

DECLARATION OF
RESTRICTIVE COVENANTS
CONNESTEE FALLS

THIS DECLARATION is made on May 25, 1971, by CONNESTEE FALLS DEVELOPMENT CORPORATION, a North Carolina corporation.

RECITALS

Connestee Falls Development Corporation is the owner and developer of that certain real property located in Transylvania County, State of North Carolina, known as Connestee Falls (the Development), described in the Supplemental Declaration, attached hereto as Exhibit "A" and made a part hereof.

Connestee Falls Development Corporation intends to sell and convey the Lots and Parcels situated within the Development and before doing so, desires to impose upon them mutual and beneficial restrictions, covenants, equitable servitudes and charges under a general plan or scheme of improvements for the benefit of all of the Lots and Parcels in the Development and the owners and future owners thereof.

NOW, THEREFORE, Connestee Falls Development Corporation declares that all of the Lots and Parcels in the Development are held and shall be held, conveyed, hypothecated or encumbered, leased, rented, used, occupied and improved, subject to the provisions of this Declaration, all of which are declared and agreed to be in furtherance of a plan for the development, improvement and sale of said Lots and Parcels and are established and agreed upon for the purpose of enhancing and protecting the value, desirability and attractiveness thereof. The provisions of this Declaration are intended to create mutual equitable servitudes upon each of said Lots and Parcels in favor of each and all

AMENDMENT TO THE DECLARATION OF RESTRICTIVE COVENANTS
FOR CONNESTEE FALLS

This amendment made this 18th day of August, 1971, by
CONNESTEE FALLS DEVELOPMENT CORPORATION, a North Carolina Corporation,
WITNESSETH:

THAT WHEREAS, CONNESTEE FALLS DEVELOPMENT CORPORATION is
the developer of that certain real property located in Transylvania
County, State of North Carolina, known as CONNESTEE FALLS; and,

WHEREAS, as such Developer, caused to be recorded in the
office of the recorder of deeds of Transylvania County, North Carolina,
a certain Declaration of Restrictive Covenants for CONNESTEE FALLS
on June 4, 1971 in Deed Book 189, page 443; and,

WHEREAS, Article XVI thereof provides that said Declaration
of Restrictive Covenants may be amended by the affirmative vote of
a majority of the owners of all lots in the Development entitled to
vote, by recording an amendment to the said Declaration of Restrictive
Covenants; and,

WHEREAS, CONNESTEE FALLS DEVELOPMENT CORPORATION is the
owner of a majority of the lots in the Development, and, therefore,
has, under the provisions of Article XVI as aforesaid, the right to
amend the said Declaration of Restrictive Covenants,

NOW, THEREFORE, CONNESTEE FALLS DEVELOPMENT CORPORATION
does hereby amend the Declaration of Restrictive Covenants for
CONNESTEE FALLS as follows:

Article II(A) shall be amended to read as follows:

Only single family dwellings and such outbuildings
as are usually accessory thereto shall be permitted on any
Lot designated as single family residential. The following
restrictions shall apply specifically to said Lots:

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DECLARATION
OF
RESTRICTIVE COVENANTS

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DECLARATION OF
RESTRICTIVE COVENANTS
108 CONNESTEE FALLS

This Declaration was originally made on May 25, 1971, by Conneffee Falls Development Corporation, a North Carolina Corporation, and recorded in Deed Book 189, Page 443, Registry of Deeds, Transylvania County, North Carolina. In accordance with a Transfer Agreement, dated June 15, 1971, Conneffee Falls Development Corporation deeded, on March 14, 1975 the development known as Conneffee Falls to Conneffee Falls Maintenance Corporation.

On August 13, 1983, the name Conneffee Falls Maintenance Corporation was changed to Conneffee Falls Property Owners Association, Inc.

This revised and amended Declaration, which shall delete and replace the original Declaration as amended, was approved by the required affirmative vote of the members of the Conneffee Falls Property Owners Association, Inc. on August 9, 1986.

NOW, THEREFORE, Conneffee Falls Property Owners Association, Inc. reaffirms, restates and declares that all of the Lots and Parcels in Conneffee Falls are held and shall be held, conveyed, hypothecated or encumbered, leased, rented, used, occupied and improved, subject to the provisions of this Declaration, all of which are declared and agreed upon for the purpose of enhancing and protecting the value, desirability and attractiveness thereof. The provisions of this Declaration are intended to create mutual equitable servitudes upon each of said Lots and Parcels in favor of each and all other Lots and Parcels; to create reciprocal rights between the respective owners of all such Lots and Parcels; to create privity of contract and estate between the grantees of such Lots, their heirs, successors and assigns; and shall, as to the owner of each such Lot or Parcel, his heirs, successors or assigns operate as covenants running with the land for the benefit of each and all other such Lots and Parcels in Conneffee Falls and their respective owners, present and future.

I. DEFINITIONS. The terms used in this Declaration are defined as follows:

A. "Assessments" means those membership fees charged as Base and Improvements assessments.

B. "Base Assessment" means the charge established by Article VII, Section A.

C. "Board" means the Board of Directors of Conneffee Falls Property Owners Association, Inc.

D. "By-Laws" means the By-Laws of the Association.

E. "Common Area" means all of the real property designated as such in the Supplemental Declaration; all real property which

may be later annexed to Connestee Falls as Common Area; and, all real property acquired by the Association, together with all improvements which may be at anytime constructed thereon, including, but not limited to, recreational and community facilities, lakes, parks, and streets.

F. "Converted Lot" means any lot or parcel of real property which has been acquired by the Association and which is converted from a specific lot to common area by designation of the Board. After such designation the lot will henceforth be a part of the common area.

G. "Corporation" means the Connestee Falls Property Owners Association, Inc. a North Carolina not-for-profit Corporation.

H. "Developer" means Connestee Falls Development Corporation, its successors and assigns.

I. "Declaration" means this Declaration of Restrictive Covenants.

J. "Development" means Connestee Falls as the same may be shown on the maps thereof recorded from time to time.

K. "Improved Lot" means any Lot upon which is located, found, placed, or constructed any improvement. As used herein, "Improvement" means all buildings, out buildings, streets, roads, driveways, parking areas, fences, retaining and other walls, hedges, poles, antennae and any other structure of any type or kind. Interpretation of what constitutes an "improvement" shall be made by and in the sole discretion of the Board whose decision shall be final.

