

DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS

FOR

LAKE ARROWHEAD - INDIAN RIDGE, PHASE III

THIS DECLARATION made as of this 1st day of October, 1999, by PURCELL CO., INC. (formerly Diamondhead Corporation), hereinafter called "Declarant";

W I T N E S S E T H :

WHEREAS, this Declaration constitutes an extension, renewal and amendment of that certain Declaration of record and on file in the records of the Clerk of Superior Court of Cherokee County, Georgia, affecting the hereinafter described real property which Declaration of Covenants, Conditions and Restrictions is more particularly described as the Declaration of Covenants, Conditions And Restrictions For Lake Arrowhead - Indian Ridge, Phase III, recorded in Book 276, at Page 330 of the records of the Clerk of the Superior Court of Cherokee County, Georgia.

WHEREAS, Declarant is presently developing a community known as LAKE ARROWHEAD in Cherokee County, Georgia, which community will have subdivided lots, as well as a clubhouse complex, golf course, lake, parks, playgrounds, picnic areas, greenbelts, walkways, open spaces, roads and other facilities.

WHEREAS, Declarant desires to provide for the preservation of the values and amenities in said community and for the continued management and operation of such facilities; and, to this end, desires to subject the real property described in Article II of this Declaration to the protective covenants, restrictions, easements, assessments and liens hereinafter set forth, each of which is and are for the benefit of said property and each property owner thereof, and to make provisions for subjecting other real property which may be developed as part of said community to this Declaration

or to other declarations containing protective covenants, restrictions, easements, assessments and liens.

NOW, THEREFORE, Declarant and the requisite two-thirds (2/3) of the property owners joining in this Declaration hereby declare that the real property described in Section I of Article II of this Declaration is hereby subjected to this Declaration and is and shall be held, transferred, sold, conveyed, used, occupied and mortgaged or otherwise encumbered subject to the protective covenants, restrictions, easements, assessments and liens (sometimes referred to herein collectively as "covenants and restrictions") hereinafter set forth; and Declarant further hereby declares that such other real property as may later be subject to this Declaration pursuant to the provisions of Article IX hereof, shall, from and after the filing of record of a supplementary declaration as described in said Article IX, be held, transferred, sold, conveyed, used, occupied and mortgaged or otherwise encumbered subject to the provisions of this Declaration which are specified in such supplementary declaration. Every grantee of any interest in such real property now or hereafter made subject to this Declaration, by acceptance of a deed or other conveyance of such interest, whether or not it shall be so expressed in any such deed or other conveyance, whether or not such deed or other conveyance shall be signed by such person and whether or not such person shall otherwise consent in writing, shall take subject to this Declaration and to the terms and conditions hereof and shall be deemed to have assented to said terms and conditions.

ARTICLE I

DEFINITIONS

Section 1. Definitions. The following words when used in this Declaration or any supplementary declaration (unless the context shall prohibit) shall have the following meanings:

(a) "LAKE ARROWHEAD" shall mean and refer to that certain community known as LAKE ARROWHEAD which is being developed on real property now owned by Declarant in Cherokee County, Georgia, together with such additions thereto as may from time to time be designated by Declarant.

(b) "Common Properties" shall mean and refer to those recreational and other common facilities in LAKE ARROWHEAD, such as a clubhouse complex, golf course, lake, parks, playgrounds, picnic areas, greenbelts, walkways, open spaces and roads, which are designated from time to time by Declarant for the nonexclusive use and enjoyment of the residents of LAKE ARROWHEAD.

(c) "Lot" shall mean and refer to any numbered plot of land comprising a single dwelling site designated on any plat of survey recorded in the Office of the Clerk of the Superior Court of Cherokee County, Georgia now or hereafter made subject to this Declaration.

(d) "Improved Lot" shall mean and refer to any lot improved with a completed residential home.

(e) "Property Owner" shall mean and refer to the record owner, whether one or more persons, of the fee simple title to any lot, excluding however, those persons who shall have such interest merely as security for the performance of an obligation.

(f) "Person" shall mean and refer to a natural person, as well as a corporation, partnership, association, trust or other legal entity.

(g) "Family Unit" shall mean a natural person, his or her spouse, and all their unmarried children under twenty-one (21) years of age residing with them.

(h) "Mortgage" shall include chattel mortgage, bill of sale to secure debt, deed

to secure debt, deed of trust and any and all other similar instruments given to secure the payment of an indebtedness.

(i) "Declarant" shall mean and refer to Purcell Co., Inc., a Delaware corporation, its successors and assigns.

(j) "Lake Arrowhead Yacht & Country Club" shall mean and refer to Lake Arrowhead Yacht & Country Club, Inc., a Georgia corporation, its successors and assigns, or any other person to whom Declarant may from time to time assign the responsibility and authority of operating and maintaining the Common Properties of LAKE ARROWHEAD.

(k) "Association" shall mean and refer to Lake Arrowhead Property Owners Association, Inc., a nonprofit Georgia corporation, its successors and assigns.

(l) The use of the masculine pronoun shall include the neuter and feminine and the use of the singular shall include the plural where the context so requires.

ARTICLE II

PROPERTY SUBJECT TO THIS DECLARATION

Section 1. Property Hereby Subjected to this Declaration. The real property which is, by the recording of this Declaration, subjected to the covenants, restrictions, easements, assessments and liens hereafter set forth and which, by virtue of the recording of this Declaration, shall be held, transferred, sold, conveyed, used, occupied and mortgaged or otherwise encumbered subject to this Declaration is as follows:

Lake Arrowhead, Indian Ridge, Phase III, according to the Map or Plat thereof, recorded in Plat Book 9, Pages 146 through 147 inclusive, in the records of the Clerk of the Superior Court of Cherokee County, Georgia.

Section 2. Other Property. Only the real property described in Section 1 of this Article II is hereby made subject to this Declaration; provided, however, Declarant reserves

the right to subject other real property in LAKE ARROWHEAD to covenants and restrictions as provided in Article IX hereof.

