposits, waste removal, leash controls, noise controls, pet occupancy limits based on size and facilities of the Lot and fair share use of the Common Area; provided, however, any rule prohibiting the keeping of ordinary household pets shall apply prospectively only and shall not require the removal of any pet which was being kept on the Properties prior to the adoption of such rule. Nothing in this provision shall prevent the Association from requiring removal of any animal that presents an actual threat to the health or safety of residents or from requiring abatement of any nuisance or unreasonable source of annoyance. No Owner shall be permitted to raise, breed or keep animals, livestock or poultry of any kind for commercial or business purposes.

(g) Allocation of Burdens and Benefits.

No rule shall affect the allocation of financial burdens among the various Lots or rights to use the Common Area to the detriment of any Owner over that Owner's objection expressed in

writing to the Association. Nothing in this provision shall prevent the Association from changing the Common Area available, from designating Exclusive Common Area, from adopting generally applicable rules for use of Common Area, or from denying use privileges to those who abuse the Common Area, violate rules or this Declaration, or fail to pay assessments. This provision does not affect the right to increase the amount of assessments as provided in Article 10.

(h) Alienation.

No rule shall prohibit leasing or transfer of any Lot, or require consent of the Association or Board for leasing or transfer of any Lot for any period greater than two months; provided, the Association or the Board may require a minimum lease term of up to 12 months. The Association may require that Owners use lease forms approved by the Association, but shall not impose any fee on the lease or transfer of any Lot greater than an amount reasonably based on the costs to the Association of its costs to administer that lease or transfer.

(i) Reasonable Rights to Develop.

No rule or action by the Association or Board shall unreasonably impede the Declarant's right to develop in accordance with the recorded development plats for the Properties or otherwise.

(j) Abridging Existing Rights.

Any rule that would require Owners to dispose of personal property being kept on the Properties shall apply prospectively only and shall not require the removal of any property which was being kept on the Properties prior to the adoption of such rule and which was in compliance with all rules in force at such time.

The limitations in this Section 12.4 shall apply to rules only; they shall not apply to amendments to this Declaration adopted in accordance with Section 18.2.

Article 13. Easements

13.1 Easements of Encroachment.

There shall be reciprocal appurtenant easements of encroachment, and for maintenance and use of any permitted encroachment, between each Lot and any adjacent Common Area and between adjacent Lots due to the unintentional placement or settling or shifting of the improvements constructed, reconstructed, or altered thereon (in accordance with the terms of these restrictions) to a distance of not more than three (3) feet, as measured from any point on the common boundary along a line perpendicular to such boundary. However, in no event shall an easement for encroachment exist if such encroachment occurred due to willful and knowing conduct on the part of, or with the knowledge and consent of, an Owner, occupant, or the Association.

13.2 Easements for Utilities, Etc.

There are hereby reserved unto Declarant, so long as the Declarant or the Cliffs Valley North Declarant owns any property described on Exhibit "A" or "B," of this Declaration, the Association, and the designees of each (which may include, without limitation, Greenville County, South Carolina, Henderson County, North Carolina and any utility company) access and maintenance easements upon, across, over, and under all of the Properties to the extent reasonably necessary for the purpose of replacing, repairing, and maintaining cable television systems, master television antenna systems, security and similar systems, road, walkways, bicycle pathways, lakes, ponds, wetlands, drainage systems, street lights, signage, and all utilities, including, but not limited to, water, sewers, meter boxes, telephone, gas, and electricity, and for the purpose of installing any of the foregoing on property which it owns or within easements designated for such purposes on recorded plats of the Properties. Notwithstanding anything to the contrary herein, this easement shall not entitle the holders to construct or install any of the foregoing systems, facilities, or utilities over, under or through any existing dwelling on a Lot, and any damage to a Lot resulting from the exercise of this easement shall promptly be repaired by, and at the expense of, the Person exercising the easement. The exercise of this easement shall not unreasonably interfere with the use of any Lot and, except in an emergency, entry onto any Lot shall be made only after reasonable notice to the Owner or occupant.

Without limiting the generality of the foregoing, there are hereby reserved for the water supplier, electric company, and natural gas supplier easements across all the Common Area for ingress, egress, installation, reading, replacing, repairing, and maintaining utility meters and boxes. However, the exercise of this easement shall not extend to permitting entry into the dwelling on any Lot. Notwithstanding anything to the contrary contained in this Section, no sewers, electrical lines, water lines, or other utilities may be installed or relocated on the Properties, except as may be approved by the Association's Board of Directors or as provided by Declarant.

13.3 Easements to Serve Additional Property.

The Declarant and its duly authorized agents, representatives, and employees, as well as its successors, assigns, licensees, and mortgagees, shall have and hereby reserves an easement over the Common Area for the purposes of enjoyment, use, access, and development of the real property described in Exhibit "B" attached hereto and incorporated herein, whether or not such property is made subject to this Declaration. This easement includes, but is not limited to, a right of ingress and egress over the Common Area for construction of roads and for connecting and installing utilities on such property. Declarant agrees that it and its successors or assigns shall be responsible for any damage caused to the Common Area as a result of vehicular traffic connected with development of the real property described in Exhibit "B."

13.4 Easements for Golf Balls.

Every Lot, the Common Area, and the common property of any Neighborhood are burdened with an easement permitting golf balls unintentionally to come upon the Lots, Common Area, or common property immediately adjacent to the golf course and for golfers at reasonable time and in a reasonable manner to come upon the exterior portions of a Lot, Common Area; or common property to retrieve errant golf balls. However, if any Lot is fenced or walled, the golfer will seek the Owner's permission before entry. The existence of this easement shall not relieve golfers of liability for damage caused by errant golf balls. Under no circumstances shall the Association or the Declarant be held liable for any damage or injury resulting from errant golf balls or the exercise of this easement.

13.5 Easement for Emergency.

The Association shall have the right, but not the obligation, and a perpetual easement is hereby granted to the Association, to enter upon any Lot for emergency, security, and safety reasons. The Association's rights may be exercised by the Association's Board of Directors, officers, agents, employees, managers, and all police officers, fire fighters, ambulance personnel, and similar emergency personnel in the performance of their respective duties. Except in an emergency situation, entry shall be only during reasonable hours and after notice to the Owner. This right of entry shall include the right of the Association to enter upon any Lot to cure any condition which may increase the possibility of a fire or other hazard in the event an Owner fails or refuses to cure the condition within a reasonable time after requested by the Board, but shall not authorize entry into any dwelling without permission of the Owner, except by emergency personnel acting in their official capacities.

13.6 Easements for Maintenance and Enforcement.

The Association shall have the right, but not the obligation, and a perpetual easement is hereby granted to the Association, to enter upon any portions of the Properties, including any Lot, (a) to perform its maintenance responsibilities pursuant to Article 5, and (b) to inspect for the purpose of ensuring compliance with this Declaration, any Supplemental Declaration, By-Laws, and rules and regulations. The Association's rights may be exercised by the Association's Board of Directors, officers, agents, employees, and managers, in the performance of their respective duties. Except in an emergency situation, entry into a Lot shall be only during reasonable hours and after notice to and permission from the Owner thereof. This easement shall be exercised with a minimum of interference to the quiet enjoyment to Owners' property, reasonable steps shall be taken to protect such property, and damage shall be repaired by the Person causing the damage at its sole expense.

The Association or its duly authorized agent shall also have the power to enter a Lot to abate or remove, using such force as may be reasonably necessary, any structure, thing or condition which violates the Declaration, the By-Laws, or the rules and regulations. All costs of self-help, including reasonable attorneys fees, shall be assessed against the violating Owner and shall be collected as provided herein for the collection of assessments.

13.7 Access.

All Lots within the Properties shall have a non-exclusive, perpetual easement for pedestrian and vehicular ingress and egress over all roads, which are now, or hereafter designated as Common Areas by the Declaration or any Supplemental Declaration. Said easement shall be effective as to each road or any portion only after the construction thereof is complete.

13.8 Trails.

The Declarant reserves for itself, its successors and assigns, and the Association, the right to designate certain areas of the Properties, including the Common Areas, to be used as recreational bike, pedestrian and/or equestrian pathways and trails ("trail system"). The trail system shall not interfere with or inhibit the residential purposes of the Properties.

The Declarant reserves for itself, the Association, and the members, guests, invitees and licensees of any of the Private Amenities, a nonexclusive, perpetual easement of ingress and egress over the trail system and such portions of the Common Areas which are necessary to travel to and from the trail system.

13.9 Easement for Cemeteries.

The Declarant reserves for itself, the Association, the relatives of any deceased person in any cemetery that is located within the boundaries of the Properties, and persons seeking access to any such cemeteries for academic or historical purposes, a nonexclusive, perpetual easement of ingress and egress over such portions of the Common Areas which are necessary to travel to and from such cemeteries.