L. "Improvements Assessment" means the charge established by Article VII, Section A.

M. "Lot" means any numbered lot designated on the plat or any apartment or living unit in a multiple family dwelling.

N. "Multiple Family Dwelling" means a residential dwelling, such as a duplex, apartment house or condominium complex containing two or more individual apartments or living units and constructed on a lot or parcel whose use is designated in the Supplemental Declaration as multi-family residential.

O. "Owner" means:

1. Any Person, including the Developer, who hold fee simple title to any lot;

2. Any person or legal entity who has contracted to purchase fee simple title to a lot pursuant to a written agreement, in which case seller under said agreement shall cease to be the owner while said agreement is in effect.

P. "Parcel" means any named, lettered tract shown on the plat.

Q. "Plat" means the maps or plats of Connestee Falls as they are from time to time recorded.

R. "Single Family Dwelling" means a residential dwelling for one or more persons, each related to the other by blood, marriage or legal adoption, or a group of not more than three (3) adult persons not so related together with his or their domestic servants maintaining a common household in such dwelling, which dwelling is constructed on a lot designated in the Supplemental Declaration as a single family residential lot.

S. "Supplemental Declaration" means:

1. The recorded Supplemental Declaration attached hereto or,
2. In the event of real property being annexed to Connestee Falls, the recorded Supplemental Declaration which incorporates the provisions of this Declaration therein by reference.

T. "The Association" means the Connestee Falls Property Owners Association, Inc.

U. "The Committee" means the Environmental Control Committee.

II. LAND USE. Lots and Parcels in the Development shall be designated in the Supplemental Declaration as to their permissible uses and shall thereupon become subject to the restrictive or other provisions of this Declaration relating to such uses. In the event a use is designated for which no such provisions are contained herein (e.g., commercial, governmental, school, etc.), the same may be set forth in such Supplemental Declaration.

A. Single Family Residential. Only single family dwellings and such outbuildings as are usually accessory thereto shall be permitted on any Lot designated as single family residential. The following restrictions shall apply specifically to said Lots:

1. Minimum Area. Each dwelling constructed shall have fully enclosed floor area (exclusive of roofed or unroofed porches, terraces, garages, carports, or other outbuildings) with not less than the number of square feet established in the Supplemental Declaration for the Unit in which the Lot is situated.

2. Setbacks. Each such dwelling shall be at least:

- (a) 25 feet from the front lot line;
- (b) 25 feet from the rear lot line;

(c) 7½ feet from the side lot lines;

(d) At or above the elevation of the top of the dam on the lake abutting a lakefront lot;

(e) The limitations contained herein shall not be applicable to any lakefront lot on which there may be constructed and maintained at or adjacent to the shoreline of said lot, a boat shelter, pier or dock for which the Committee has issued a permit.

(f) In the event that the Committee shall determine that application of the setbacks contained herein to a particular lot would unreasonably limit the use thereof by the owner and effectively deprive him of an appropriate construction site upon said lot, the Committee shall grant a variance to the owner of said lot from the provisions of these setback restrictions.

B. Multiple Family Residential. Only multiple family dwellings and such outbuildings as are usually accessory thereto shall be permitted on any Lot or Parcel designated as multiple family residential. The following restrictions shall apply specifically to such Lots or Parcels:

1. Zoning. Multiple family residential use shall be approved by the appropriate governmental authorities.

2. Minimum Areas. There shall not be more than one dwelling unit for each 3,000 square feet of land area in such Lot or Parcel and the amount of fully enclosed floor area devoted to living purposes in each such unit shall not be less than 600 square feet.

3. Carport or Garage. A carport, garage or parking space shall be constructed for each dwelling unit constructed.

4. Type of Construction. Subject to the approval of the Committee, multiple family dwellings may be of single or multiple story construction, and may be detached or joined by common walls.

5. Setbacks and Lakefront Elevations. Setbacks and lakefront elevations for multiple family dwellings shall be the same as for single family dwellings as set forth in subparagraphs II-A-2.

C. Common Areas. All Lots or Parcels in the Development designated as Common Areas are and shall remain private property and Declarant's recordation of a Plat shall not be construed as a dedication to the public or any such Common Area located therein.

1. Use. The use and enjoyment of Common Areas and improvements thereon shall be subject to the powers of the Association as set forth in its Articles and By-laws and to rules and regulations governing the use of such property and improvements as may from time to time be adopted by the

Association. Provided, however, Developer reserves the right to reasonable use in connection with its sales and development programs.

2. Maintenance. Maintenance of common property and repairs to any improvements thereon shall be the obligation and responsibility of the Association.

3. Subsequent Dedication. The Association may, upon the affirmative vote of two-thirds of its members entitled to vote, offer any common areas for dedication to public use. Such offer shall be subject to acceptance by the appropriate governmental authority pursuant to its then applicable standards.

4. Improvements. All improvements must be approved by the Committee as hereinafter provided.

III. RESIDENTIAL RESTRICTIONS. The following shall be applicable to all Lots and Parcels within the Development designated as residential in character, whether single family or multiple family, and each Owner, as to his Lot or Parcel, covenants to observe and perform the same:

A. Accessory Outbuildings. Without the approval of the Committee no accessory outbuildings shall be erected on any Lot or Parcel prior to the erection thereon of a dwelling. In no event shall any such accessory outbuildings, partially completed or temporary structure ever be used for human occupancy or habitation.

B. Completion of Construction. Construction of any improvements, once commenced, shall be completed within twelve (12) months. Improvements not so completed or upon which construction has ceased for ninety (90) days or which have been partially or totally destroyed and not rebuilt within twelve (12) months shall be deemed a violation of the declaration and of these residential restrictions. If the Committee, in its sole discretion determines that failure to complete any such improvement is a violation, then the Board, at its sole discretion, may complete, repair, or remove the improvement. Any and all cost incurred by the Association connected with the completion, repair, or removal of such improvement shall be charged to and paid by the owner. All cost shall, furthermore, be considered as an assessment against the Lot and shall be collected in accordance with the provisions of Article VII of the Declaration. The Committee, at its sole discretion, may grant an extension of time under extenuating circumstances.

C. Prohibition Against Used Structures. Without the approval of the Committee no used buildings or structures, intended for use as a dwelling, shall be placed on any Lot.