ARTICLE III

COMMON PROPERTIES

Section 1. Ownership. The ownership of all the Common Properties, including the facilities thereon, shall be exclusively in the Declarant and no other person shall, by the recording of this Declaration, by the recording of the aforementioned plats of survey or by any permissive use, have any ownership interest in the Common Properties.

Section 2. Management. Declarant, as the owner of all of the Common Properties, hereby assigns to Lake Arrowhead Yacht & Country Club the complete and sole control and authority to manage and operate the Common Properties in such manner as it sees fit, including, but not limited to the right to formulate rules and regulations regarding the use thereof, and, subject to the provisions of Section 3 of this Article III, the right to determine the persons entitled to use the same. Declarant and Lake Arrowhead Yacht & Country Club, Inc. shall only be required to expend monies collected from assessments herein provided and collected as separate fees for the actual use of Common Properties for the security, management, operation and maintenance of Common Properties, and Declarant shall not be responsible or liable for inadequate financial resources necessary for the reasonable security, management, operation or maintenance of said Common Properties. Notwithstanding the foregoing, in any fiscal year in which Declarant, at its sole option and discretion, advances monies for the security, management, operation or maintenance of Common Properties in excess of assessment and fee monies collected, such advances shall be recoverable by Declarant in any subsequent fiscal year. A proposed annual budget for the security, management, operation and maintenance of the Common

Properties shall be prepared by Declarant and submitted to Association within thirty (30) days prior to the end of each fiscal year. The Association shall have ten (10) days from receipt of said budget in order to recommend suggested budget revisions or alterations which shall be advisory in nature. Prior to the commencement of the fiscal year, Declarant shall provide Association with a final annual budget. An accounting review shall be provided by Declarant to the Association within thirty (30) days of the end of each fiscal quarter, and Declarant shall provide for such review a profit and loss statement compared to budget.

Section 3. Use and Enjoyment. The Property Owner of a lot now or hereinafter subjected to the assessments and liens for nonpayment thereof set forth in Article IV hereof shall, upon the payment of an initiation fee, automatically become a member of the Lake Arrowhead Yacht & Country Club and such Property Owner and the Family Unit of such Property Owner shall have the privilege to use and enjoy the Common Properties. In the event that more than one person shall own an interest in any such lot at any given time, such membership shall be exercised by only one of such persons designated by all of such persons who own an interest in the lot and only such designated person and his Family Unit shall have the privilege to use and enjoy the Common Properties. If the Property Owner of any such lot is other than a natural person, then the natural person designated by such Property Owner shall be a member of Lake Arrowhead Yacht & Country Club, and such designated person and his Family Unit shall have the privilege to use and enjoy the Common Properties. If the same person(s) shall be the Property Owner of more than one lot at any given time which such person(s) shall have purchased directly from Declarant, then, for each such lot more than one so owned by such person(s) which is subject to the assessments and lien for nonpayment thereof set forth in Article IV hereof, such person(s) shall be entitled to designate one natural person who, upon the payment of an initiation fee, shall become a member of the Lake Arrowhead Yacht &

Country Club, and such designated person and his Family Unit shall have the privilege to use and enjoy the Common Properties so long as such lot remains subject to said assessments and lien for nonpayment thereof and so long as such person(s) continues to own such lot. A Property Owner shall follow the procedures established from time to time by the Lake Arrowhead Yacht & Country Club in designating the natural person who is to be a member of the Club where the Property Owner is more than one person, other than a natural person, or where the Property Owner is the owner of more than one lot purchased directly from Declarant. Further, a Property Owner shall follow the procedures established from time to time by the Lake Arrowhead Yacht & Country Club in designating the appropriate Family Unit which shall be entitled to use and enjoy the Common Properties under the foregoing provisions of this Section.

Section 4. Duration of Membership. Any person, irrespective of whether or not such person is a Property Owner, who becomes a member of Lake Arrowhead Yacht & Country Club by whatever means shall not thereby acquire any ownership interest in Lake Arrowhead Yacht & Country Club or the Common Properties. Further, membership in Lake Arrowhead Yacht & Country Club shall run with the title to the lot and in the event of the conveyance of a lot to another Property Owner, the membership of the former Property Owner in Lake Arrowhead Yacht & Country Club by virtue of the ownership of such lot shall pass to the new Property owner upon written notice of such event to the Lake Arrowhead Yacht & Country Club by the new Property Owner. Provided, however, Lake Arrowhead Yacht & Country Club shall not be required to honor such written notice unless and until the new Property owner shall furnish to Lake Arrowhead Yacht & Country Club a copy of his deed or other conveyance as the same appears of record, evidencing his ownership of such lot. Provided further, unless said initiation fee shall have been paid by a former Property Owner with respect to such lot for membership purposes, such new Property Owner shall not become a member

of the Lake Arrowhead Yacht & Country Club unless and until such initiation fee is paid to the Lake Arrowhead Yacht & Country Club by such new Property Owner.

Section 5. Suspension of Membership. Lake Arrowhead Yacht & Country Club shall have the right to suspend the privilege to use and enjoy the Common Properties in respect to any lot for which any assessment, or any portion thereof is delinquent, whether the personal obligation to pay the same is that of the present Property Owner or a previous Property Owner, or for the infraction of Lake Arrowhead Yacht & Country Club's rules and regulations.

Section 6. Charges Other Than Assessments. In addition to the assessments provided for in Article IV hereof, the payment of which are not dependent on actual use of the Common Properties, Lake Arrowhead Yacht & Country Club shall have the right to charge, and change from time to time, separate fees for actual use of particular facilities or portions of the Common Properties.

ARTICLE IV

ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligation for Assessments. Each lot now or hereafter subjected to this Declaration is subject to a lien and permanent charge in favor of Lake Arrowhead Yacht & Country Club for the annual assessments set forth in Section 2 of this Article IV. Each such assessment, together with such interest thereon and cost of collection thereof as hereinafter provided, shall be a permanent charge and continuing lien upon the lot against which it relates, and shall also be the joint and several personal obligation of each Property Owner of such lot at the time the assessment fell due, and each such Property Owner hereby covenants, and by acceptance of a deed or other conveyance therefor, whether or not it shall be so expressed in such deed or other conveyance, shall be deemed to covenant and agree to pay the same to Lake Arrowhead Yacht & Country Club as and when due.