Article 14. Mortgage Provisions

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

14.1 Notice of Action.

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

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

(b) Any delinquency in the payment of assessments or charges owed by a Lot subject to the Mortgage of such Eligible Holder, where such delinquency has continued for a period of sixty (60) days, or any other violation of the Declaration or By-Laws relating to such Lot or the Owner or occupant which is not cured within sixty (60) days. Notwithstanding this provision, any holder of a first Mortgage is entitled to written notice upon request from the Association of any default in the performance by an Owner of a Lot of any obligation under the Declaration or By-Laws, which is not cured within sixty (60) days;

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

(d) Any, proposed action that would require the consent of a specified percentage of Eligible Holders.

14.2 Special FHLMC Provision.

So long as required by the Federal Home Loan Mortgage Corporation, the following provisions apply in addition to and not in lieu of the foregoing. Unless at least sixty-seven percent (67%) of

the first Mortgagees or Members holding at least sixty-seven percent (67%) of the total Association vote consent, the Association shall not:

(a) By act or omission seek to abandon, partition, subdivide, encumber, sell, or transfer all or any portion of the real property comprising the Common Area which the Association owns, directly or indirectly (the granting of easements for public utilities or other similar purposes consistent with the intended use of the Common Area shall not be deemed a transfer within the meaning of this subsection);

(b) Change the method of determining the obligations, assessments, dues, or other charges which may be levied against an Owner of a Lot (a decision, including contracts, by the Board or provisions of any declaration subsequently recorded on any portion of the Properties regarding assessments for Neighborhoods or other similar areas shall not be subject to this provision where such decision or subsequent declaration is otherwise authorized by this Declaration);

(c) By act or omission waive or abandon any scheme of regulations or enforcement pertaining to architectural design, exterior appearance or maintenance of Lots and the Common Area (the issuance and amendment of architectural standards, procedures, rules and regulations, or use restrictions shall not constitute a change, waiver, or abandonment within the meaning of this provision);

(d) Fail to maintain insurance, as required by this Declaration; or

(e) Use hazard insurance proceeds for any Common Area losses for other than the repair, replacement, or reconstruction of such property.

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

14.3 No Priority.

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

14.4 Notice to Association.

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

14.5 Amendment by Board.

Should the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation subsequently delete any of its respective requirements that necessitate the provisions of this Article or make any such requirements less stringent, the Board, without approval of the Owners, may record an amendment to this Article to reflect such changes.

14.6 Applicability of Article 14.

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

14.7 Failure of Mortgagee to Respond.

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

Article 15. Declarant's Rights

Any or all or the special rights and obligations of the Declarant set forth in this Declaration or the By-Laws may be transferred to other persons, provided that the transfer shall not reduce an obligation nor enlarge a right beyond that contained in this Declaration or in the By-Laws, as applicable. Furthermore, no such transfer shall be effective unless it is in a written instrument signed by the Declarant and duly recorded in the public records of Greenville County, South Carolina and Henderson County, North Carolina. Nothing in this Declaration shall be construed to require the Declarant or any successor to develop any of the property set forth in Exhibit "B" in any manner whatsoever.

Notwithstanding any provisions contained in this Declaration to the contrary, so long as construction and initial sales of Lots shall continue, it shall be expressly permissible for the Declarant and Builders authorized by Declarant to maintain and carry on upon portions of the Common Area such facilities and activities as, in the sole opinion of the Declarant, may be reasonably required, convenient, or incidental to the construction or sale of such Lots, including, but not limited to, business offices, signs, model units, sales offices, and rental units. The Declarant and Builders authorized by Declarant shall have easements for access to and use of such facilities. The right to maintain and carry on such facilities and activities shall include specifically, without limitation, the right to use Lots owned by the Declarant and any clubhouse, community center, or other facility which may be owned by the Association, as models, sales offices, or rental units.

In addition, notwithstanding any contrary provision of this Declaration, the By-Laws, or any Association rules, the Declarant shall have the right to replat or revise the recorded plats relating to any portion of the Properties without the consent of any Person other than the owners) of the property the boundaries of which are altered.

So long as the Declarant continues to have rights under this Article, no person shall record any declaration of covenants, conditions and restrictions, or declaration of condominium or similar instrument affecting any portion of the Properties without Declarant's review and written consent. Any attempted recordation without compliance herewith shall result in such declaration of covenants, conditions and restrictions, or declaration of condominium or similar instrument being void and of no force and effect unless subsequently approved by written consent signed by the Declarant and recorded in the public records.

This Article may not be amended without the express written consent of the Declarant. However, the rights contained in this Article shall terminate upon the earlier of (a) twenty (20) years from the date this

Declaration is recorded, or (b) upon recording by Declarant of a written statement that all sales activity has ceased.

Article 16. Private Amenities

16.1 General.

Access to and use of any Private Amenity is strictly subject to the rules and procedures of the respective owners and operators of the Private Amenity, and to any contracts entered into by such Private Amenity, and no Person gains any ownership interest in any Private Amenity or any right to enter or to use any Private Amenity by virtue of membership in the Association or ownership or occupancy of Lot. Rights to use each Private Amenity will be granted only to such persons, and on such terms and conditions, as determined by such Private Amenity. All Persons, including all Owners, are hereby advised that no representations or warranties, either written or oral, have been or are made by the Declarant or any other Person with regard to the nature or size of the improvements, or to the continuing ownership or operation, of the Private Amenities. No purported representation or warranty, written or oral, with regard to any Private Amenity shall ever be effective without an amendment hereto executed or joined into by the Declarant and such Private Amenity.

16.2 Rights of Access and Parking.

The owners and operators of the Private Amenities, and the members (regardless of whether such members are Owners hereunder), guests, invitees, employees, agents, contractors, and designees of each shall at all times have a right and nonexclusive easement of access and use over all roadways located within the Properties reasonably necessary to travel to and from the Private Amenities and over those portions of the Properties (whether Common Area or otherwise) reasonably necessary to the operation, maintenance, repair and replacement of the Private Amenities. Without limiting the generality of the foregoing, members, guests, and invitees of any Private Amenity and permitted members of the public shall have the right to park their vehicles on the roadways located within the Properties at reasonable times before, during, and after golf tournaments and other similar functions.

16.3 Assessments.

No Private Amenity shall be obligated to pay to the Association any assessments as described in Article 10 hereof. However, each Private Amenity may be obligated to contribute funds to the Association for maintenance of portions of the Area of Common Responsibility in accordance with a Covenant to Share Costs.

16.4 Limitation on Amendments.

In recognition of the fact that the provisions of this Article are for the benefit of the Private Amenities, no amendment to this Article, and no amendment in derogation of this Article of any other provisions of this Declaration, may be made without the prior written approval of the owner or operator of the affected Private Amenity. The foregoing shall not apply, however, to amendments made by the Declarant.

16.5 Jurisdiction and Cooperation.

It is Declarant's intention that the Association and the owners and operators of the Private Amenities cooperate to the maximum extent possible in the operation of the Properties and the Private Amenities. Each shall reasonably assist the other in upholding the Community-Wide Standard as pertains to maintenance of the Area of Common Responsibility. The Association shall have no power to promulgate rules and regulations affecting activities in or use of any Private Amenity without prior written consent of such Private Amenity.

Article 17. Dispute Resolution And Limitation On Litigation

17.1 Agreement to Avoid Costs of Litigation and to Limit Right to Litigate Disputes.

The Association, Declarant, the Cliffs Valley North Declarant, all Persons subject to this Declaration, and any Person not otherwise subject to this Declaration who agrees to submit to this Article (collectively, "Bound Parties") agree to encourage the amicable resolution of disputes involving the Properties, and to avoid the emotional and financial costs of litigation if at all possible. Accordingly, each Bound Party covenants and agrees that all claims, grievances or disputes between such Bound Party and any other Bound Party involving the Properties, including, without limitation, claims, grievances or disputes arising out of or relating to the interpretation, application or enforcement of this Declaration, the By-Laws, the Association rules, or the Articles (collectively "Claim"), except for those Claims authorized in Section 17.2, shall be resolved using the procedures set forth in Section 17.3 in lieu of filing suit in any court or initiating proceedings before any administrative tribunal seeking redress or resolution, of such Claim.

17.2 Exempt Claims.

The following Claims ("Exempt Claims") shall be exempt from the provisions of Section 17.3:

(a) any suit by the Association against any Bound Party to enforce the provisions of Article 10 (Assessments);

(b) any suit by the Association to obtain a temporary restraining order (or equivalent emergency equitable relief) and such other ancillary relief as the court may deem necessary in order to maintain the status quo and preserve the Association's ability to enforce the provisions of Article 11 (Architectural Standards) and Article 12 (Use Restrictions and Rules);

(c) any suit between Owners (other than Declarant) seeking redress on the basis of a Claim which would constitute a cause of action under federal law, or the laws of the State of South Carolina or the State of North Carolina, as applicable, in the absence of a claim based on the Declaration, By-Laws, Articles or rules of the Association, if the amount in controversy exceeds \$5,000.00; and

(d) any suit by the Association in which similar or identical claims, are asserted against more than one Bound Party.