D. Maintenance of Lots. All Lots and Parcels, whether occupied or unoccupied, and any improvements placed thereon, shall at all time be maintained in such manner as to prevent

their becoming unsightly, unsanitary or a hazard to health. If not so maintained, the Association shall have the right, through its agents and employees, to do so, the cost of which shall be added to and become a part of the annual assessment to which such Lot is subject. Neither the Association nor any of its agents, employees or contractors shall be liable for any damage which may result from any maintenance work as performed.

E. Disposal of Sanitary Waste. No outside toilet shall be constructed on any lot. All plumbing fixtures, dishwashers, toilets or sewage disposal systems shall be connected to a septic tank or other sewage system approved by the Committee and the appropriate governmental authority.

F. Fences. All property lines shall be kept free and open and no fences, hedges or walls shall be permitted thereon without committee approval.

G. Golf Course Lots. Owners of Lots adjacent to golf course fairways shall permit the entrance upon their Lots for retrieval of golf balls.

H. Nuisances. No noxious or offensive activities or nuisances shall be permitted on any Lot.

I. Signs. No person shall erect or maintain upon any Lot or Improvement any sign or advertisement. Home identification and builders' signs may be excepted by the Committee.

J. Animals. No animals shall be kept or maintained on any lot except the usual household pets which shall be kept reasonably confined so as not to become a nuisance. The provisions hereof shall not be applicable to any portion of Connestee Falls, the Supplemental Declaration for which provides that the owners of the Lots therein may keep and maintain horses thereon.

K. Garbage and Refuse Disposal. No owner shall burn trash, garbage or other like household refuse without a permit from the Committee, nor shall any owner accumulate on his Lot junked vehicles, or litter, refuse or garbage, except in receptacles provided for such purposes.

L. Concealment of Fuel Storage Tanks and Trash Receptacles. Fuel storage tanks on any Lot shall be either buried below the surface of the ground or screened to the satisfaction of the Committee. Every receptacle for ashes, rubbish or garbage shall be installed underground or be so placed and kept as not to be visible from any street, lake or Common Area within the Development except at the times when refuse collections are made.

M. Restrictions on Temporary Structures. No travel trailer, mobile home or tent shall be placed or erected on any Lot nor shall any overnight camping be permitted on any Lot.

N. Removal of Trees. No tree over three inches in diameter may be cut down on any Lot without the prior written consent of the Committee.

O. Limited Access. There shall be no access to any Lot on the perimeter of the Development except from designated streets or roads within the Development.

P. Docks and Piers. No dock, pier or other similar structure shall extend more than 20 feet into any lake, nor shall any such structure be constructed without express written permission by the Committee, which permission shall constitute a revocable license.

Q. Ditches and Swales. Each owner shall keep drainage ditches and swales located on his Lot free and unobstructed and in good repair and shall provide for the installation of such culverts upon his Lot as may be reasonably required for proper drainage.

R. Resubdivision of Lots. No Lot Parcel shall be further subdivided except those designated multiple family residential and then only to the extent required or permitted by governmental authority.

S. Drilling and Mining. No drilling, refining, quarrying or mining operations of any kind shall be permitted on any Lot.

T. Water Services and Sewage Disposal Services. Subject to the approval of the appropriate governmental agencies, Developer has constructed a waterworks system in the Development. Developer intends that said waterworks system shall be owned and operated by a Privately Owned Public Utility authorized by a Certificate of Public Convenience and Necessity issued by the North Carolina Utilities Commission in accordance with the provisions of Article I of Chapter 62 of the General Statutes of North Carolina, as now or hereafter amended, revised or superseded, to acquire, maintain and/or operate a waterworks system and conduct a public utility business in the area occupying the Connestee Falls Development.

In consideration therefor, the Owners of each Lot agree to pay to said Privately Owned Public Utility, its successors, assigns, lessees and/or licensees, a minimum monthly availability charge of five dollars (\$5.00) for water, water service and the accommodations afforded said Owners by said waterworks system commencing upon availability of water in a waterworks system distribution main provided for the Lot and continuing thereafter so long as water is available for use, whether or not tap or connection is made to a waterworks system distribution main and whether or not said Owners actually use or take water. Said availability charge shall and will be charged for each Lot of each said Owner and will be the only charges for water except as otherwise herein provided. The aforesaid amount of said availability charges, including special provisions for said

availability charges with respect to contiguous Lots of the same Owner, times and methods of payment thereof by said Owners and other matters shall be provided in Schedules of Rates and Rules, Regulations and Conditions of Service for water services filed and published by said Public Utility with said North Carolina Utilities Commission or any successor regulatory body in the State of North Carolina in accordance with law and passed to file or formally approved by said Commission as the then effective Schedule of Rates and Rules, Regulations and Conditions of Service of said Public Utility. Upon any said owner making a written request therefor, and paying said Public Utility not less than Two Hundred Fifty Dollars (\$250.00) in cash therewith in accordance with said Rules, Regulations and Conditions of Service for Water Service, or such other amount as is approved or passed to file therefor by said North Carolina Utilities Commission or its successor, a tap to a waterworks system distribution main in connection to Owner's Lot line will be installed. The amount of said availability charges and other charges are subject to change hereafter by order of the North Carolina Utilities Commission or its successor in accordance with then existing law, and the structure of said availability charges are likewise and in the same manner subject to change from Availability Rates to another type of rate or rates. Unpaid charges shall become a lien upon the Lot or Lots to which they are applicable as of the date the same become due. Nothing in this paragraph set forth shall be construed as a limitation on the rights of any Public Utility to sell and assign in accordance with law its property and assets to a North Carolina municipal corporation or to a governmental subdivision of the State of North Carolina.

Subject to approval of the appropriate governmental agencies, Developer further intends to construct or cause the construction within the Development, to serve some of the Lots in the Development, a sewage disposal system. Developer intends that said sewage disposal system shall be owned and operated by a Privately Owned Public Utility authorized by a Certificate of Public Convenience and Necessity issued by the North Carolina Utilities Commission in accordance with the provisions of Article I of Chapter 62 of the General Statutes of North Carolina, as now or hereafter amended, revised or superseded, to acquire, maintain and/or operate a sewage disposal system and conduct a public utility business in the area occupying the Connestee Falls Development.