Section 2. Amount of Assessments. For the calendar year 2000, the annual assessment payable to Lake Arrowhead Yacht & Country Club shall be \$624.00 for each Lot, if any, and \$732.00 for each Improved Lot now or hereafter made subject to this Declaration, said assessments for 2000, however, are subject to increase in the cost of living during the calendar year 1999. Such amounts shall also be the respective base amount of the annual assessment which shall be payable to Lake Arrowhead Yacht & Country Club for each such Lot or Improved Lot for future years. Such base amount may, however, be increased percentage-wise (rounded to the nearest dollar) by Lake Arrowhead Yacht & Country Club in the same amount as any percentage increase in the cost of living subsequent to December 31, 1998, as established by the Consumer Price Index as determined by the U.S. Department of Labor. Should the publication of such index be discontinued, then the foregoing escalation formula shall be computed upon the basis of a comparable successor index published by the U.S. Government. Unless otherwise increased by an amendment to this Declaration in the manner specified in Section 2 of Article X hereof, the annual assessment on any Lot or Improved Lot now or hereafter subjected to this Declaration shall not be increased above the amounts herein specified.

Section 3. Date of Commencement of Annual Assessments: Due Dates. Except as otherwise provided in Section 4 of this Article IV, the annual assessments provided for in this Article IV shall commence and be due and payable to Lake Arrowhead Yacht & Country Club as to each Lot conveyed by Declarant to a Property Owner on the date of each such conveyance, and shall change in amount or commence as applicable to each Improved Lot on the first day of the month following the completion of construction of a residential home upon said lot. The first annual assessment payable to Lake Arrowhead Yacht & Country Club shall be adjusted according to the number of days remaining in the calendar year following the date of conveyance or following the first day of the month after completion of the aforesaid residential home. Except for that portion of each such adjusted

assessment payable to the Lake Arrowhead Yacht & Country Club as may be attributable to the number of days remaining in the month of conveyance of a Lot which shall be payable to the Lake Arrowhead Yacht & Country Club at the time of such conveyance, each such adjusted assessment shall be paid by the Property Owner to the Lake Arrowhead Yacht & Country Club in equal monthly installments commencing on the first day of the month following such conveyance. The Lake Arrowhead Yacht & Country Club shall determine in accordance with the foregoing formula the amount of annual assessment payable to the Lake Arrowhead Yacht & Country Club against each Lot and Improved Lot and if different from the assessment for the preceding year, shall send written notice of same to every Property Owner subject thereto at the beginning of each annual assessment period. One-twelfth (1/12) of the annual assessment for each Lot or Improved Lot shall become due and payable on the first day of each month during the assessment period and shall be paid to the Lake Arrowhead Yacht & Country Club when due without further notice. Upon request, Lake Arrowhead Yacht & Country Club will furnish to any Property Owner liable for any such assessment a certificate in writing setting forth whether the same has been paid. Such certificate shall be conclusive evidence of payment of any assessment therein stated to have been paid.

Section 4. Exempt Property. All Common Properties, including any lot, which may be designated for use as such by Declarant, shall be exempt from the assessments, charges and liens created herein. Each Lot or Improved Lot which is now or hereafter made subject to this Declaration shall be exempt from the assessments, charges and liens created herein while owned by Declarant. Further, if any person(s) shall be the Property Owner of more than one lot at any given time which lots such person(s) shall have purchased directly from Declarant, then so long as such lots are so owned by such Property Owner, Declarant may stipulate and agree that for a period not to exceed 36

months only one of such lots (as selected by such Property Owner) shall be subject to the assessments, charges and liens created herein. In such event, it shall be with respect to such lot that such Property Owner shall be entitled to become a member in the Lake Arrowhead Yacht & Country Club and with respect to which such Property Owner and his Family Unit shall have the privilege to use and enjoy the Common Properties as provided in Article III hereof. Provided, however, should such Property Owner desire to designate a natural person to become a member of the Lake Arrowhead Yacht & Country Club with respect to any one or more of such other exempt lots so owned by such Property Owner, then, in that event, any such lot with respect to which such membership shall be exercised shall become subject to the assessments, charges and liens created herein upon notice thereof to Lake Arrowhead Yacht & Country Club by such Property Owner and upon the payment of the aforesaid initiation fee with respect to such membership. Provided, further, any lot owned by a Property Owner, which is not subject to the assessments, charges and liens created herein because of the exemption provided under this Section for multiple lot ownership, shall automatically become subject to the assessments, charges and liens created herein at the end of the stipulated exemption period, or upon being conveyed by the Property Owner who purchased the lot directly from Declarant to a new Property Owner. Provided, further, except for Declarant, each Property Owner shall at all times be subject to the assessments, charges and liens created herein with respect to at least one lot owned by such Property Owner and the exemption provided under this Section for multiple lot ownership shall not be otherwise construed. In the event a Property Owner shall fail or refuse to designate which of his lots shall be subject to the assessments, charges and liens created herein, then Declarant shall have the right to revoke the exemption which may have been granted with respect to all or any part of the lots owned by such Property Owner. The word "lot" as used in Declaration shall mean and refer to both "Lots" or "Improved Lots" as heretofore defined.

