

EXHIBIT "D"

By-Laws of Lake Arrowhead Phase II Property Owners Association, Inc.

BY-LAWS
OF
LAKE ARROWHEAD PHASE II PROPERTY OWNERS ASSOCIATION, INC.

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BY-LAWS
OF
LAKE ARROWHEAD PHASE II PROPERTY OWNERS ASSOCIATION, INC.

Article 1

Name, Principal Office, and Definitions

1.1. Name.

The name of the corporation is Lake Arrowhead Phase II Property Owners Association, Inc. (the "Association").

1.2. Principal Office.

The Association's principal office shall be located in Cherokee County, Georgia. The Association may have such other offices as the Board may determine or as the Association's affairs require.

1.3. Definitions.

The words used in these By-Laws shall be given their normal, commonly understood definitions. Capitalized terms shall have the meaning ascribed to them in the Declaration of Covenants, Conditions and Restrictions for Lake Arrowhead Phase II recorded by Lake Arrowhead Communities, LLC a Georgia limited liability company, in the public records of Cherokee County, Georgia, as it may be amended (the "Declaration"). The term "majority," as used in these By-Laws, means those votes, Owners, or other group, as the context may indicate, totaling more than 50% of the total eligible number.

Article 2

Membership: Meetings, Quorum, Voting, Proxies

2.1. Membership.

The Association shall have two classes of membership, Owner Membership and Declarant (collectively the "Members"), as more fully set forth in the Declaration. Provisions of the Declaration pertaining to membership are incorporated by this reference.

2.2. Place of Meetings.

The Association shall hold meetings at the Association's principal office or at such other suitable place the Board may designate.

2.3. Association Meetings.

(a) *General.* Association meetings shall be of the Neighborhood Representatives unless the Board otherwise specifies or Georgia law otherwise requires; provided, until Neighborhood Representatives are selected, meetings shall be of the Members and references in these By-Laws to Neighborhood Representatives shall be deemed to be references to the

Members. The first Association meeting, whether a regular or special meeting, shall be held within one year after the Association's incorporation.

(b) *Annual Meetings.* The Board shall schedule regular annual meetings to occur within 90 days before or after the close of the Association's fiscal year, on such date and at such time and place as the Board shall determine.

(c) *Special Meetings.* The President may call special meetings. In addition, the President or the Secretary shall call a special meeting if so directed by Board resolution or upon a written petition of Neighborhood Representatives representing at least 10% of the total votes in the Association.

2.4. Notice of Meetings.

The President, the Secretary, or the officers or other persons calling a meeting of the Neighborhood Representatives shall deliver or cause to be delivered to each Neighborhood Representative entitled to vote at such meeting a written notice stating the place, day, and hour of the meeting. In the case of a special meeting or when otherwise required by statute, the Declaration, or these By-Laws, the purpose or purposes for which the meeting is called shall also be stated in the notice. No business shall be transacted at a special meeting except as stated in the notice. Such notice shall be delivered by such means as permitted under Section 10.5, at least 10 but not more than 60 days before the date of such meeting.

2.5. Waiver of Notice.

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

2.6. Adjournment of Meetings.

If any Association meeting cannot be held because a quorum is not present, the Neighborhood Representatives representing a majority of the votes present at such meeting may adjourn the meeting to a time at least five but not more than 30 days from the scheduled date of the original meeting. At the reconvened meeting, if a quorum is present, any business may be transacted which might have been transacted at the meeting originally called. If those in attendance at the original meeting do not fix a time and place for reconvening the meeting, or if for any reason a new date is fixed for reconvening the meeting after adjournment, the Board shall provide notice to the Neighborhood Representatives of the time and place for reconvening the meeting in the manner prescribed for regular meetings. Neighborhood Representatives present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the departure of enough Neighborhood Representatives to leave less than a quorum, provided at least a majority of the votes required to constitute a quorum must approve any action taken.