In the event that a Lot is one served by said central sewage disposal system, the Owners of such Lot agree to pay to said Privately Owned Public Utility, its successors and assigns, lessees and/or licensees a minimum monthly availability charge of five dollars (\$5.00) for sewage disposal and treatment and the accommodations afforded said Owners by said sewage disposal system commencing upon the availability for use of a sewage collection main provided for that Lot which leads to an operable sewage treatment facility and continuing thereafter so long as such sewage collection main is so available for use, irrespective of whether or not connection is made

to or use made of said sewage collection main in connection with or for the purposes of any said Lot. Said availability charges shall and will be charged for each Lot of said Owner and will be the only charge for sewage disposal and treatment except as otherwise herein provided. The aforesaid amount of said availability charges including special provisions for said availability charges with respect to contiguous Lots of the same Owner, times and methods of payment thereof by said Owners, and other matters shall be provided in schedules of Rates and Rules, Regulations and Conditions of Service for Sewer Service filed and published by said public utility with said North Carolina Utilities Commission, or any successor regulatory body of the State of North Carolina, in accordance with law or passed to file or formally approved by said Commission as the then effective Schedule of Rates and Rules, Regulations and Conditions of Service of said Public Utility. Upon any said Owner making written request therefor and paying said Public Utility not less than Three Hundred Fifty Dollars (\$350.00) in cash therewith in accordance with said Rules, Regulations and Conditions of Service for sewer service, or such other amount as is approved or passed to file therefor by the North Carolina Utilities Commission or its successors, a tap to a sewage collection main and connection to said Owner's Lot line will be made. All sewer lines and appliances necessary in connection therewith, such as sewage ejectors, on each Owner's Lot or Lots shall be installed, repaired, and replaced at the sole expense of each said Owner under supervision and with approval of designated agents of said Public Utility. The amount of said availability charges and other charges are subject to change by order of the North Carolina Utilities Commission or its successors in accordance with then existing law and the structure of said availability charges are likewise and in the same manner subject to change from availability rates to another type of rate or rates. Unpaid charges shall become a lien upon the Lot or Lots to which they are applicable as of the date the same become due. Nothing in this paragraph set forth shall be construed as a limitation on the rights of any Public Utility to sell and assign in accordance with law its property and assets to a North Carolina municipal corporation or to a governmental subdivision of the State of North Carolina.

IV. LAKES AND LAKEFRONT LOTS

A. Ownership of Lakefront Lots. The boundary of any Lot shown on the Plat as being contiguous to a lake shall be the shoreline thereof as said shoreline would be if the water level in said lake were one vertical foot above the normal lake elevation.

B. Limitations of Water Rights. No owner of a Lot contiguous to a lake or stream shall have the rights with respect to such lake or stream, the land thereunder, the water therein, or its or their elevation, use of conditions, nor shall such Owner have any riparian rights incident or appurtenant thereto. No person shall acquire title to any land in the Development by accretion, reliction, submergence or changing water levels.

C. Right to Remove Accretions. The Association shall have the right at any time to dredge or otherwise remove any accretion or deposit from the lakefront lot in order that the shoreline of the lake to which Lot is contiguous may be moved inland toward or to the boundary of said Lot.

D. Responsibility for Damages. The Association shall not be liable for damages caused by erosion, washing or other action of the water of any lake or stream.

E. Right to Change Level of Lake. The Association shall have the right to raise and lower the water level of the lake in the Development; provided however, that such right shall not permit raising the water level over one vertical foot above the normal lake elevation of the lake.

V. THE ENVIRONMENTAL CONTROL COMMITTEE

A. General Powers. All improvements constructed or placed on any Lot must first have the written approval of the Committee. Such approval shall be granted only after written application has been made to the Committee in the manner and form prescribed by it. The application, to be accompanied by two sets of plans and specifications, shall show the location of all improvements, if any, existing upon said Lot, the location of the improvement proposed to be constructed, the color and composition of all exterior materials to be used, proposed landscaping, and any other information which the Committee may require, including soil, engineering and geologic reports and recommendations.

B. Committee Membership. The Committee shall be composed of five (5) members, appointed by the Board. Committee members shall be subject to removal by the Board and any vacancies from time to time existing shall be filled by appointment of the Board. Actions by the Committee shall need a majority approval of the members in attendance at meetings where actions are taken. A quorum of three members shall be required.

C. Grounds for Disapproval. The Committee may disapprove any application:

1. If such application does not comply with this Declaration;
2. Because of the reasonable dissatisfaction of the Committee with grading plans, location of the proposed improvements on a Lot, finished ground elevation, color scheme, finish, design proportions, architecture, shape, height or style of the proposed improvement, the materials used therein, the kind, pitch or type of roof proposed to be placed thereon; or
3. If, in the judgment of a majority of the Committee reasonably exercised, the proposed improvement will be inharmonious with the Development, or with the improvements erected on other Lots.

D. Rules and Regulations. The Committee shall, from time to time, adopt written rules and regulations of general application governing its procedures which shall include, among other things, provisions for the form and content of applications; required number of copies of plans and specifications; provisions for notice of approval or disapproval, including a reasonable time period for approval by reason of failure to disapprove; etc.

E. Variances. The Committee may grant reasonable variances or adjustments from the provisions in this Declaration where literal application thereof results in unnecessary hardship and if the granting thereof will not be materially detrimental or injurious to owners of other Lots.

F. Certification of Compliance. At any time prior to completion of construction of an improvement, the Committee may require a certification, upon such form as it shall furnish, from the contractor, owner or a licensed surveyor that such improvement does not violate any setback, ordinance or statute, nor encroach upon any easement or right-of-way of record.

G. Administrative Fees. As a means of defraying its expenses, the Committee may institute and require a reasonable filing fee to accompany the submission of plans and specifications, to be not more than one-fourth of 1% of the estimated cost of the proposed improvement, subject to a minimum fee of \$25.00. No additional fee shall be required for resubmissions.

H. Liability. Notwithstanding the approval by the Committee of plans and specifications or its inspection of the work in progress, neither it, the Association, nor any person acting in behalf of them shall be responsible in any way for any defects in any plans or specifications or other material submitted to the Committee, nor for any defects in any work done pursuant thereto. Each person submitting such plans or specifications shall be solely responsible for the sufficiency thereof and the adequacy of improvements constructed pursuant thereto.

I. Appeals. Any applicant shall have the right to appeal to the Board from any decision of the Committee within 30 days after entry of such decision.

J. Restriction on Construction of Model Homes. Model or exhibit homes shall be built only with the prior written permission of the Committee.

VI. THE CONNESTEE FALLS PROPERTY OWNERS ASSOCIATION, INC.

A. General. The Association is a North Carolina not-for-profit corporation organized to further and promote the common interests of property owners in the Development. The Association shall have such powers in the furtherance of its purposes as are set forth in its Articles and By-laws.