Section 5. Effect of Non-Payment of Assessment: The Personal Obligation of the Owner; The Lien; Remedies of Lake Arrowhead Yacht & Country Club. If all or any portion of an assessment is not paid on the date when due as hereinabove provided, then such unpaid amount, together with such interest thereon and cost of collection thereof as hereinafter provided, shall be a charge and continuing lien on the lot to which it relates, and shall bind such property in the hands of the then Property Owner, his heirs, successors, legal representatives, successors-in-title and assigns. Each Property Owner shall be liable for the portion of each assessment coming due while he is the Property Owner, and his grantee shall be jointly and severally liable for such portion thereof as may be due and payable at the time of conveyance but without prejudice to the rights of the grantee to recover from the grantor the amounts paid by the grantee therefor. Any such assessment, or portion thereof, not paid when due, as hereinabove provided, shall bear interest from the due date at the maximum legal rate allowable under Georgia law, and Lake Arrowhead Yacht & Country Club may bring legal action against the Property Owner(s) obligated to pay the same and/or foreclose its lien against the lot to which it relates. Such lien may be foreclosed by Lake Arrowhead Yacht & Country Club by suit, judgment and foreclosure in the same manner as liens for the improvement of real property. In either of such events, Lake Arrowhead Yacht & Country Club shall also be entitled to recover attorney's fees in an amount equal to the greater of \$250.00 or fifteen percent (15%) thereof, and all costs of collection. Each Property Owner, by his acceptance of a deed or other conveyance to a lot, vests in Lake Arrowhead Yacht & Country Club the right and power to bring all actions against him personally for the collection of such charges as a debt and to foreclose the aforesaid lien in any appropriate proceeding in law or in equity. Declarant and Lake Arrowhead Yacht & Country Club shall have the power to bid in the lot at any foreclosure sale and to acquire, hold, lease, mortgage and

convey the same. No Property Owner may be relieved from liability for the assessments provided for herein by non-use of the Common Properties or by abandonment of his lot or otherwise.

Section 6. Subordination of the Charges and Liens to Mortgages.

(a) The lien and permanent charge of the annual assessment (together with interest thereon and costs of collection) authorized herein with respect to any lot is hereby made subordinate to the lien of any first mortgage placed on such lot if, but only if, all such assessments with respect to such lot having a due date on or prior to the date such mortgage is filed for record have been paid. The lien and permanent charge hereby subordinated is only such lien and charge as relates to assessments or portions thereof having a due date subsequent to the date such first mortgage is filed for record and prior to the satisfaction, cancellation or foreclosure of such mortgage or the sale or transfer of the mortgaged property pursuant to any proceeding in lieu of foreclosure or the sale or transfer of the mortgaged property pursuant to a sale under power contained in such mortgage.

(b) Such subordination is merely a subordination and shall not relieve the Property Owner of the mortgaged property of his personal obligation to pay all assessments or portions thereof which come due as hereinabove provided; shall not relieve such property from the lien and permanent charge provided for herein (except to the extent a subordinated lien and permanent charge is extinguished as a result of such subordination as against a mortgagee or such mortgagee's assignee or transferee by foreclosure or by sale or transfer in any proceeding in lieu of foreclosure or by sale under power); and no sale or transfer of such property to the mortgagee or to any other person pursuant to a decree of foreclosure, or pursuant to any other proceeding in lieu of foreclosure, or pursuant to a sale under power, shall relieve any existing or previous Property Owner of such property of any personal obligation, to relieve such property or the then and subsequent Property

Owners from liability for any assessment provided for hereunder coming due after such sale or transfer.

(c) Notwithstanding the foregoing, Lake Arrowhead Yacht & Country Club may at any time, either before or after any mortgage or mortgages are placed on such property, waive, relinquish or quit-claim in whole or in part the right of Lake Arrowhead Yacht & Country Club to assessments provided for hereunder with respect to such property coming due during the period while such property is or may be held by a mortgage or mortgagees pursuant to such sale or transfer.

ARTICLE V

PROPERTY OWNERS ASSOCIATION

Section 1. Purposes. As hereinabove provided, Declarant shall be the exclusive owner of all the Common Properties, including the facilities thereon, and Lake Arrowhead Yacht & Country Club shall have the exclusive authority to control, manage and operate the Common Properties. At some time in the future, however, Declarant may desire to convey certain of the Common Properties or assign certain responsibilities to a nonprofit corporation which will then control, manage and operate such Common Properties or perform such responsibilities conveyed or assigned to it; and it is for such purposes that Declarant has caused the Association to be incorporated. Although, as more fully provided in Section 4, Article X hereof, the Declarant reserves the power to do so, nothing contained in this Declaration shall be construed or implied to require or otherwise obligate Declarant to convey any of the Common Properties or assign any responsibilities to the Association. Provided, however, in the event Declarant shall convey any of the Common Properties or assign any responsibilities to the Association, Declarant shall cause a reasonable amount of the aforesaid annual assessments collected by the Lake Arrowhead Yacht & Country Club to be allocated and paid to the Association for the

purpose of enabling the Association to manage and operate such Common Properties or perform such responsibilities. The actual amount of any such allocation shall be based on the average, actual percentage of budget expenditures attributable to such Common Property over the three (3) year period immediately preceding the conveyance. The Association shall only be responsible for the condition of Common Property from and after acquiring title to same and shall not be responsible for the condition of Common Property which occurred prior to such conveyance. Further, subject to such terms, conditions, provisions and limitations which may be placed thereon by Declarant in conveying the same to the Association, the Association shall also have the right to collect and use any fees which may be charged in connection with the actual use of any of the Common Properties which may be conveyed to the Association.

Section 2. Membership. The membership of the Association shall consist of such persons and be divided into such classes, with such rights and characteristics as are set forth in the Association's Articles of Incorporation or any amendments thereof, which Articles of Incorporation and amendments are and shall be incorporated herein by reference as fully as if the provisions thereof were set out completely herein.

Section 3. Meetings. All matters concerning meetings of the members of the Association, including the time within such and the manner in which notice of meetings shall be given to members, and the quorum required for the transaction of business at such meetings, shall be as specified in the Articles of Incorporation or By-Laws of the Association.

ARTICLE

LAND USE RESTRICTIONS AND BUILDING REQUIREMENTS

Section 1. Zoning Classifications. All lots, tracts and parcels of land hereby subjected to this Declaration shall be used only as herein set forth and zoned, and such designated usage can be

changed only by the approval of the Declarant as provided for herein. All lots shall be used only for single family residential use, except those lots whose uses are specifically indicated for purposes other than single family as set forth herein. Also, nothing contained in this Declaration shall be construed to prevent Declarant from erecting and maintaining, or authorizing the erection and maintenance of structures and signs for the development and sale of property in LAKE ARROWHEAD. Each and every one of the lots, tracts and parcels of land hereby subjected to this Declarant shall be improved, occupied and used for the respective purposes and permitted uses as designated in the Zoning Classifications set forth in Exhibit "A" attached hereto and by reference made a part hereof.