Any Bound Party having an Exempt Claim may submit it to the alternative dispute resolution procedures set forth in Section 17.3. but there shall be no obligation to do so. The submission of an Exempt

Claim involving the Association to the alternative dispute resolution procedures of Section 17.3 shall require the approval of the Association.

17.3 Mandatory Procedures for All Other Claims.

All Claims other than Exempt Claims shall be resolved using the following procedures:

(a) Notice.

Any Bound Party having a Claim ("Claimant") against any other Bound Party ("Respondent"), other than an Exempt Claim, shall notify each Respondent in writing of the Claim (the "Notice"), stating plainly and concisely:

- (1) the nature of the Claim, including date, time, location, persons involved, and Respondent's role in the Claim;
- (2) the basis of the Claim (i.e., the provisions of this Declaration, the By-Laws, the Articles or rules or other authority out of which the Claim arises);
- (3) what Claimant wants Respondent to do or not do to resolve the Claim; and
- (4) that Claimant wishes to resolve the Claim by mutual agreement with Respondent and is willing to meet in person with Respondent at a mutually agreeable time and place to discuss in good faith ways to resolve the Claim.

(b) Negotiation.

- (1) Each Claimant and Respondent (the "Parties") shall make every reasonable effort to meet in person and confer for the purpose of resolving the Claim by good faith negotiation.
- (2) Upon receipt of a written request from any Party, accompanied by a copy of the Notice, the Board may appoint a representative to assist the Parties in resolving the dispute by negotiation, if in its discretion it believes its efforts will be beneficial to the Parties and to the welfare of the community.

(c) Mediation.

- (1) If the Parties do not resolve the Claim through negotiation within thirty (30) days of the date of the Notice (or within such other period as may be agreed upon by the Parties) ("Termination of Negotiations"), Claimant shall have thirty (30) additional days within which to submit the Claim to mediation under the auspices of any Greenville County dispute resolution center or such other independent agency providing similar services upon which the Parties may mutually agree.
- (2) If Claimant does not submit the Claim to mediation within thirty (30) days after Termination of Negotiations, Claimant shall be deemed to have waived the Claim, and Respondent shall be released and discharged from any and all liability to Claimant on account of such Claim; provided, nothing herein shall release or discharge Respondent from any liability to Persons not a Party to the foregoing proceedings.

(3) If the Parties do not settle the Claim within thirty (30) days after submission of the matter to the mediation process, or within such time as determined reasonable or appropriate by the mediator, the mediator shall issue a notice of termination of the mediation proceedings ("Termination of Mediation"). The Termination of Mediation notice shall set forth when and where the Parties met, that the Parties are at an impasse, and the date that mediation was terminated.

(4) Each Party shall, within five (5) days of the Termination of Mediation, make a written offer of settlement in an effort to resolve the Claim. The Claimant shall make a final written settlement demand ("Settlement Demand") to the Respondent. The Respondent shall make a final written settlement offer ("Settlement Offer") to the Claimant. If the Claimant fails to make a Settlement Demand, Claimant's original Notice shall constitute the Settlement Demand. If the Respondent fails to make a Settlement Offer, Respondent shall be deemed to have made a "zero" or "take nothing" Settlement Offer.

(d) Final and Binding Arbitration.

(1) If the Parties do not agree in writing to accept either the Settlement Demand, the Settlement Offer, or otherwise resolve the Claim within fifteen (15) days of the Termination of Mediation, the Claimant shall have fifteen (15) additional days to submit the Claim to arbitration in accordance with the Rules of Arbitration contained in Exhibit "D" or the Claim shall be deemed abandoned, and Respondent shall be released and discharged from any and all liability to Claimant arising out of such Claim; provided, nothing herein shall release or discharge Respondent from any liability to Persons not a Party to the foregoing proceedings.

(2) This subsection (d) is an agreement of the Bound Parties to arbitrate all Claims except Exempt Claims and is specifically enforceable under the applicable arbitration laws of the State of South Carolina. The arbitration award (the "Award") shall be final and binding, and judgment may be entered upon it in any court of competent jurisdiction to the fullest extent permitted under the laws of the State of South Carolina.

17.4 Allocation of Costs of Resolving Claims.

(a) Each Party shall bear its own costs incurred prior to and during the proceedings described in Section 17.3(a), (b) and (c), including the fees of its attorney or other representative. Each Party shall share equally all charges rendered by the mediators) pursuant to Section 17.3(c).

(b) Each Party shall bear its own costs (including the fees of its attorney or other representative) incurred after the Termination of Mediation under Section 17.3(c) and shall share equally in the costs of conducting the arbitration proceeding (collectively, "Post Mediation Costs"), except as otherwise provided in subsection 17.4(c).

(c) Any Award, which is equal to or more favorable to Claimant than Claimant's Settlement Demand, shall add such Claimant's Post Mediation Costs to the Award, such Costs to be borne equally by all Respondents. Any Award which is equal to or less favorable to Claimant than Respondent's Settlement Offer to that Claimant shall also award to such Respondent its Post Mediation Costs, such Costs to be borne by all such Claimants.

17.5 Enforcement of Resolution.

If the Parties agree to resolve any Claim through negotiation or mediation in accordance with Section 17.3. and any Party thereafter fails to abide by the terms of such agreement, or if the Parties agree to accept the Award following arbitration and any Party thereafter fails to comply with such Award, then any other Party may file suit or initiate administrative proceedings to enforce such agreement or Award without the need to again comply with the procedures set forth in Section 17.3. In such event, the Party taking action to enforce the agreement or Award shall be entitled to recover from the non-complying Party (or if more than one non-complying Party, from all such Parties pro rata) all costs incurred in enforcing such agreement or Award, including, without limitation, attorneys fees and court costs.

Article 18. General Provisions

18.1 Term.

The covenants and restrictions of this Declaration shall run with and bind the Properties and shall inure to the benefit of and shall be enforceable by the Association or the Owner of any Properties, their respective legal representatives, heirs, successors, and assigns, for a term of thirty (30) years from the date this Declaration is recorded. After such time the covenants and restrictions shall be automatically extended for successive periods of ten (10) years, unless an instrument in writing, signed by a majority of the then Owners, has been recorded within the year preceding the beginning of each successive period of ten (10) years, agreeing to change said covenants and restrictions, in whole or in part, or to terminate the same, in which case this Declaration shall be modified or terminated as specified therein.

18.2 Amendment.

(a) By Declarant.

The Declarant may unilaterally amend this Declaration if such amendment is (i) necessary to bring any provision into compliance with any applicable governmental statutes, rule, regulation, or judicial determination; (ii) necessary to enable any reputable title insurance company to issue title insurance coverage on the Lots; (iii) required by an institutional or governmental lender or purchaser of mortgage loans, including, for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to enable such lender or purchaser to make or purchase mortgage loans on the Lots; (iv) necessary to enable any governmental agency or reputable private insurance company to insure or guarantee mortgage loans on the Lots; or (v) otherwise necessary to satisfy the requirements of any governmental agency. However, any such amendment shall not adversely affect the title to any Lot unless the Owner shall consent thereto in writing. So long as the Declarant still owns property described in Exhibits "A" or "B" for development as part of the Properties, it may unilaterally amend this Declaration for any other purpose, provided the amendment has no material adverse effect upon any substantive right of any Owner unless such affected Owner shall consent thereto in writing.

(b) By Owners.

Except as otherwise specifically provided herein, this Declaration may be amended only by the affirmative vote or written consent, or any combination thereof, of Members holding at least

sixty-seven percent (67%) of the total votes in the Association, and the consent of the Declarant, so long as the Declarant has an option to subject additional property to this Declaration pursuant to Section 9.1. In addition, the approval requirements set forth in Article 14 hereof shall be met, if applicable. Notwithstanding the above, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

(c) Effective Date and Validity.

To be effective, any amendment must be recorded in both the ROD Office of Greenville County, South Carolina and the ROD of Henderson County, North Carolina.

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

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

18.3 Severability.

Invalidation of any provision or portion of a provision of this Declaration by judgment or court order shall in no way affect any other provisions, which shall remain in full force and effect.

18.4 Perpetuities.

If any of the covenants, conditions, restrictions, or other provisions of this Declaration shall be unlawful, void, or voidable for violation of the rule against perpetuities, then such provisions shall continue only until twenty-one (21) years after the death of the last survivor of the now living descendants of Elizabeth II, Queen of England.