B. Membership.

1. Classes of Members. There shall be members and associate members.

2. Members. Each Owner shall by reason of ownership become a member of the Association.

3. Associate Members. If not otherwise a member, each of the following shall be associate members of the Association:

(a) The spouse and children of a member who have the same principal residence as the member. No additional assessment shall be levied against the spouse or children of a member.

(b) Persons who may be tenants or regular occupants of residences situated within the Development.

(c) Persons who by virtue of contractual agreements with the Association are entitled to membership in the Association.

C. Rights, Privileges and Obligations. The rights, duties, privileges and obligations of membership in the Association are as set forth in its Articles and By-laws.

VII. ASSESSMENTS

A. General. The Board shall have the power to levy Base Assessments against all Lots, and Improvements Assessments against all Improved Lots on an annual basis. Provided, however, the total amount assessed against an Improved Lot shall not exceed 150% of the amount charged as the Base Assessment in the same fiscal year. Notwithstanding the foregoing, except as may be otherwise indicated, no assessment shall be levied against Lots owned by Developer.

B. Collection and Lien. The amount of the assessment levied by the Association is a personal obligation of the Owner of the Lot and shall be paid to the Association on or before the date or dates fixed by resolution of the Board. If not so paid, the amount of such assessment, plus any other charges thereon, including interest at the maximum limit provided by law per annum from date of delinquency and costs of collection, including reasonable attorney fees actually incurred, if any, shall constitute and become a lien on the Lot so assessed when the Board causes to be recorded in the office of the appropriate County Recorder of Deeds, a notice of assessment which shall state the amount of such assessment and such other charges and a description of the Lot which has been assessed. Such notice shall be signed by the Secretary of the Association on behalf of the Association. Upon payment of said assessment and charges, or other satisfaction thereof, the Board shall, within a reasonable time, cause to be recorded a further notice stating the satisfaction and the release of said lien.

C. Priority of Lien. Conveyance of any Lot shall not affect any lien for assessments provided herein. Such lien shall be prior to all other liens recorded subsequent to said notice of assessment.

D. Enforcement. The lien provided for herein may be foreclosed by suit by the Association in like manner as a mortgage and, in such event, the Association may be a bidder at the foreclosure sale. The Association may also pursue any other remedy against any owner owing money to it which is available to it by law or equity for the collection of debt and can collect as a personal obligation of the Owner any and all amounts for assessments, and any additional amounts for cost of collection, and reasonable attorney fees actually incurred. The Board may declare that any Lot foreclosed upon be a converted lot and thus become Common Area.

E. Proof of Payment. Upon request, the Association shall furnish a statement certifying that all assessments then due have been paid or indicating the amount then due.

F. Suspension. The Association shall not be required to transfer membership on its books or to allow the exercise of any rights or privileges of membership on account thereof to any owner or to any persons claiming under them unless or until all assessments and charges to which they are subject have been paid.

G. The membership fees levied by the Association as annual assessment shall be used for the maintenance, improvement, care, operation, upkeep, preservation, and protection of the common areas, common properties, and other real, personal, or intangible properties owned by the Association and, furthermore, may be used to advance, protect and secure, through any means authorized by the Board, the interest of the Association, to include insurance, repair, replacement, renovation, improvement, of all common area, common property and other real, personal, or intangible property owned by the Association and all legal expenses, accounting expenses, staff expenses, fees for management and supervision of the Association's affairs, office expenses, and overhead, security, utility charges in connection with the property not separately metered or charged to individual members, and the establishment and maintenance of a reasonable operating reserve fund to cover unforeseen contingencies and deferred expenses.

VIII. EASEMENTS

A. Reservations. The following easements over each Lot or Parcel and the right to ingress and egress to the extent reasonably necessary to exercise such easements, are reserved to:

1. Utilities. A five-foot-wide strip running along the inside of all Lot lines except those Lot lines coincident with

street right-of-way lines, in which case such strip shall be 10 feet wide, for the installation, maintenance and operation of utilities, including radio and TV transmission cables, and the accessory right to locate guy wires, braces or anchors or to cut, trim or remove trees and plantings wherever necessary upon such Lots in connection with such installation, maintenance and operation.

2. Shoreline Maintenance. A 15-foot-wide strip running along the inside of all Lot lines coincident with the shoreline of any lake or watercourse in the Development for the purpose of shoreline maintenance.

3. Slope and Drainage. A 20-foot-wide easement running along the inside of all Lot lines coincident with street right-of-way lines for the purpose of cutting, filling, drainage and maintenance of slopes and drainage courses.

4. Flooding Easement. A flowage and flooding easement running along the inside of all Lot lines coincident with the shoreline of any lake equal to the lakefront building setback line for such Lot as herein set forth.

5. Private Streets. An easement on, over and under all streets in the Development for the purpose of installing, maintaining and operating utilities thereon or thereunder; for purposes of drainage control; for access to any Lot or Parcel; and for purposes of maintenance of said streets.

6. Other Easements. Any other easements shown on the Plat.

B. Maintenance of all easement areas of any Lot shall be the responsibility of the Lot owner with the exception of those areas for which a public authority or utility company is responsible. Improvements made in easement areas, in the form of plantings or otherwise, shall be allowed if they do not damage or interfere with the use of said easements herein set forth, including the necessity of frequent access by maintenance and utility vehicles relative to the shoreline lots.

C. Liability for Use of Easements. No owner shall have any claim or cause of action against the Association or its licensees arising out of the exercise or nonexercise of any easement reserved hereunder or shown on the Plat except in cases of willful or wanton misconduct.

IX. RETAINED PARCELS

Developer may retain ownership of certain parcels within the Development shown on the Plats, for use for commercial purposes. Developer reserves the right and privilege to develop said Parcels for such commercial purposes as it may deem appropriate and compatible with the Development. It also reserves the right to conduct all commercial enterprises of any type which may at any time be lawfully conducted within the Development.

X. ANNEXATION

A. Property To Be Annexed. The Association may, from time to time, with the approval of a majority of eligible members voting in person or by proxy, annex to the Development any other real property owned by the Association which is contiguous or adjacent to or in the immediate vicinity of the Development.