Section 2. Subdividing Lots. No lot shall be subdivided, or its boundary lines changed, except with the express written consent of Declarant first had and obtained. However, Declarant hereby expressly reserves the right to re-plat any lots shown on any recorded plat prior to delivery of a deed therefor to a Property Owner to create a modified lot or lots. The covenants and restrictions herein shall apply to each lot so created or revised thereby. Notwithstanding the foregoing, Declarant may designate multiple, contiguous lots as one lot for assessment and membership purposes where such lots are utilized as a single homesite.

Section 3. Approval to Build. No house, garage, carport, playhouse, outbuilding, fence, wall, swimming pool or other structure shall be commenced, erected or maintained upon any lot subject to this Declaration, nor shall any exterior addition to, change in or alteration of any of said structures be made until three (3) complete sets of the final plans and specifications showing the nature, kind, shape, height, materials, basic exterior finishes and colors, location and floor plan thereof, and showing front, side and rear elevations thereof, have been submitted to and approved by the Declarant, or by the Declarant and/or an Architectural Review Committee comprised of Association members appointed by the Association and approved by the Declarant, as to harmony of

exterior design and general quality with the existing standards of the neighborhood and as to location in relation to surrounding structures and topography. Further, before beginning construction, the name of the builder must be submitted to and approved by Declarant as to building experience and ability to build houses or other structures of the class and type of those which are to be built at LAKE ARROWHEAD. Declarant shall act with all reasonable promptness upon receipt of such information to approve or disapprove the same, and the decision of Declarant shall be final.

Section 4. Building Location. No building shall be located closer to any other building than twenty (20) feet or a distance equal to the height of the lower building, whichever is greater.

Section 5. Grading and Filling. No lot shall be graded or filled unless such grading or filling is approved in writing by Declarant and the Property Owner makes adequate provision for erosion protection.

Section 6. Construction Period. No construction of any house shall be commenced before complying with the provisions of Section 3 of this Article VI. The exterior of any such house must be completed by and at the expense of the Property Owner thereof within twelve (12) months from the date on which the construction thereof is commenced. Upon the failure or refusal of any Property Owner to complete said construction within said twelve (12) month period, Declarant may, after fourteen (14) days' notice to such Property Owner, enter upon such lot and complete such exterior construction in accordance with the plans and specifications pertaining thereto. Such Property Owner shall be personally liable to Declarant for the direct and indirect costs of such construction, and the liability for such costs shall be a permanent charge and lien upon such lot enforceable by Declarant as other liens for the improvement of real property.

Section 7. Temporary Structures. No house trailer, boat trailer, camper, mobile home, shack, tent or temporary building shall be permitted on any lot; provided, however, house trailers,

temporary buildings and the like shall be permitted for construction purposes during the construction period of houses or as a real estate sales office of Declarant for the sale of property. No garage, outbuilding or other appurtenant structure shall be used for residential purposes.

Section 8. Building Materials. No lumber, brick, stone, cinder block, concrete or any other building materials, scaffolding, mechanical devices or any other thing used for building purposes shall be stored on any lot except for the purposes of construction on such lot and shall not be stored on such lot for longer than that length of time reasonably necessary for the construction in which same is to be used.

Section 9. Removal of Vegetation. Unless located within ten (10) feet of a main dwelling or accessory building or within ten (10) feet of an approved site for such building, no trees, shrubs, bushes or other vegetation having a trunk diameter of three (3) inches or more shall be cut, destroyed or mutilated on any lot except with the express written permission of Declarant first had and obtained; provided, however, that dead or diseased trees, shrubs, bushes or other vegetation shall be cut and removed promptly from any lot by the Property Owner thereof after such dead or diseased condition is first brought to the attention of Declarant and permission for such cutting and removal has been obtained.

Section 10. Occupancy. Before any house may be occupied, it must be completely finished on the exterior in accordance with the approved plans and specifications therefor.

Section 11. Refuse. Containers for garbage or other refuse shall be underground or in a screened sanitary enclosure which must be compatible in appearance and location to the previously constructed house. Any such screened sanitary enclosure must exceed in height by at least one (1) foot any garbage containers placed or to be placed thereon. All incinerators shall be approved by Declarant before installation and use.

Section 12. Storage Tanks. No exposed aboveground tanks will be permitted for the storage of fuel or water or any other substance, except that such tanks may be placed aboveground provided they are kept in a screened enclosure which must be compatible in appearance and location to the previously constructed house. Any such screened enclosure must exceed in height at least one (1) foot any such tank as may be placed therein.

Section 13. Trailers, Boats and Motor Vehicles. No mobile home, motor home, truck camper, trailer of any kind, or boat shall be kept, placed, stored or maintained on any lot without the prior written approval of Declarant; and no motor vehicle shall be constructed, reconstructed or repaired on any lot; provided, however, this provision shall not apply to emergency repairs.

Section 14. Laundry. All drying of clothes must be done in an area approved for that purpose by the Declarant, except that a folding drying rack not more than four (4) feet in height may be placed at the rear of any lot, and shall be stored when not in use.

Section 15. Signs. No signs, billboards or advertising structures of any kind shall be allowed on any lot, except with written permission from Declarant; provided, however, Declarant reserves the right to use such signs, billboards or advertising structures as shall be reasonably necessary to provide for the sale of property.

Section 16. Animals and Pets. No livestock or animals may be kept or permitted on any lot, with the exception of dogs and cats customarily kept as domestic pets and which do not endanger the health or, in the sole discretion of Declarant make objectionable noise or constitute a nuisance or inconvenience to owners of other lots. No raising, breeding, training or dealing in any animals shall be permitted on any lot. No structure for the care, housing or confinement of any animal shall be maintained so as to be visible from neighboring property. Horseback riding shall be limited to approved equestrian trails.