2.7. Voting.

(a) *Voting Rights.* Members shall have such voting rights as are set forth in the Declaration, which provisions are specifically incorporated by this reference. Until such time as the Board first calls for election of a Neighborhood Representative for any Neighborhood, the Owners within such Neighborhood shall be entitled personally to cast the votes attributable to their respective Lots on any issue as to which a Neighborhood Representative representing the neighborhood would be entitled to vote, and the term "Neighborhood Representative" shall include all such Owners.

(b) *Appointment of, Election of and Removal of Neighborhood Representatives.* Declarant shall appoint the initial Neighborhood Representatives to cast all votes attributable to their Lots on all Association matters requiring a membership vote, except as otherwise specified in the Declaration or these By-Laws. In addition, the Declarant shall appoint an alternate Neighborhood Representative who shall be responsible for casting such votes in the absence of the Neighborhood Representative. Such appointments shall take place no later than at such time as 25% of the Lots anticipated for the Community under the Master Plan have been conveyed to Members other than Builders; provided, a Neighborhood Representative need not be appointed for any particular Neighborhood prior to the time that 25% of the Lots anticipated for such Neighborhood under the Master Plan have been conveyed to Members other than Builders. After Declarant's initial appointment for a Neighborhood, the Board shall call for an election of a Neighborhood Representative and an alternate from such Neighborhood on an annual basis, either by written ballots cast by mail, computer, or at a meeting of the Members within the Neighborhood, as the Board determines. Candidates for election as Neighborhood Representatives may be nominated by the Board, a nominating committee which the Board may appoint, or from the floor at any meeting at which such election is to be held.

The presence, in person or by proxy, or the filing of ballots by Members other than Builders representing at least 25% of the total votes attributable to Lots in the Neighborhood shall constitute a quorum at any Neighborhood meeting or election. In the event of a failure to obtain a quorum or vacancy in such positions for any Neighborhood, the Board may appoint a Neighborhood Representative or alternate Neighborhood Representative to represent the Neighborhood until a successor is elected.

For any Neighborhood election, each Member, other than Builders, shall have one equal vote for each Lot he or she owns in the Neighborhood. The candidate who receives the greatest number of votes shall be elected as the Neighborhood Representative and the candidate receiving the next greatest number of votes shall be elected as the alternate Neighborhood Representative. The Neighborhood Representative and the alternate Neighborhood Representative shall serve until their successors are elected. In the event of a tie vote among the leading candidates, the Neighborhood Representative shall be determined by drawing names from a hat, with the first person drawn being the Neighborhood Representative and the second being the alternate Neighborhood Representative. The Neighborhood Representative and the alternate Neighborhood Representative shall serve a term of one year or until their successors are elected, whichever is longer.

(c) *Removal of Neighborhood Representatives.* Neighborhood Representative may be removed, with or without cause, upon the written petition of Owners representing a majority of the total number of Lots in the Neighborhood that the Neighborhood Representatives represent.

2.8. Proxies.

Neighborhood Representatives may not vote by proxy but only in person or through their designated alternates; however, any Neighborhood Representative who is entitled to cast only the vote(s) for his own Lot(s) pursuant to the Declaration may cast such vote(s) in person or by proxy until such time as the Board first calls for election of a Neighborhood Representative to represent the Neighborhood of which the Lot is a part. Likewise, if a Member is entitled personally to cast the vote for his Lot on any matter, he or she may vote in person or by proxy, subject to the limitations of Georgia law and subject to any specific provision to the contrary in the Declaration or these By-Laws.

Every proxy shall be in writing, shall identify the Lot for which it is given, shall be signed by the Member or the Member's duly authorized attorney-in-fact, and shall be dated and filed with the Association's Secretary prior to the meeting for which it is to be effective. Unless the proxy specifically provided otherwise, a proxy shall be presumed to cover all votes which the Member giving such proxy is entitled to cast, and in the event of any conflict between two or more proxies purporting to cover the same voting rights, the later dated proxy shall prevail, or if dated as of the same date, both shall be deemed invalid.