B. Manner of Annexation. The Association shall effect such annexation by recording a Plat of the real property to be annexed and by recording a Supplemental Declaration which shall:

1. Describe the real property being annexed and designate the permissible uses thereof;
2. Set forth any new or modified restrictions or covenants which may be applicable to such annexed property, including limited or restrictive uses of Common Areas; and
3. Declare that such annexed property is held and shall be held, conveyed, hypothecated, encumbered, leased, rented, used, occupied and improved subject to the provisions of this Declaration. Upon the recording of such Plat and Supplemental Declaration, the annexed area shall become a part of the Development, as fully, as if such area were part of the Development on the date of recording of this Declaration.

XI. REMEDIES

A. Enforcement. Each person to whose benefit this Declaration inures, including the Association, may proceed at law or in equity to prevent the occurrence, continuation or violation of any provisions of this Declaration, and the court in such action may award the successful party reasonable expenses in prosecuting such action, including attorney fees.

B. Suspension of Privileges. The Board may suspend all voting rights, if any, and all rights to use the Association's Common Areas, of any Owner for any period during which any Association assessment against such Owner remains unpaid, or during the period of any continuing violation of the provisions of this Declaration by such Owner after the existence thereof has been declared by the Board. The right of ingress and egress of an Owner to his/her lot shall not be affected by any suspension of privileges.

C. Cumulative Rights. Remedies specified herein are cumulative and any specifications of them shall not be taken to preclude an aggrieved party's resort to any other remedy at law or in equity.

No delay or failure on the part of an aggrieved party to invoke an available remedy in respect of a violation of any provision of this Declaration shall be held to be a waiver by that party of any right available to him upon the recurrence or continuance of said violation or the occurrence of a different violation.

XII. GRANTEE'S ACCEPTANCE

Each grantee or purchaser of any Lot or Parcel shall, by acceptance of a deed conveying title thereto, or the execution of a contract for the purchase thereof, accept such deed or contract upon and subject to each and all of the provisions of this Declaration and to the jurisdiction, rights, powers, privileges and immunities of the Association. By such acceptance such grantee or purchaser shall for himself, his heirs, devisees, personal representatives, grantees, successors and assigns, lessees and/or lessors, covenant, consent and agree to and with the Association and the grantee or purchaser of each other Lot to keep, observe, comply with and perform the covenants, conditions and restrictions contained in this Declaration.

XIII. SUSPENSION OF RESTRICTIONS

The provisions of improvements, use and occupancy set forth herein shall be suspended as to any Lot, Parcel or other area while and so long as the same is owned by or leased to the State of North Carolina or any governmental agency, public or private utility, whenever and to the extent, but only to the extent, that such provisions shall prevent the reasonable use of such Lot, Parcel or area for said purposes. On cessation of such use, such provisions shall become applicable again in their entirety. While owning or leasing and using, such Owner shall have no rights as a member of the Association, nor shall it be liable for any Association assessments.

XIV. SEVERABILITY

Every provision of this Declaration is hereby declared to be independent of and severable from every other provision hereof. If any provision hereof shall be held by a court of competent jurisdiction to be invalid, or unenforceable, all remaining provisions shall continue unimpaired and in full force and effect.

XV. CAPTIONS

Paragraph captions in this Declaration are for convenience only and do not in any way limit or amplify the terms or provisions hereof.

XVI. PROHIBITION OF TIME-SHARES

A. General Intent and Purpose. The purpose of this Article is to prohibit the use of any Lot, Common Area, Improvement, Parcel, single-family dwelling, multiple-family dwelling, or any other property or land within the Connestee Falls Development, for Time-Share Programs, taking into account the impact of the development of such a program on the existing development within the Connestee Falls Development that is not subject to any Time-Share Program and the impact on the use and enjoyment of property within Connestee Falls by the develop-

ment of Time-Share Programs at Connestee Falls. In addition, the further intent of this Article is to preserve the character of Connestee Falls as a residential community of low intensity use with minimum disturbance from move-in and move-out of Owners and use by Owners.

B. Definitions. For the purposes of this Article, the following words shall have the meanings ascribed herein:

1. "Accommodations" means any apartment, condominium or cooperative unit, cabin, lodge, hotel or motel room, single-family dwelling, living unit, or any other private or commercial structure designed for occupancy by one or more individuals.
2. "Offer to Sell," "Offered for Sale," "Offer," or "Offering" means any offer to sell, solicitation, inducement, taking of reservations, advertisement, whether by radio, television, newspaper, magazine or by mail, or any other method of solicitation of Purchaser's, whereby a person is given an opportunity to acquire a Time-Share Interval or participate in a Time-Share Program.
3. "Person" means one or more natural persons, corporations, partnerships, associations, trusts, other entities, or any combination thereof.
4. "Purchaser" means any person who is buying, who has bought, or who acquires an interest in a Time-Share Interval or Time-Share Program.
5. "Time-Share Estate" means an ownership or leasehold estate subject to a Time-Share Program, including tenants-in-common, interval ownership, time-span ownership, or any other type of ownership or leasehold Time-Share Program.
6. "Time-Share Interval" means a Time-Share Estate or Time-Share Use.
7. "Time-Share Program" means any arrangement, plan, scheme, or similar device, whether by membership, agreement, tenancy-in-common, sale, lease, deed, rental agreement, license, right-to-use agreement, or by any other means, whereby a Time-Share Interval is created and whereby the use, occupancy or possession of an Accommodation, Lot, Improvement, Multiple-Family Dwelling, Single-Family Dwelling, Parcel, Common Area or any other land or property within Connestee Falls, has been subject to a Time-Share Interval whereby such use, occupancy or possession circulates among purchasers of the Time-Share Interval according to a fixed or floating time schedule on a periodic basis occurring annually over any period of time in excess one (1) year in duration.
8. "Time-Share Use" means any contractual right of exclusive occupancy, whether fixed for a specific time period or not, which does not fall within the definition of a "Time-Share Estate," including, without limitation, a vacation license,

prepaid hotel reservations, club membership, limited partnership, trust agreement, or vacation bond.

C. Prohibition of Time-Share Program. Time-Share Programs are expressly prohibited in any respect within the Development of Connestee Falls.

D. Miscellaneous. No Time-Share Estate, Time-Share Interval, Time-Share Program or Time-Share Use shall be nor is intended to be considered as a Single-Family Dwelling nor Multiple-Family Dwelling, but instead shall be considered solely in accordance with the terms of this Article.

E. No Time-Share Estate, Time-Share Interval, Time-Share Program or Time-Share Use shall be nor is intended to be considered as a "residential use" under the terms of this Declaration, but instead shall be solely considered in accordance with the terms of this Article.