Section 17. Maintenance. All lots, together with the exterior of all improvements located thereon, shall be maintained in a neat and attractive condition by their respective Property Owners. Such maintenance shall include, but shall not be limited to, painting, repairing, replacing and caring for roofs, gutters, downspouts, building surfaces, trees, shrubs, grass, walks and other exterior improvements. Upon the failure or refusal of any Property Owner to maintain his lot and the exterior of all improvements located thereon in a neat and attractive condition, Declarant may, after fourteen (14) days' notice to such owner, enter upon such lot and perform such exterior maintenance as Declarant, in the exercise of its sole discretion, may deem necessary or advisable. Such Property Owner shall be personally liable to Declarant for the direct and indirect costs of such maintenance, and the liability for such costs shall be a permanent charge and lien upon such lot enforceable by Declarant in the same manner as other liens for the improvement of real property or by any other appropriate proceeding in law or in equity. Although notice given as herein provided shall be sufficient to give Declarant the right to enter upon such lot and perform such maintenance, entry for such purpose shall be only between the hours of 9:00 a.m. and 5:00 p.m. or any day except Sunday.

Section 18. Hobbies and Activities. The pursuit of hobbies or other activities, including specifically, without limiting the generality of the foregoing, the assembly and disassembly of motor vehicles and other mechanical devices, which might tend to cause disorderly, unsightly or unkept conditions, shall not be pursued or undertaken on any lot.

Section 19. Prohibited Activities. Noxious or offensive activities shall not be carried on upon any lot. Each Property Owner shall refrain from any act or use of his lot which could reasonably cause embarrassment, discomfort, annoyance or nuisance to the neighborhood.

Section 20. Parking requirements. There shall be a minimum of two (2) automobile parking pads of at least eight (8) feet by eighteen (18) feet each for each single family residence constructed

on any lot or tract. Enclosures, shelters, screens and other improvements constructed for the purpose of automobile parking and other vehicles shall not be permitted.

Section 21. Exterior Antennas. No exterior television or radio antennae of any kind shall be placed, allowed or maintained upon any lot, nor upon any structure thereon, without the prior written approval and authorization of Declarant.

Section 22. Construction of Boat Docks. No boat dock, pilings or bulkhead shall be placed on any lot without the prior written consent and approval of Declarant. Any boat dock, pilings or bulkheads constructed shall be constructed in such a manner as to accommodate the mooring of vessels parallel to the shoreline only and such boat dock, pilings or bulkheads shall not extend or lie into the water in such a manner or such a length so as to interfere with navigation on such navigable waterway. All boat docks shall be of permanent finished construction, and no temporary or make-shift type boat docks, shall be erected, placed or maintained on said premises, nor shall any unfinished boat docks be used or permitted to remain in such condition. No automobile or other tires shall be used as bumpers on docks or anywhere in LAKE ARROWHEAD, either permanently or temporarily. No substantial repairs, construction or reconstruction of boats beyond those normally and customarily personally performed by the owners of pleasure boats generally shall be carried on or performed on any residential boat dock. No cut or change in the shoreline of any lake in LAKE ARROWHEAD shall be made, nor shall any boat canal be dug or excavated, nor shall any fill be made in any lake or other waters in LAKE ARROWHEAD, without the prior written approval of the Declarant.

Section 23. Maintenance of Boat Docks. All docks and piers will be kept in a clean, sightly and wholesome condition. It is required that Declarant approve all docks and piers in regard to size, design and type to be used and placement on any lot in regard to location on the lot and proximity to

the water. Permits and/or approvals for the construction of boat docks and piers shall be issued only as the result of a thorough review of complete and detailed construction plans of the proposed structure.

Section 24. Operation of Boats. No vessel or boat shall be anchored in any of the waters within LAKE ARROWHEAD or in waters adjacent to LAKE ARROWHEAD so that the same shall in anywise interfere with navigation. No vessel, boat or person shall use any waters in LAKE ARROWHEAD in any manner which would be in violation of the rules and regulations with respect to the use thereof promulgated as hereinafter provided. Such rules and regulations may place restrictions upon the speed of boats and vessels in all or any part of such waters and upon the size and types of boats and vessels permitted to navigate in such waters or any part thereof, may regulate or prohibit anchorage in all or any part of said waters, may regulate or prohibit water skiing, skin diving, swimming and fishing in all or any part of such waters, and the use thereof by aircraft, and may impose such other rules and regulations for the safety, protection and enjoyment of said waters as may from time to time be deemed necessary or desirable. The aforementioned reasonable rules and regulations may be, at the option of Declarant, promulgated and enforced by Declarant or Lake Arrowhead Yacht & Country Club.

Section 25. Variances. Declarant may allow reasonable variances and adjustments of the above and foregoing conditions and restrictions set forth in this Article VI in order to overcome practical difficulties and prevent unnecessary hardships in the application of the regulations contained herein; provided, however, that such is done in conformity to the intent and purposes hereof; and, provided, also that in every instance such variance or adjustment will not be materially detrimental or injurious to other property or improvements in the neighborhood. Variances and adjustments of height, size and setback requirements may be granted hereunder. Declarant may also determine and

allow in the respective classifications of lots, additional uses which are of the same character. In the event there shall be governmental regulations which conflict with or prevent works of construction or improvements in the manner as required by the within regulations, these circumstances shall be deemed to constitute practical difficulties justifying allowances of variances and adjustments of said regulations in order to prevent unnecessary hardship, provided, however, that in every instance the variance or adjustment shall not be materially detrimental or injurious to property or improvements in the neighborhood.

Section 26. Governmental Regulations. All governmental building codes, health regulations, zoning restrictions and the like applicable to the property now or hereafter made subject to this Declaration shall be observed. In the event of any conflict between any provision of any such governmental code, regulation or restriction and any provision of this Declaration, the more restrictive provision shall apply.