18.5 Litigation.

Except as otherwise specifically provided below, no judicial or administrative proceeding shall be commenced or prosecuted by the Association unless approved by a vote of Owners holding seventy-five percent (75%) of the total votes of the Association. This Section shall not apply, however, to (a) actions brought by the Association to enforce the provisions of this Declaration (including, without limitation, the foreclosure of liens); (b) the imposition and collection of assessments as provided in Article 10; (c) proceedings involving challenges to ad valorem taxation; or (d) counterclaims brought by the Association in proceedings instituted against it. This Section shall not be amended unless such amendment is approved by the percentage of votes, and pursuant to the same procedures, necessary to institute proceedings as provided above.

18.6 Cumulative Effect: Conflict.

The covenants, restrictions, and provisions of this Declaration shall be cumulative with those of any Neighborhood, and the Association may, but shall not be required to enforce the covenants, conditions, and provisions of any Neighborhood; provided, however, in the event of conflict between or among such

covenants and restrictions, and provisions of any articles of incorporation, by-laws, rules and regulations, policies, or practices adopted or carried out pursuant thereto, those of any Neighborhood shall be subject and subordinate to those of the Association. The foregoing priorities shall apply, but are not limited to, the liens of assessments created in favor of the Association.

18.7 Compliance.

Every Owner and occupant of any Lot shall comply with all lawful provision of this Declaration, the By-Laws, and the rules and regulations of the Association. Failure to comply shall be grounds for action to recover sums due, for a damages or injunctive relief, or for any other remedy available at law or in equity, maintainable by the Association or, in a proper case, by any aggrieved Lot Owner(s). In addition, the Association may avail itself of any and all remedies provided in this Declaration or the By-Laws.

18.8 Notice of Sate or Transfer of Title.

In the event that any Owner desires to sell or otherwise transfer title to his or her Lot, such Owner shall give the Board of Directors at least seven (7) days prior written notice of the name and address of the purchaser or transferee, the date of such transfer of title, and such other information as the Board of Directors may reasonably require. The transferor shall continue to be jointly and severally responsible with the transferee to all obligations of the Owner of the Lot coming due prior to the date upon which such notice is received by the Board of Directors including assessment obligations, notwithstanding the transfer of title to the Lot.

Each transferee of a Lot shall, within seven (7) days of taking title to a Lot, confirm that the information previously provided by the transferor is complete and accurate.

IN WITNESS WHEREOF, the undersigned parties hereby consent to the amendment to the Original Declarations and to the adoption of the foregoing Declaration and the exhibits attached hereto this 22nd day of February, 2002.

[Signature Pages Follow]

WITNESSES:

THE CLIFFS AT PANTHER MOUNTAIN, INC.
a North Carolina corporation

By: _____
James B. Anthony, President

STATE OF SOUTH CAROLINA)
)
COUNTY OF GREENVILLE)

PERSONALLY appeared before me the undersigned witness who made oath that (s)he saw the within The Cliffs at Panther Mountain, Inc., a North Carolina corporation, by James B. Anthony, its President, sign, seal and as its act and deed, deliver the within written instrument and that (s)he with the other witness witnessed the execution thereof.

SWORN TO before me
this 22nd day of February, 2002.

Notary Public for the State of South Carolina

My commission expires: 12/9/06

WITNESSES:

CLIFFS VALLEY COMMUNITY
ASSOCIATION, INC., a South Carolina
corporation.

By: _____
Don Brown, President

STATE OF SOUTH CAROLINA)
)
COUNTY OF GREENVILLE)

PERSONALLY appeared before me the undersigned witness who made oath that (s)he saw the within The Cliffs Valley Community Association, Inc., a South Carolina corporation, by Don Brown, its President, sign, seal and as its act and deed, deliver the within written instrument and that (s)he with the other witness witnessed the execution thereof.

SWORN TO before me
this 22nd day of February, 2002.

Notary Public for the State of South Carolina

My commission expires: 12/9/06

WITNESSES:

CLIFFS VALLEY NORTH COMMUNITY
ASSOCIATION

By: _____
James B. Anthony, President

STATE OF SOUTH CAROLINA)
)
COUNTY OF GREENVILLE)

PERSONALLY appeared before me the undersigned witness who made oath that (s)he saw the within Cliffs Valley North Community Association, a North Carolina unincorporated, non-profit association, by James B. Anthony, its President, sign, seal and as its act and deed, deliver the within written instrument and that (s)he with the other witness witnessed the execution thereof.

SWORN TO before me
this 22nd day of February, 2002.

Notary Public for the State of South Carolina

My commission expires: 12/9/06

EXHIBIT "A"

Section: A-1

Land Submitted

All those certain tracts or parcels of land and described on those certain plats recorded in the Office of the ROD for Greenville County, South Carolina as follows:

THE CLIFFS VALLEY	PLAT BOOK	PAGE
The Cliffs Valley	28-A	41
Cliffs Valley, Phase I, Section A As revised	28-B 29-A	19 30
Cliffs Valley, Phase I, Section B As revised	28-B 28-B	18 64
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Section: A-2

All those certain tracts or parcels of land identified and described on those certain plats recorded in the Office of the ROD for Greenville County, South Carolina as follows:

THE CLIFFS AT PANTHER MOUNTAIN, INC. DBA CLIFFS VALLEY NORTH

Plats recorded at Slide Numbers 497, 498, 499 and 500 in the Office of the Henderson County, North Carolina, Register of Deeds.

EXHIBIT "B"

Section: B-1

Land Subject to Annexation

All that certain piece, parcel or lot of land lying, being and situated north of the City of Greenville, South Carolina, Greenville County, and being bounded on the north by the boundary of the states of North Carolina and South Carolina, on the south by South Carolina Highway 11, on the east by Old Highway 25 and in the west by US Highway 25, including all real property located within a one mile distance of the perimeter boundaries of the property so described.

Section: B-2

Land Subject to Annexation

All that certain piece, parcel, or lot of land lying, being and situated north of the City of Greenville, South Carolina, and south of the city of Hendersonville, North Carolina, and being bounded on the north by Bob's Creek Road, on the south by Beaver Dam Road, on the east by City of Greenville property and on the west by U.S. Highway 25 including all real property located within a one mile distance of the perimeter boundaries of the property so described.

EXHIBIT "C"

Initial Use Restrictions

(a) General. The Properties shall be used only for residential, recreational, and related purposes (which may include, without limitation, offices for any property manager retained by the Association or business offices for the Declarant or the Association consistent with the Declaration and any Supplemental Declaration.) Any Supplemental Declaration or additional covenants imposed on the property within any Neighborhood may impose stricter standards than those contained herein and the Association shall have standing and the power to enforce such standards.

(b) Restricted Activities. The following activities are prohibited within the Properties unless expressly authorized by, and then subject to such conditions as may be imposed by, the Board:

(i) Parking of commercial vehicles, recreational vehicles, trailers, mobile homes, boats or other watercraft, or other oversized vehicles, stored vehicles or inoperable vehicles in places other than enclosed garages or such other portions of the Lot screened so that they are not visible from neighboring Lots, streets, or property located adjacent to the Lot;

(ii) Capturing, trapping or killing of wildlife within the Properties, except in circumstances posing an imminent threat to the safety of persons using the Properties;

(iii) Raising, breeding or keeping of animals, livestock, or poultry of any kind, except that a reasonable number of dogs, cats, or other usual and common household pets may be permitted in a Lot. All dogs shall at all times whenever they are outside a Lot be confined on a leash held by a responsible person. Those pets which are permitted to roam free, or, in the sole discretion of the Board, make objectionable noise, endanger the health or safety of, or constitute a nuisance or inconvenience to the occupants of other Lots shall be removed upon the request of the Board. If the pet owner fails to honor such request, the Board may remove the pet;

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

(v) Subdivision of a Lot into two or more Lots after a subdivision plat including such Lot has been approved and filed, or changing the boundary lines of any Lot, except that the Declarant and Builders, with Declarant's consent, shall be permitted to subdivide or change the boundary lines of Lots which they own;

(vi) Operation of a timesharing, fraction-sharing, or similar program whereby the right to exclusive use of the Lot rotates among participants in the program on a fixed or floating time schedule over a period or years, except that Declarant and its assigns may operate such a program with respect to Lots which it owns;

(vii) Any business, trade, garages sale, moving sale, rummage sale, or similar activity, except that an Owner or occupant residing in a Lot may conduct business activities within the Lot so long as: (a) the existence or operation of the business activity is not apparent or detectable by sight, sound, or smell from outside the Lot; (b) the business activity conforms to all zoning requirements for the Properties; (c) the business activity does not involve regular visitation of the Lot by clients, customers, suppliers, or other business invitees or door-to-door solicitation of residents of the Properties; and (d) the business activity is consistent with the residential character of the Properties and does not constitute a nuisance, or a hazardous or offensive use, or threaten the security or safety of other residents of the Properties, as may be determined in the sole discretion of the Board. This subsection shall not apply to any activity conducted by the Declarant, a Builder approved by the Declarant of any assignee of the Declarant with respect to its development and sale of the Properties or its use of any Lots that it owns within the Properties, including the operation of a timeshare or similar program;

(viii) Any construction, erection, modification, or placement, permanently or temporarily, on the outside portions of the Lot whether such portion is improved or unimproved except as provided in Article 9 of the Declaration; and

(ix) Erection of signs within the Properties except as provided in Article 11 of the Declaration. The Board may restrict the size, color, lettering and placement of signs. This restriction shall not apply to signs erected by the Declarant.