F. No participant, owner, user, occupant, tenant or other person involved in a Time-Share Estate, Time-Share Interval, Time-Share Program or Time-Share Use shall be considered a "Owner," as defined under these Covenants and in the By-laws of the Association, but instead shall solely be considered in accordance with the terms of this Article.

G. Despite anything to the contrary, notwithstanding under the terms of the Declaration, no person shall have any right whatsoever to annex to the Development any real property used or to be used as Time-Share Estate, Time-Share Interval, Time-Share Program or Time-Share Use.

H. If any section, subsection, subdivision, paragraph, sentence, clause, phrase or word in this Article or any part hereof if for any reason held to be unconstitutional, invalid, ineffective or otherwise unenforceable by any court of competent jurisdiction, such decision shall not effect the validity or effectiveness of the remaining portions of this Article or any part thereof. The Association and its membership, by adoption hereof does hereby declare that it has enacted each section, subsection, subdivision, paragraph, sentence, clause, phrase or word of this Article irrespective of the enactment of any other and irrespective of the fact that one or more sections, subsections, subdivisions, paragraphs, sentences, clauses, phrases or words be declared unconstitutional, invalid, ineffective or otherwise unenforceable.

XVII. TERM

The provisions of this Declaration shall affect and run with the land and shall exist and be binding upon all parties claiming an interest in the Development until January 1, 1995, after which time the same shall be extended for successive periods of 10 years each unless voted to the contrary by 90% of the votes entitled to be cast by members present or represented by proxy at a meeting called for the purpose.

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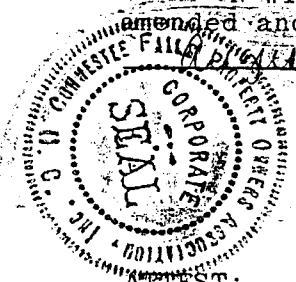
XVIII. AMENDMENT

This Declaration may be amended by the affirmative vote of a majority of the votes entitled to be cast by members present or represented by proxy at a meeting called for that purpose recording an amendment to this Declaration duly executed by (a) the requisite number of such owners required to effect such amendment, or (b) by the Association, in which latter case such amendment shall have attached to it a copy of the resolution of the Board attesting to the affirmative action of the requisite number of such Owners to effect such amendment, certified by the Secretary of the Association.

IN WITNESS WHEREOF, the Association has executed this amended and restated Declaration this 9th day of August, 1986.

CONNESTEE FALLS PROPERTY OWNERS ASSOCIATION, INC.

By: Paul R. Burton
President



ATTEST:
Mary B. Conyell
Secretary

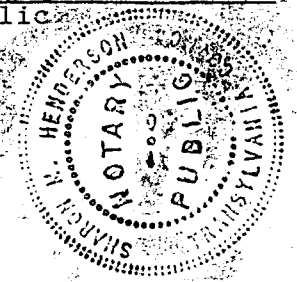
STATE OF NORTH CAROLINA,
COUNTY OF TRANSYLVANIA.

This 9th day of August, 1986, personally came before me, Sharon M. Henderson, Notary Public for said County, Paul R. Burton, who, being by me duly sworn, says that he is President of the Connestee Falls Property Owners Association, Inc. and that the seal affixed to the foregoing instrument in writing is the corporate seal of the Association, and that said writing was signed and sealed by him/her in behalf of said Association, by its authority duly given. And the said Mary B. Conyell acknowledged the said writing to be the act and deed of said Association.

Witness my hand and notarial seal, this 9th day of August, 1986.

Sharon M. Henderson
Notary Public

My commission expires: 11-23-87.



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STATE OF NORTH CAROLINA-TRANSYLVANIA COUNTY

The foregoing certificate of Sharon M. Henderson
a Notary Public () of the
State and County designated, is (are) certified to
be correct,

This 8 day of October, 1986

Fred H. Israel
Register of Deeds



Filed for registration on the 8 day of Oct.
19 86 at 2:30 o'clock P.M., and registered and
verified on the 8 day of Oct. 1986
In Book No. 289 of page 107

Fred H. Israel
Register of Deeds, Transylvania County

STATE OF NORTH CAROLINA
COUNTY OF TRANSYLVANIA

PREPARED BY CONNESTEE FALLS PROPERTY OWNERS ASSOC.

AMENDMENT TO THE DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS AND THE BY-LAWS OF
CONNESTEE FALLS PROPERTY OWNERS ASSOCIATION, INC.

These Amendments to the Declaration of Covenants, Conditions and Restrictions and to the By-Laws of the Connestees Falls Property Owners Association, Inc. ("Association") made by the Board of Directors of the Association on this 12th day of August, 1989.

WITNESSETH

WHEREAS, the Board of Directors of the Association has determined that certain amendments to the Declaration of Covenants, Conditions and Restrictions ("Declaration") and the By-Laws are necessary in the best interest of the members of the corporation; and

WHEREAS, in accordance with the non-profit corporation act of the State of North Carolina, North Carolina General Statute Section 55A-14, the power to alter or amend the Declaration and By-Laws is vested in the Board of Directors unless otherwise provided in the Charter or the Declaration; and

WHEREAS, in accordance with the terms of the Declaration, By-Laws and Charter of the Association, the Declaration and By-Laws may be amended by the affirmative vote of the majority of the votes entitled to be cast by members present or represented by proxy at a meeting called for that purpose; and

WHEREAS, the membership of the Association wishes to provide its Association with the power to ensure that the burden of maintaining and supporting the Association and its duties fall equitably upon all property owners at Connestees Falls Development.

WHEREAS, at the Annual Meeting of the Association duly held on August 12, 1989 the following amendments to the Declaration and By-Laws were passed by the affirmative vote of a majority of the votes entitled to be cast by members present or represented by proxy;

NOW, THEREFORE, the Association by action of its membership in accordance with Article XVII of the Declaration and Article XXII of the By-Laws amends these documents as follows:

1. Article I Section A of the Declaration is amended by deleting the present Section A in its entirety and substituting therefore the following:

A. "Assessments" means those membership fees charged as Base, Special Use, and Improvements assessments.

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2. Article I Section M of the Declaration is amended by deleting the present Section M in its entirety and substituting therefore the following:

A. "Lot" means any numbered lot designated on the plat, any lot actually subdivided, platted, or otherwise identified as a lot in a multiple-family residential area, any apartment or living unit in a multiple family dwelling, or such portion of a multiple family residential area as the Board shall designate, pursuant to Article VII, Section A.