Section 27. Disclaimer of Liability. Neither Declarant, nor any person to whom Declarant shall assign such function, shall be responsible or liable in any way for the performance of any builder or for any defects in any plans or specifications approved in accordance with the foregoing, nor for any structural or other defects in any work done according to such plans and specifications.

ARTICLE VII

SEWAGE DISPOSAL AND WATER SYSTEM

Owners of homes completed prior to the completion of the central sewage system and/or water system must make connection to such systems within thirty (30) days after completion of each such system. No permits and/or approvals for the construction or improvements on any lots shall be granted or approved by Declarant unless and until the Property Owner desiring such approval shall have made satisfactory financial arrangements with a licensed plumber, approved by Declarant, for

making connections from the central sewer system and the central water system for such Property Owner's lot. The Property Owner of any unimproved lot which served by a central sewage system and/or water system may be required to pay to Declarant or its designee a monthly availability charge with respect to sewage and water until such time as a house is constructed on such lot and the same is connected to such system. If imposed, such availability fee shall be payable monthly in advance and the Property Owner shall be personally liable to Declarant or its designee for the payment thereof and the liability for such fees shall be a permanent charge and lien upon such lot enforceable by Declarant or its designee in the same manner as other liens for the improvement of real property or by any other appropriate proceeding in law or in equity.

ARTICLE VIII

EASEMENTS

Section 1. General. Each lot now or hereafter subjected to this Declaration is and shall be subject to those easements, if any, shown or set forth on the recorded subdivision plat thereof.

Section 2. Access. Without further assent or permit from Declarant or any other person, the ownership of any lot now or hereafter subjected to this Declaration shall include automatically the right to such use of the roads and streets within LAKE ARROWHEAD as shall be reasonably necessary for ingress and egress to and from any such lot and to and from the Common Properties. Declarant reserves the right to promulgate rules and regulations regarding the use of such roads and streets.

Section 3. Utilities. There is hereby reserved to Declarant without further assent or permit, the right, title and privilege of a perpetual, alienable and assignable easement to construct, install, maintain and repair public and private, above or below ground level utilities, including but not limited to water, sanitary and storm sewers, telephones, telegraph and electricity, with the right of entry for

purposes of inspection and repair, over, through, upon, across and under each and every lot now or hereafter subject to this Declaration. With respect to distribution lines and facilities, this easement shall run an even width of ten (10) feet along all front, rear and side lines of all such lots. Further, this easement shall be a general easement with respect to service lines and facilities so as to permit the location of such service lines and facilities where necessary to serve improvements on any such lot. By acceptance of a deed or other conveyance to any such lot in respect to which this easement is reserved, the Property Owner, for himself, his heirs, legal representatives, successors-in-title and assigns, shall be deemed to have waived any and all claims for damages, if any, by virtue of the construction, installation, maintenance and repair thereof, or on account of temporary or other inconvenience caused thereby. The exercise of this easement for the construction and installation of any given utility shall not bar the further exercise of this easement for the construction and installation of other utilities.

ARTICLE IX

OTHER PROPERTY

Section 1. Supplementary Declarations. Without further assent or permit, Declarant, for itself, its successors and assigns, hereby reserves the right, exercisable from time to time, to extend the scheme of this Declaration to other real property developed as a part of LAKE ARROWHEAD by filing for record a supplemental declaration in respect to the property to be then subjected to this Declaration.

Section 2. Other Declarations. Without further assent or permit, Declarant, for itself, its successors and assigns, hereby reserves the right, exercisable from time to time, to subject the other real property developed as part of LAKE ARROWHEAD to other declarations of covenants and restrictions, which other declarations may provide for supplemental declarations thereto.

Section 3. Provisions of Supplemental and Other Declarations. Any such other declaration (including any supplemental declaration thereto) may contain such modifications of the covenants and restrictions set forth in this Declaration and such additional provisions as may be necessary to reflect the different character, if any, of the property subjected thereto; provided further, unless effected by amendment in the manner provided in Section 2 of Article X hereof, any such instrument shall not revoke, modify or add to the covenants and restrictions hereby made applicable to the property described in Section 1 of Article II hereof.

ARTICLE X

GENERAL PROVISIONS

Section 1. Duration. The covenants and restrictions of this Declaration shall run with and bind the land. They shall inure to the benefit of and be enforceable by the Declarant, the Association, or the Property Owner of any lot now or hereafter subject to this Declaration, or their respective heirs, legal representatives and assigns. These covenants and restrictions shall be and remain in effect until March 31, 2003, at which time they shall be automatically renewed and extended, if permitted by law, for an additional ten (10) years unless proper notice of intention to terminate this Declaration be filed as provided in this Section. These covenants and restrictions shall thereafter be automatically renewed and extended, if permitted by law, for successive periods of ten (10) years unless proper notice of intention to terminate this Declaration be filed as provided in this Section. Notice of intention to terminate this Declaration may be filed only by the Declarant, if it is the owner of any lot then subject to this Declaration, and/or by the then owner(s) of the Common Properties within LAKE ARROWHEAD. To be effective, notice of intention to terminate this Declaration must be filed for record at least one (1) day prior to the then effective expiration date hereof. At the expiration of any term during which a proper notice of intention to terminate this Declaration is filed, this Declaration

shall thereafter have no further force and effect. Every purchaser or grantee of any interest in any property now or hereafter made subject to this Declaration, by acceptance of a deed or other conveyance therefor, thereby agrees that the covenants and restrictions of this Declaration may be extended as provided in this Section.

Section 2. Amendment. The covenants and restrictions of this Declaration may be amended at any time and from time to time by Declarant without the consent of the Property Owners whose lots are then subject thereto and without the consent of the owner of any portion of the Common Properties (if other than Declarant) if such amendment does not adversely affect the rights of such Property Owners or any such owner of any portion of the Common Properties. The covenants and restrictions of this Declaration may be amended at any time and from time to time by an agreement signed by at least fifty-one (51 %) percent of the Property Owners whose lots are then subject hereto; provided, however, such amendment by the Property Owners shall not be effective unless also signed by Declarant if Declarant is the owner of any lots then subject thereto; provided, further, such amendment by the Property Owners shall not be effective unless also signed by the owner of any portion of the Common Properties if such amendment adversely affects the rights of any such owner of any portion of the Common Properties. Any such amendment shall not become effective until the instrument evidencing such change has been filed for record in the Office of the Clerk of Superior Court of Cherokee County, Georgia. Every purchaser or grantee of any interest in any property now or hereafter made subject to this Declaration, by acceptance of a deed or other conveyance therefor, thereby agrees that the covenants and restrictions of this Declaration may be amended as provided in this section.