EXHIBIT "D"

Rules of Arbitration

(1) Claimant shall submit a Claim to arbitration under these Rules by giving written notice to all other Parties stating plainly and concisely the nature of the Claim, the remedy sought and Claimant's desire to submit the Claim to arbitration ("Arbitration Notice").

(2) Each Party shall select an arbitrator ("Party Appointed Arbitrator"). The Parties are encouraged to select an arbitrator who has experience in the real estate industry and who is familiar with the arbitration of real estate related disputes. The Party Appointed Arbitrators shall, by unanimous agreement, select one (1) or two (2) neutral arbitrators ("Neutral (s)") so that the total arbitration panel ("Panel") has an odd number of arbitrators. If any Party fails to appoint a Party Appointed Arbitrator within twenty (20) days from the date of the Arbitration Notice, the remaining arbitrators shall conduct the proceedings, selecting a Neutral in place of any missing Party Appointed Arbitrator. The Neutral arbitrators shall select a chairperson ("Chair").

(3) If the Panel is not selected under Rule 2 within forty-five (45) days from the date of the Arbitration Notice, or if the Parties earlier agree, Claimant may notify the South Carolina chapter of the Community Associations Institute ("CAI"), which shall appoint one (1) Neutral ("Appointed Neutral"), notifying the Appointed Neutral and all Parties in writing of such appointment. The Appointed Neutral shall be experienced in the arbitration of real estate related disputes or knowledgeable of real estate issues as determined by the South Carolina Chapter of CAI. The Appointed Neutral shall thereafter be the sole arbitrator ("Arbitrator"), and any Party Appointed Arbitrators or their designees shall have no further duties involving the arbitration proceedings.

(4) No person may serve as a Neutral in any arbitration under these Rules in which that person has any financial or personal interest in the result of the arbitration. Any person designated as a Neutral shall immediately disclose in writing to all Parties any circumstance likely to affect impartiality, including any bias or financial or personal interest in the outcome of the arbitration ("Bias Disclosure"). If any Party objects to the service of any Neutral after receipt of that Neutral's Bias Disclosure, such Neutral shall be replaced in the same manner in which that Neutral was selected.

(5) The Arbitrator or Chair, as the case may be ("Arbitrator") shall fix the date, time and place for the hearing. The place of the hearing shall be within the Properties unless otherwise agreed by the Parties.

(6) Any Party may be represented by an attorney or other authorized representative throughout the arbitration proceedings.

(7) All persons who, in the judgment of the Arbitrator, have a direct interest in the arbitration are entitled to attend hearings.

(8) There shall be no stenographic record of the proceedings.

(9) The hearing shall be conducted in whatever the Arbitrator's judgment, most fairly and expeditiously permit the full presentation of the evidence and arguments of the Parties.

(10) The Parties may offer such evidence as is relevant and material to the Claim, and shall produce such additional evidence as the Arbitrator may deem necessary to an understanding and determination of the Claim. The Arbitrator shall be the sole judge of the relevance and materiality of any evidence offered, and conformity to the legal rules of evidence shall not be necessary. The Arbitrator shall be authorized, but not required, to administer oaths to witnesses.

(11) The Arbitrator shall declare the hearings closed when satisfied the record is complete.

(12) There will be no post-hearing briefs.

(13) The Award shall be rendered immediately following the close of the hearing, if possible, and no later than fourteen (14) days from the close of the hearing, unless otherwise agreed by the Parties. The Award shall be in writing, shall be signed by the Arbitrator and acknowledged before a notary public. If the Arbitrator believes an opinion is necessary, it shall be in summary form.

(14) If there is more than (1) arbitrator, all decisions of the Panel and the Award shall be by majority vote.

(15) Each Party agrees to accept as legal delivery of the Award the deposit of a true copy in the mail addressed to that Party or its attorney the address communicated to the Arbitrator at the hearing.

EXHIBIT "E"
BY-LAWS
OF
THE CLIFFS VALLEY COMMUNITY ASSOCIATION, INC.

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BY-LAWS
OF
THE CLIFFS VALLEY COMMUNITY ASSOCIATION, INC.

Article 1.
Name, Principal Office, and Definitions

1.1 Name. The name of the Association shall be The Cliffs Valley Community Association, Inc. (hereinafter the "Association").

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

1.3 Definitions. The words used in these By-Laws shall be given their normal, commonly understood meanings. Capitalized terms shall have the same meaning as set forth in that Declaration of Covenants, Conditions, and Restrictions for Cliffs Valley (said Declaration, as amended, renewed, or extended from time to time, is hereinafter called the "Declaration"), unless the context indicates otherwise.

Article 2.
Association: Membership. Meetings. Quorum. Voting. Proxies

2.1 Membership. The Association shall have two (2) classes of membership, Class "A" and Class "B", as more fully set forth in the Declaration, the terms of which pertaining to membership are specifically incorporated herein by reference.

2.2 Place of Meetings. Meetings of the Association shall be held at the principal office of the Association or at such other suitable place convenient to the Members as may be designated by the Board either within the Properties or as convenient thereto as possible and practical.

2.3 Annual Meetings. The first meeting of the Association, whether a regular or special meeting, shall be held within one (1) year from the date of incorporation of the Association. Subsequent regular annual meetings shall be set by the Board so as to occur at least fifteen (15) days before, but not more than sixty (60) days after, the close of the Association's fiscal year on a date and at a time set by the Board of directors.

2.4 Special Meetings. The President of the Association may call special meetings. In addition, it shall be the duty of the President to call a special meeting of the Association if so directed by resolution of the Board or upon a petition signed in accordance with Section 33-31-702(a)(2) of the Code of Laws of South Carolina (1976, as amended) by Members holding at least five percent (5%) of the Class "A" votes of the Association.

2.5 Notice of Meetings. Written or printed notice stating the day, and hour of any meeting of the Members shall be delivered, either personally or by mail, to each Member entitled to vote at such meeting, not

less than ten (10) nor more than fifty (50) days before the date of such meeting, by or at the direction of the President or the Secretary or the officers or persons calling the meeting.

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

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

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

2.7 Adjournment of Meetings. If any meeting of the Association cannot be held because a quorum is not present, a majority of the Members who are present at such meeting, either in person or by proxy, may adjourn the meeting to a time not less than five (5) nor more than thirty (30) days from the time the original meeting was called. At the reconvened meeting, if a quorum is present, any business that might have been transacted at the meeting originally called may be transacted. If a time and place for reconvening the meeting is not fixed by those in attendance at the original meeting or if for any reason a new date is fixed for reconvening the meeting after adjournment, notice of the time and place for reconvening the meeting shall be given to Members in the manner prescribed for regular meetings in Section 2.5.

The Members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum.

2.8 Voting. The voting rights of the Members shall be as set forth in the Declaration, and such voting rights provisions are specifically incorporated herein.

2.9 Proxies. At all meetings of the Members, Members may vote in person or by proxy. Each proxy shall be in writing, dated, signed and filed with the Secretary of the Association prior to the meeting for which it is to be effective. Proxies may be delivered to the Secretary by personal delivery, United States mail or telecopy to any director or the Association's management agent. Except as otherwise specifically provided in the proxy, a proxy shall be presumed to cover all votes which the Member giving such proxy is entitled to cast, and in the event of any conflict between two (2) or more proxies purporting to cover the same voting rights, the later dated proxy shall prevail or if dated as of the same date, both shall be deemed invalid. No proxy shall be valid more than eleven (11) months after its execution unless otherwise provided in the proxy. Every proxy shall be revocable and shall automatically cease upon conveyance of the Member's Lot.

2.10 Majority. As used in these By-Laws, the term "majority" shall mean those votes, owners, or other group as the context may indicate totaling more than fifty percent (50%) of the total number.

2.11 Quorum. Except as otherwise provided in these By-laws or in the Declaration, the presence in person or by proxy of Members holding at least thirty percent (30%) of the total vote of the Association shall constitute a quorum at all meetings of the Association; provided, if a quorum is not present at any meeting when initially called, then the meeting may be adjourned and reconvened within thirty (30) days after the date originally called and the quorum requirement upon such reconvening shall be reduced to twenty percent (20%) of the total vote of the Association. Any provision in the Declaration concerning quorums is specifically incorporated herein.