3. Article I Section S of the Declaration is amended by renumbering present Section S as Section T, present Section T as Section U, present Section U as Section V and inserting the following as Section S:

S. "Special Use Assessment" means the charge established by Article VII, Section A. 4.

4. Article VII Section A of the Declaration is amended by inserting the number "1." after the heading "General", and inserting new subsections at the end of the present subsection as Subsections 2, 3 and 4, to read as follows:

A. General. 1. ...

2. The Board shall have the power to levy base assessments against Multiple Family Residential Areas. It shall be conclusively presumed that the assessment to be levied against a Multiple Family Residential Area is no less than the greater of: (a) the base assessment multiplied by the number determined by dividing the area of the parcel by the area of the smallest lot existing in that parcel, or (b) the base assessment multiplied by the number of average sized unimproved single family lots which would equal the area of the Multiple Family Residential Area. The "average sized unimproved lot" shall be determined for each Multiple Family Residential Area by adding together the areas of all unimproved lots in the three Single Family Residential Units nearest to that Multiple Family Residential Area and dividing that total area by the number of such lots.

3. Owners of Multiple Family Residential Areas, and only such Owners, shall have the right to object to the determination of the number of assessable lots in their Multiple Family Residential Area by requesting a hearing before the Board no later than thirty (30) days after the first assessments made thereunder. The Board shall hear objections of those owners and decide if the number of assessable lots in the affected Multiple Family Residential Area was determined equitably and within the guidelines set forth in Article VII, Section A. 2 above. The decision of the Board after such hearing shall be final.

4. The Board shall have the power to levy special use assessments against any and all parcels approved for or put to any use other than residential. Such assessment, if levied, shall be not less than the total of base assessments which would be levied against the average sized unimproved lots, determined as

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described in subsection 2. (b). above, which would equal the area of the parcel. The maximum value of the assessment levied shall be determined by the Board on the use being made of that parcel. In making that determination, the Board shall consider factors including: the use being made of the parcel, the impact of that use on the community, the return on investment resulting from that use, and the benefit to the parcel from Association activities. Owners of such parcels may object to the assessment levied by requesting a hearing before the Board within thirty (30) days of receiving notice of assessments. The Board shall review its determination of assessments after hearing arguments of the owners. The decision of the Board after such hearing shall be final.

5. Article X of the Declaration is amended by renumbering the present "Subsection C" as "Subsection D" and inserting the following as "Subsection C":

C. Penalties. The Board, through the Judicial Committee, may impose penalties for violations of the provisions of the Declaration, By-Laws and published rules and regulations. Those penalties may include, but are not limited to, suspension of rights to use the Association's Common Areas, and reasonable fines. The Judicial Committee shall act pursuant to the procedure set out in the published rules and regulations which shall accord the member fair notice and a hearing before the Judicial Committee. The member shall have the right to present evidence to the Judicial Committee and to be represented by counsel. Hearings shall be open to the public. Notice shall be given by written communication identifying the violation charged and given to the member sufficiently in advance of the hearing to allow preparation of a defense. After hearing testimony and receiving evidence, the Judicial Committee shall make its decision based on the Declaration, By-Laws and published rules and regulations, and shall issue a written decision. Any penalty imposed shall constitute an assessment and lien on the property and shall be a personal obligation of the member. Members subject to penalty under this section shall have the right to appeal to the Board. In addition to the remedies herein set out, the Judicial Committee shall have the power to order the removal or abatement of any structure, thing, or condition which is in violation of the Declaration, By-Laws or rules and regulations. The Association shall have the power to enter upon any property and remove therefrom the offending structure or condition, upon appropriate notice to the owner of the property. All costs incurred in the removal or abatement of a violation shall be assessed against the violating member and may be collected as an assessment. "Costs" includes reasonable attorneys fees and interest, if applicable, at the maximum rate allowed by law.

6. Article I of the By-Laws is amended by deleting Section 1 (p) in its entirety and substituting therefore the following:

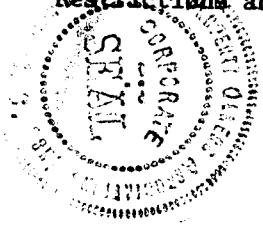
(p) "Lot" means any numbered lot designated on the plat, any lot actually subdivided, platted or otherwise identified as a lot in a multiple family residential area, any apartment or living unit in a multiple family dwelling, or such portion of a multiple family residential area as the Board shall designate.

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IN WITNESS WHEREOF, the undersigned members of the Board of Directors of Connestee Falls Property Owners Association, Inc. hereby certify that the above amendments to the Declaration and By-Laws of Connestee Falls Property Owners Association, Inc. were duly adopted by the Association and its membership in accordance with and pursuant to the Declaration of Covenants, Conditions and Restrictions and the By-Laws of the Association.



CONNESTEE FALLS PROPERTY OWNERS ASSOCIATION, INC.

By: Robert D. Benjamin
Robert D. Benjamin, President

Attest: Billee P. Kessler
Billee Kessler, Secretary

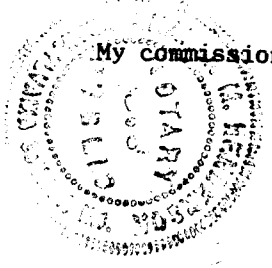
STATE OF NORTH CAROLINA
COUNTY OF TRANSYLVANIA

I, Sharon M. Henderson (Jenkins), Notary Public for said County and State, certify that Billee Kessler personally came before me this day and acknowledged that she is Secretary of Connestee Falls Property Owners Association, Inc., a corporation, and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its President, sealed with its corporate seal and attested by herself as its Secretary.

Witness my hand and official seal, this 12th day of August, 1989.

Sharon M. Henderson (Jenkins)
Notary Public

My commission expires 11-23-92.



STATE OF NORTH CAROLINA, TRANSYLVANIA COUNTY

The foregoing certificate of Sharon M. Henderson (Jenkins)
a Notary Public () of the
State and County designated, is (are) certified to
be correct,

This 30 day of Aug, 1989

Fred H. Israel
Register of Deeds

Filed for registration on the 30 day of Aug
1989 at 9:30 o'clock A M, and registered and
verified on the 30 day of Aug, 1989
In Book No. 320 of page 389

Fred H. Israel
Register of Deeds, Transylvania County