Section 3. Enforcement. Enforcement of the covenants and restrictions contained herein and of any other provision hereof shall be by any appropriate proceeding at law or in equity against any

person or persons violating or attempting to violate said covenants, restrictions or other provisions, either to restrain violation, to enforce personal liability, or to recover damages, or by any appropriate proceeding at law or in equity against the land to enforce any charge or lien arising by virtue thereof. Appropriate enforcement proceedings may be instituted by Declarant, the Association, or any individual Property Owner whose lot is then subject hereto. Any failure by Declarant, the Association, or any Property Owner whose lot is then subject hereto to enforce any of said covenants and restrictions or other provisions shall in no event be deemed a waiver of the right to do so thereafter.

Section 4. Assignability of Powers and Disposition of Common Properties. As hereinabove provided, Declarant is the exclusive owner of all the Common Properties, including the facilities thereon, in LAKE ARROWHEAD, and Declarant has assigned to Lake Arrowhead Yacht & Country Club, Inc. the complete and sole control and authority to manage and operate the Common Properties, as well as collect assessments. Also, as hereinabove provided, Declarant has reserved unto itself certain other rights, powers and authority. Notwithstanding such foregoing provisions of this Declaration, Declarant hereby further reserves the right (i) to assign to Lake Arrowhead Yacht & Country Club, Inc. all or any portion of the rights, powers and authority hereinabove reserved unto Declarant, (ii) to revoke, in whole or in part, any of such rights, powers and authority (including the right to collect assessments) hereinabove or hereinafter assigned by Declarant to Lake Arrowhead Yacht & Country Club, Inc., (iii) to assign and revoke in whole or in part from time to time any of such rights, powers and authority (including the right to collect assessments) to any other person or persons who shall manage and operate all or any portion of the Common Properties under the name and style of Lake Arrowhead Yacht & Country Club, Inc., or otherwise, and (iv) to assign in whole

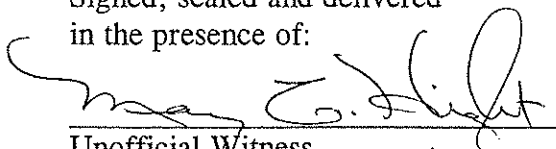
or in part any of such rights, powers and authority (including the right to collect assessments) to the Association. Further, Declarant reserves the right to dedicate to Cherokee County, Georgia, or other appropriate governmental authority, all or any portion of the private roads and streets and utility systems in LAKE ARROWHEAD. Further, subject to the provisions of Section 3 and 4 of Article III hereof, Declarant reserves the right to give to the Association all or any portion of the Common Properties. Further, subject to the provisions of Section 3 and 4 of Article III hereof, Declarant reserves the right to sell or lease all or any portion of the Common Properties to any person or persons, provided, however, in the event of a sale, if such person or persons shall be other than the Association, Declarant shall, before consummating any such sale, give the Association a written first refusal option to purchase the same at a price equal to the price which the Declarant shall have been offered by the prospective purchaser to whom Declarant desires to sell. The terms of the offer to purchase to the Association shall be the same as those contained in the offer of the prospective purchaser. The Association, within thirty (30) days after receiving notice thereof, shall give Declarant written notice of its desire to purchase in accordance therewith. If for any reason the Association fails to so notify Declarant of its desire to purchase in accordance therewith, or notifies Declarant that it desires to forego such option, then Declarant shall be free in all respects to execute and carry out the proposed sale.

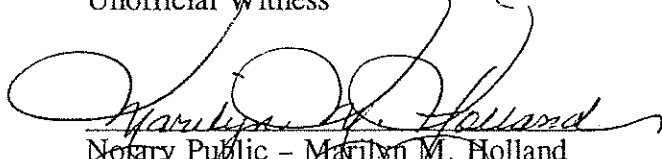
Section 5. Severability. Whenever possible, each provision of this Declaration shall be interpreted in such manner as to be effective and valid, but if any provision of this Declaration or the application thereof to any person or to any property shall be prohibited or held invalid, such prohibition or invalidity shall not affect any other provision or the application of any provision which can be given effect without the invalid provision or application, and to this end the provisions of this Declaration are declared to be severable.

Section 6. Captions. The captions of each Section hereof as to the contents of each Section are inserted only for convenience and are in no way to be construed as defining, limiting, extending or otherwise modifying or adding to the particular Sections to which they refer.

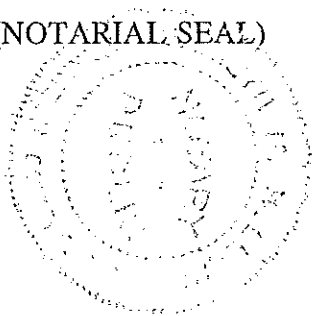
IN WITNESS WHEREOF, Purcell Co., Inc., the Declarant aforesaid and owner of all the Common Properties within Lake Arrowhead, acting by and through its duly authorized officers, has executed this instrument under seal as of the day and year first above written.

Signed, sealed and delivered
in the presence of:


Unofficial Witness

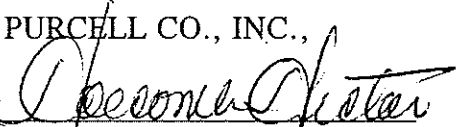

Notary Public - Marilyn M. Holland
My Commission Expires: 05/28/2000

(NOTARIAL SEAL)



PURCELL CO., INC.,

By:


HOLCOMB HECTOR
Vice President

ATTEST:


CARL H. JOFFE
Secretary

(CORPORATE SEAL)