2.12 Conduct of Meetings. The President shall preside over all meetings of the Association, and the Secretary shall keep the minutes of the meeting and record in a minute book all resolutions adopted at the meeting, as well as a record of all transactions occurring at the meeting.

2.13 Action Without A Meeting. Any action required by law to be taken at a meeting of the Members, or any action which may be taken at a meeting of the Members, may be taken without a meeting if written consent setting forth the action so taken is signed by all of the Members entitled to vote with respect to the subject matter thereof, and any such consent shall have the same force and effect as a unanimous vote of the Members.

Article 3.

Board of Directors: Number, Powers, Meetings

3.1 Composition and Selection.

(a) **Governing Composition.** The affairs of the Association shall be governed by a Board of Directors, each of whom shall have one (1) vote. Except with respect to directors appointed by the Class "B" Member, the directors shall be Members or spouses of such Members; provided, however, no person and his or her spouse may serve on the Board at the same time. In the case of a Member that is not a natural person, the person designated in writing to the Secretary of the Association as the representative of such Member shall be eligible to serve as a director.

(b) **Directors During Class "B" Control Period.** Subject to the provisions of Section 3.1(f), the directors shall be selected by the Class "B" Member acting in its sole discretion and shall serve at the pleasure of the Class "B" Member until the first to occur of the following:

(i) when three hundred fifty (350) Lots have been submitted to the terms and provisions of the Declaration and have been conveyed to Persons other than the Declarant or Builders;

(ii) December 31, 2003; or

(iii) when, in its discretion, the Declarant so determines.

(c) **Right To Disapprove Actions.** So long as the Class "B" membership exists, the Class "B" Member shall have a right to disapprove actions of the Board and any committee, as is more fully provided in this Section. This right shall be exercisable only by the Class "B" Member, its successors, and assigns who specifically take this power in a recorded instrument. The right to disapprove shall be as follows:

No action, policy or program authorized by the Board or any committee shall become effective, nor shall any action, policy, or program be implemented until and unless:

(i) The Class "B" Member shall have been given written notice of all meetings and proposed actions approved at meetings of the Association, the Board or any committee thereof by certified mail, return receipt requested, or by personal delivery at the address it has registered with the Secretary of the Association, as it may change from time to time, which notice complies with the requirements for Board meetings set forth in Sections 3.2(b), 3.2(c), and 3.2(d) and which notice shall, except in the case of the regular meetings held pursuant to the By-Laws, set forth in reasonable particularity the agenda to be followed at said meeting; and

(ii) The Class "B" Member shall be given the opportunity at any such meeting to join in or to have its representatives or agents join in discussion from the floor of any prospective action, policy, or program to be implemented by the Board, any committee thereof, or the Association. The Class "B" Member, its representatives or agents may make its concerns, thoughts, and suggestions known to the Board and/or the members of the subject committee and/or the Board. The Class "B" Member shall have and is hereby granted a right to disapprove any such action, policy, or program authorized by the Association, the Board or any committee thereof if Board, committee, or Association approval is necessary for such action. This right may be exercised by the Class "B" Member, its representatives, or agents at any time within ten (10) days following the meeting held pursuant to the terms and provisions hereof. This right to disapprove may be used to block proposed actions but shall not extend to the requiring of any action or counteraction on behalf of any committee, or the Board or the Association. The Class "B" Member shall not use its right to disapprove to reduce the level of services which the Association is obligated to provide or to prevent capital repairs or any expenditure required to comply with applicable laws and regulations.

(d) **Number of Directors.** The number of directors in the Association shall be no less than three (3) or more than seven (7), as provided in Section 3.1(f). The initial Board shall consist of three (3) members as identified in the Articles of Incorporation.

(e) **Nomination of Directors.** Except with respect to directors selected by the Class "B" Member, nominations for election to the Board may be made by a Nominating Committee. The Nominating Committee shall, if established, consist of a chairman, who shall be a member of the Board of Directors, and three (3) or more Members of the Association, with at least one (1) representative from each Neighborhood, if Neighborhoods are established. The Nominating Committee shall be appointed by the Board not less than thirty (30) days prior to each annual meeting of the Members to serve a term of one (1) year or until their successors are appointed, and such appointment shall be announced at each such annual meeting. The Nominating Committee shall make as many nominations for election to the Board as it shall in its discretion determine, but in no event less than the number of positions to be filled. In the event Neighborhoods are established, the Nominating Committee shall nominate separate slates for the directors to be elected at large by all Members, and for the directors to be elected by and from each Neighborhood. Nominations for each slate shall also be permitted from the floor. All candidates shall have a reasonable opportunity to communicate their qualifications to the Members and to solicit votes.

(f) **Election and Term of Office.** Notwithstanding any other provision in these By-Laws:

(i) Within thirty (30) days after the time Class "A" Members, other than the Declarant or a Builder, own five hundred (500) Lots subject to the Declaration or whenever the Class "B" Member earlier determines, the Board shall be increased to five (5) directors. The Association shall call a special meeting at which Class "A" Members shall elect two (2) of the five (5) directors, who shall serve as at-large directors and shall be elected for a term of two (2) years or until the happening of the event described in Section 3.1(f)(ii) below, whichever is shorter. If such directors' terms expire prior to the happening of the event described in Section 3.1(f)(ii) below, successors shall be elected for a like term. The remaining three (3) directors shall be appointees of the Class "B" Member.

(ii) Within thirty (30) days after termination of the Class "B" Control Period, the Association shall call a special meeting at which Class "A" Members shall elect three (3) of the five (5) directors, who shall serve as at-large directors and shall serve until the first annual meeting following the termination of the Class "B" Control Period. If such annual meeting occurs within thirty (30) days after termination of the Class "B" Control Period, this Section 3.1(f)(ii) shall not apply and directors shall be elected in accordance with Section 3.1(f)(iii) below. The remaining two (2) directors shall be appointees of the Class "B" Member.

(iii) At the first annual meeting of the membership after the termination of the Class "B" Control Period, the directors shall be elected at large by the Class "A" and Class "B" Members. Three (3) directors shall be elected for a term of two (2) years and the remaining directors shall be elected for a term of one (1) year. Setting the initial term for each such director shall be in the sole discretion of the Nominating Committee. At the expiration of the initial term of office of each member of the Board and at each annual meeting thereafter, a successor shall be elected to serve for a term of two (2) years.

Each Member shall be entitled to cast one (1) vote with respect to each vacancy to be filled from each slate on which such Member is entitled to vote. There shall be no cumulative voting. The candidates receiving the most votes shall be elected. The directors elected by the Members shall hold office until their respective successors have been elected by the Association. Directors may be elected to serve any number of consecutive terms.

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

Any director, with the exception of those directors appointed in the sole discretion of the Class "B" Member, who has three (3) consecutive unexcused absences from Board meetings or who is delinquent in the payment of any assessment or other charge due the Association for more than thirty (30) days may be removed by a majority of the directors present at a regular or special meeting at which a quorum is present, and a successor may be appointed by the Board to fill the vacancy for the remainder of the term. In the event of the death, disability, or resignation of a director, a vacancy may be declared by the Board, and it may appoint a successor. If applicable, any director appointed by the Board shall be selected from the Neighborhood represented by the director who vacated the position and shall serve for the remainder of the term of such director.

3.2 Meetings.

(a) **Organizational Meetings.** The Board shall hold its first meeting within ten (10) days after each annual meeting of the membership.

(b) **Regular Meetings.** Regular meetings of the Board may be held at such time and place as shall be determined from time to time by resolution of the Board, but at least one (1) such meeting shall be held during each quarter.

Notice of the time and place of regular meetings shall be communicated to directors not less than four (4) days prior to the meeting; provided, however, notice of a meeting need not be given to any director who has signed a waiver of notice or a written consent to holding of the meeting. Notice of the regular schedule shall constitute notice of such meetings.

(c) **Special Meetings.** Special meetings of the Board shall be held when called by written notice signed by the President of the Association or by a majority of the directors. The notice shall specify the time and place of the meeting and the nature of any special business to be considered. The notice shall be given to each director by one (1) of the following methods: (a) personal delivery; (b) first class mail, postage prepaid; (c) telephone communication, including telecopy, either directly to the director or to a person at the director's office or home who would reasonably be expected to communicate such notice promptly to the director; or (d) telegram, charges prepaid. All such notices shall be given at the director's telephone number or sent to the director's address as shown on the records of the Association. Notices sent by first class mail shall be deposited into a United States mailbox at least four (4) days before the time set for the meeting. Notices given by personal delivery, telephone, or telegraph shall be delivered, telephoned, or given to the telegraph company at least seventy-two (72) hours before the time set for the meeting.

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

(e) **Quorum of Board of Directors.** At all meetings of the Board of Directors, a majority of the directors shall constitute a quorum for the transaction of business, and the votes of a majority of the directors present at a meeting at which a quorum is present shall constitute the decision of the Board of Directors. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting. If any meeting of the Board cannot be held because a quorum is not present, a majority of the directors who are present at such meeting may adjourn the meeting to a time not less than five (5) nor more than ten (10) days from the date the original meeting was called. At the reconvened meeting, if a quorum is present, any business that might have been transacted at the meeting originally called may be transacted without further notice.

(f) **Compensation.** No director shall receive any compensation from the Association for acting as such unless approved by Members holding a majority of the total votes of the Association at a

regular or special meeting of the Association; provided any director may be reimbursed for expenses authorized by the Board to be incurred on behalf of the Association.

Nothing herein shall prohibit the Association from compensating a director, or any entity with which a director is affiliated, for services or supplies furnished to the Association in a capacity other than as a director pursuant to a contract or agreement with the Association, provided that such director's interest was made known to the Board prior to entering into such contract and such contract was approved by a majority of the Board of Directors, excluding the interested director.

(g) **Conduct of Meetings.** The President shall preside over all meetings of the Board of Directors, and the Secretary shall keep a minute book of meetings of the Board of Directors, recording therein all resolutions adopted by the Board and all transactions and proceedings occurring at such meetings.

(h) **Open Meetings.** Subject to the provisions of Section 3.2(i) , all meetings of the Board shall be open to all Members, but Members other than directors may not participate in any discussion or deliberation unless permission to speak is requested on his or her behalf by a director. In such case, the President may limit the time any Member may speak. Notwithstanding the above, the President may adjourn any meeting of the Board and reconvene in executive session, excluding Members, to discuss matters of a sensitive nature, such as pending or threatened litigation, personnel matters, etc.

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

(j) **Conference Call Meetings.** A member or members of the Board may participate in a meeting of the Board by means of conference telephone or similar communications equipment, as long as all persons participating in the meeting can hear each other. Such participation shall constitute presence in person at such meeting.

3.3 **Powers and Duties.**

(a) **Powers.** The Board shall be responsible for the affairs of the Association and shall have all of the powers and duties necessary for the administration of the-Association's affairs and, as provided by law, may do or cause to be done all acts and things as are not by the Declaration, Articles, or these By-Laws directed to be done and exercised exclusively by the Members or the membership generally.

The Board may delegate to one (1) of its members the authority to act on behalf of the Board on all matters relating to the duties of the managing agent or manager, if any, which might arise between meetings of the Board of Directors.

In addition to the duties otherwise imposed, the Board shall have the power to establish policies relating to, and shall be responsible for performing or causing to be performed, the following, in way of explanation, but not limitation:

(i) preparation and adoption, in accordance with Article 10 of the Declaration, of budgets in which there shall be established the contribution of each Owner to the expenses of the Association;

(ii) making assessments to defray the Common Expenses and Neighborhood Expenses, establishing the means and methods of collecting such assessments, and establishing the period of the installment payments, if any, of the annual assessment;

(iii) providing for the operation, care, upkeep, and maintenance of the Area of Common Responsibility;

(iv) designating, hiring, and dismissing the personnel necessary for the operations of the Association and providing for the compensation of such personnel and for the purchase of equipment, supplies, and materials to be used by such personnel in the performance of their duties;

(v) collecting the assessments, depositing the proceeds thereof in a bank depository, which it shall approve, and using the proceeds to operate the Association; provided, any reserve fund may be deposited, in the directors' best business judgment, in depositories other than banks;

(vi) making and amending rules and regulations;

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

(viii) making or contracting for the making of repairs, additions, and improvements to or alterations of the Common Area in accordance with the other provisions of the Declaration and these By-Laws after damage or destruction by fire or other casualty;

(ix) enforcing by legal means the provisions of the Declaration, these By-Laws, and the rules and regulations of the Association and bringing any proceedings that may be instituted on behalf of or against the Owners concerning the Association;

(x) obtaining and carrying insurance against casualties and liabilities, as provided in the Declaration, and paying the premium cost thereof;

(xi) paying the cost of all services rendered to the Association or its Members and not chargeable directly to specific Owners;

(xii) keeping books with detailed accounts of the receipts and expenditures affecting the Association and its administration, specifying the maintenance and repair expenses and any other expenses incurred;

(xiii) making available to any prospective purchaser of a Lot, any Owner of a Lot, any first Mortgagee, and the holders, insurers, and guarantors of a first Mortgage on any Lot, current copies of the Declaration, the Articles of Incorporation, the By-Laws, rules and regulations and all other books, records, and financial statements of the Association;

(xiv) permitting utility suppliers to use portions of the Common Area reasonably necessary to the ongoing development or operation of the Properties: and

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

(b) Management. The Board may employ for the Association a professional management agent or agents at a compensation established by the Board to perform such duties and services as the Board shall authorize. The Declarant, or an affiliate of the Declarant, may be employed as managing agent or manager.

Any management contract executed on behalf of the Association during the Class "B" Control Period must contain a right of termination exercisable by either party without penalty at any time, with or without cause, upon not more than ninety (90) days notice to the other party.

(c) Accounts and Reports. The following management standards of performance will be followed unless the Board by resolution specifically determines otherwise:

(i) accrual accounting, as defined by generally accepted accounting principles, shall be employed;

(ii) accounting and controls should conform to generally accepted accounting principles;

(iii) cash accounts of the Association shall not be commingled with any other accounts;

(iv) no remuneration shall be accepted by the managing agent from vendors, independent contractors, or others providing goods or services to the Association, whether in the form of commissions, finder's fees, service fees, prizes, gifts, or otherwise; any thing of value received shall benefit the Association;

(v) any financial or other interest that the managing agent may have in any firm providing goods or services to the Association shall be disclosed promptly to the Board of Directors;

(vi) commencing at the end of the month in which the first Lot is sold and closed, financial reports shall be prepared for the Association at least quarterly containing:

(A) an income statement reflecting all income and expense activity for the preceding period on an accrual basis;

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

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

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

(E) a delinquency report listing all Owners who are delinquent in paying any assessments at the time of the report and describing the status of any action to collect such assessments which remain delinquent; and

(vii) an annual report consisting of at least the following shall be made available to all Members within one hundred twenty (120) days after the close of the fiscal year: (1) a balance sheet; (2) an operating (income) statement; and (3) a statement of changes in financial position for the fiscal year. The annual report referred to above shall be prepared on an audited or reviewed basis, as determined by the Board, by an independent public accountant; provided, however, upon written request of any holder, guarantor or insurer of any first Mortgage on a Lot, the Association shall provide an audited financial statement. During the Class "B" Control Period, the annual report shall include certified financial statements.

(d) **Borrowing.** The Association, acting through the Board of Directors, shall have the power to borrow money for the purpose of maintenance, repair or restoration of the Area of Common Responsibility without the approval of the Members of the Association. The Board shall also have the power to borrow money for other purposes; provided, the Board shall obtain Member approval in the same manner provided in Section 10.6 of the Declaration for Special Assessments in the event that the proposed borrowing is for the purpose of modifying, improving, or adding amenities and the total amount of such borrowing exceeds or would exceed five percent (5%) of the budgeted gross expenses of the Association for that fiscal year. Notwithstanding anything to the contrary contained in the Declaration, these By-Laws, or the Articles of Incorporation, during the Class "B" Control Period, no Mortgage lien shall be placed on any portion of the Common Area without the affirmative vote or written consent, or any combination thereof, of Members holding at least a majority of the total votes in the Association.

(e) **Rights of the Association.** With respect to the Area of Common Responsibility, and in accordance with the Articles of Incorporation and the Declaration, the Association shall have the right to contract with any person for the performance of various duties and functions. Without limiting the foregoing, this right shall entitle the Association to enter into common management, operational, or other agreements with trusts, condominiums, cooperatives, or Neighborhood and other owners or residents associations, both within and without the Properties.

Any contract, lease or other agreement (including any management contract) entered into by the Association with a third party must require such third party to maintain adequate liability and worker's compensation insurance, if applicable, as determined in the sole discretion of the Board.

(f) **Enforcement.** The Board shall have the power to impose reasonable fines, which shall constitute a lien upon the property of the violating Owner, and to suspend an Owner's right to vote or any person's right to use the Common Area for violation of any duty imposed under the Declaration, these By-Laws, or any rules and regulations duly adopted hereunder; provided, however, nothing herein shall authorize the Association to limit ingress and egress to or from a Lot. In the event that any occupant, guest or invitee of a Lot violates the Declaration, By-Laws, or a rule or regulation and a fine is imposed, the fine shall first be assessed against the occupant with notice to the Owner; provided, however, if the fine is not paid by the occupant within the time period set by the Board, the Owner shall pay the fine upon notice from the

Association. The failure of the Board to enforce any provision of the Declaration, By-Laws, or any rule or regulation shall not be deemed a waiver of the right of the Board to do so thereafter.

(i) Notice. Prior to imposition of any sanction hereunder, the Board or its delegate shall serve the alleged violator with written notice describing (i) the nature of the alleged violation, (ii) the proposed sanction to be imposed, (iii) a period of not less than ten (10) days within which the alleged violator may present a written request to the Covenants Committee, if any, or Board for a hearing; and (iv) a statement that the proposed sanction shall be imposed as contained in the notice unless a challenge is begun within ten (10) days of the notice. If a timely challenge is not made, the sanction stated in the notice may be imposed by the Board.

The Board or the Covenants Committee may, but shall not be obligated to, suspend any proposed sanction if the violation is cured within the ten (10) day period. Such suspension shall not constitute a waiver of the right to sanction future violations of the same or other provisions and rules by any Person.

(ii) Hearing. If a hearing is requested within the allotted ten (10) day period, the hearing shall be held in executive session affording the alleged violator a reasonable opportunity to be heard. Prior to the effectiveness of any sanction hereunder, proof of proper notice shall be placed in the minutes of the meeting. Such proof shall be deemed adequate if a copy of the notice, together with a statement of the date and manner of delivery, is entered by the officer, director, or agent who delivered such notice. The notice requirement shall be deemed satisfied if the alleged violator appears at the meeting. The minutes of the meeting shall contain a written statement of the results of the hearing and the sanction, if any, imposed.

(iii) Appeal. Following a hearing before the Covenants Committee, the violator shall have the right to appeal the decision to the Board of Directors. To perfect this right, a written notice of appeal must be received by the manager, President, or Secretary of the Association within thirty (30) days after the hearing date.

(iv) Additional Enforcement Rights. Notwithstanding anything to the contrary in the By-Laws, the Association, acting through the Board, may elect to enforce any provision of the Declaration, these By-Laws, or the rules and regulations of the Association by self-help (specifically including, but not limited to, the towing of vehicles that are in violation of parking rules and regulations) or by suit at law or in equity to enjoin any violation or to recover monetary damages or both without the necessity of compliance with the procedure set forth above. In any such action, to the maximum extent permissible, the Owner or occupant responsible for the violation of which abatement is sought shall pay all costs thereof, including reasonable attorneys fees actually incurred.

Article 4. **Officers**

4.1 Officers. The officers of the Association shall be a President, Vice President, Secretary, and Treasurer, to be elected from among the members of the Board. The Board may appoint such other officers, including one (1) or more Assistant Secretaries and one (1) or more Assistant Treasurers, as it shall deem desirable, such officers to have the authority and perform the duties prescribed from time to time by the Board of Directors. Any two (2) or more offices may be held by the same person, except the offices of President and Secretary.

4.2 Election, Term of Office, and Vacancies. The officers of the Association shall be elected annually by the Board at the first meeting of the Board following each annual meeting of the Members, as set forth in Article III. A vacancy in any office arising because of death, resignation, removal, or otherwise may be filled by the Board for the unexpired portion of the term.

4.3 Removal. Any officer may be removed by the Board with or without cause.

4.4 Powers and Duties. The officers of the Association shall each have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as may from time to time specifically be conferred or imposed by the Board. The President shall be the chief executive officer of the Association. The Treasurer shall have primary responsibility for the preparation of the budget as provided for in the Declaration and may delegate all or part of the preparation and notification duties to a finance committee, management agent, or both.

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

4.6 Agreements Contracts, Deeds, Leases, Checks, Etc. All agreements, contracts, deeds, leases, checks, and other instruments of the Association shall be executed by at least two (2) officers or by such other person or persons as may be designated by resolution of the Board of Directors.

4.7 Compensation. Compensation of officers shall be subject to the same limitations as compensation of directors under Section 3.2(f)

Article 5. **Committees**

5.1 General. Committees are hereby authorized to perform such tasks and to serve for such periods as may be designated by a resolution of the Board. Each committee shall operate in accordance with the terms of the resolution of the Board designating the committee or with rules adopted by the Board of Directors.

5.2 Covenants Committee. In addition to any other committees that may be established by the Board pursuant to Section 5.1, the Board may appoint a Covenants Committee consisting of at least five (5) and no more than seven (7) Members. Acting in accordance with the provisions of the Declaration, these By-Laws, and resolutions the Board may adopt the Covenants Committee, if established, shall be the hearing tribunal of the Association and shall conduct all hearings held pursuant to Section 3.3(f).

5.3 Neighborhood Committees. In addition to any other committees appointed as provided above, each Neighborhood which has no formal organizational structure or association may elect a Neighborhood Committee to determine the nature and extent of services, if any, to be provided to the Neighborhood by the Association in addition to those provided to all Members of the Association in accordance with the Declaration. A Neighborhood Committee may advise the Board on any issue, but shall

not have the authority to bind the Board of Directors. Neighborhood Committees, if created, shall consist of three (3) to five (5) members as determined by a majority vote of the Owners within the Neighborhood.

Upon written petition signed by Owners of a majority of the Lots within any Neighborhood, the Board shall call for an election of a Neighborhood Committee for such Neighborhood no later than 60 days from receipt of such petition. Election of a Neighborhood Committee may be held by mail-in ballot sent out by the Board for the initial election and after the initial election by the Neighborhood Committee. Each Owner shall have the number of votes assigned to his or her Lots in the Declaration. Committee members nominated in such manner shall be appointed by the Board for a term of one (1) year and until their successors are appointed. Any director elected to the Board from a Neighborhood shall be an ex officio member of the Committee.

The Owners of Lots within the Neighborhood holding at least a majority of the total votes in the Neighborhood shall constitute a quorum at any meeting of the Neighborhood. In the conduct of its duties and responsibilities, each Neighborhood Committee shall abide by the procedures and requirements applicable to the Board set forth in Sections 3.2(a) through and including 3.2(j); provided, however, the term "Member" shall refer to the Owners of Lots within the Neighborhood and the term "directors" or "Board" shall refer to the members of the Neighborhood Committee. Each Neighborhood Committee shall elect a chairman from among its members who shall preside at its meetings and who shall be responsible for transmitting any and all communications to the Board of Directors.

Article 6. **Miscellaneous**

6.1 Fiscal Year. The fiscal year of the Association shall be the calendar year unless otherwise established by resolution of the Board of Directors.

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

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

6.4 Books and Records.

(a) Inspection by Members and Mortgagees. The Declaration, By-Laws, and Articles of Incorporation, any amendments to the foregoing, the rules and regulations of the Association, the annual report, and the minutes of meetings of the Members, the Board, and committees shall be made available, at the office of the Association or at such other place within the Properties as the Board shall prescribe, for inspection by any holder, insurer or guarantor of a first Mortgage on a Lot, by any Member of the Association, or by the duly appointed representative of any of the foregoing at any reasonable time and for a purpose reasonably related to his or her interest in the Lot.

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

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

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

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

- (a) if to a Member, at the address which the Member has designated in writing and filed with the Secretary or, if no such address has been designated, at the address of the Lot of such Member; or
- (b) if to the Association, the Board of Directors, or the managing agent, at the principal office of the Association or the managing agent, if any, or at such other address as shall be designated by notice in writing to the Members pursuant to this Section.

6.6 Amendment.

(a) **By Declarant** The Declarant may unilaterally amend these By-Laws at any time and from time to time if such amendment is (i) necessary to bring any provision hereof into compliance with any applicable government statutes, rule or regulation, or judicial determination; (ii) necessary to enable any reputable title insurance company to issue title insurance coverage on the Lots; (iii) required by an institutional or governmental lender of purchaser of mortgage loans, including, for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to enable such lender or purchaser to make or purchase mortgage loans on the Lots; or (iv) necessary to enable any governmental agency or reputable private insurance company to guarantee or insure mortgage loans on the Lots; provided, however, any such amendment shall not adversely affect the title to any Lot unless the Owner shall consent thereto in writing. So long as it still owns property described in Exhibits "A" or "B" of the Declaration for development as part of the Properties, the Declarant may unilaterally amend these By-Laws for any other purpose, provided the amendment has no material adverse effect upon any substantive right of any Owner, unless the affected Owner shall consent thereto in writing.

(b) **By Owners** Except as otherwise specifically provided herein these By-Laws may be amended only upon a resolution duly adopted by the Board and approved by the affirmative vote or written consent, or any combination thereof, of Members holding sixty-seven percent (67%) of the total votes in the Association, including sixty-seven percent (67%) of the votes held by Members other than the Declarant, and the consent of the Class "B" Member, so long as such membership exists. In addition, the approval requirements set forth in Article 14 of the Declaration shall be met, if applicable. Notwithstanding the above, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause. Any amendment to be effective must be

recorded in both the ROD Office of Greenville County, South Carolina and the ROD of Henderson County, North Carolina.

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

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