A proxy is effective only for the specific meeting for which it was originally given, as such meeting lawfully may be adjourned and reconvened, and automatically expires 90 days after the date of the meeting for which it was originally given. Every proxy is revocable at any time at the pleasure of the Member who executes the proxy.

2.9. Quorum.

Except as these By-Laws or the Declaration otherwise provide, the presence of Neighborhood Representatives representing 30% of the total votes in the Association shall constitute a quorum at all Association meetings and the vote of Neighborhood Representatives representing a majority of the total eligible votes cast shall constitute the action of the Neighborhood Representatives.

2.10. Conduct of Meetings.

The President or a Board-approved designee shall preside over all Association meetings. The Secretary shall ensure that minutes of the meetings are kept and that all resolutions adopted and all other transactions occurring at such meetings are kept with the Association's books.

2.11. Action Without a Meeting.

Any action required by the Declaration, the Articles, or Georgia law to be taken at a meeting of the Members or Neighborhood Representatives may be taken without a meeting, without prior notice, and without a vote if approved by Members or Neighborhood Representatives representing at least the minimum number of votes in the Association necessary to authorize such action at a meeting, if all Members or Neighborhood Representatives entitled to vote were present and voted. Such approval shall be evidenced by one or more written consents specifically authorizing the proposed action, dated and signed by Members or Neighborhood Representatives holding the requisite votes. The Association need not give prior notice before soliciting such consent; however, the Association must send written consent forms to all Members or Neighborhood Representatives for action authorized

pursuant to this section to be valid. Members or Neighborhood Representatives shall sign, date, and deliver such consents to the Association within 60 days after the Association's receipt of the earliest dated consent. The Association's Secretary shall file (or cause to be filed) such consents with the Association's minutes and the consents shall have the same force and effect as a vote of the Members or Neighborhood Representatives at a meeting.

Article 3

Board of Directors: Selection, Meetings, Powers

A. Composition and Selection.

3.1. Governing Body; Qualifications.

The Board shall govern the Association's affairs. Each director shall have one vote. Except with respect to directors appointed by the Declarant, directors shall be Owners or residents. However, no Owner and resident representing the same Lot may serve on the Board at the same time. A "resident" shall be any natural person 18 years of age or older whose principal residence is a Lot within Lake Arrowhead Phase II.

If an Owner is not an individual, any officer, director, partner, or any trust officer of such Owner shall be eligible to serve as a director unless a written notice to the Association signed by the Owner specifies otherwise. However, no Owner may have more than one such representative on the Board at a time except in the case of directors the Declarant appoints.

3.2. Number of Directors.

The Board shall consist of three to seven directors, as provided in Section 3.3.

3.3. Selection of Directors; Term of Office.

(a) *Initial Board.* The initial Board shall consist of the three directors identified in the Articles of Incorporation, who shall serve until their successors are appointed or elected as provided in this Section.

(b) *Directors During Declarant Control Period.* Except as otherwise provided in this subsection, the Declarant may appoint, remove, and replace Board members until termination of the Declarant Control Period. During such period, the Neighborhood Representatives shall be entitled to elect a minority of the total number of directors according to the following schedule (directors elected by the Neighborhood Representatives are referred to as "Owner Directors"):

(i) Within 60 days after the time that Owners other than Builders own 50% of the maximum number of Lots permitted by the applicable zoning for the property described in the Master Plan or whenever the Declarant earlier determines, the President shall call for an election by which the Neighborhood Representatives, as a group, shall be entitled to elect one of the three directors, who shall be elected at large (i.e., without regard to Neighborhoods). The remaining directors shall be appointees of the Declarant. The Owner Director shall be elected for a term of two years or until the happening of the event described in subsection (b)(ii) below, whichever is shorter. If such director's term expires prior to the happening of the event described in subsection (b)(ii), a successor shall be elected for a like term.

(ii) Within 60 days after the time that Owners other than Builders own 75% of the maximum number of Lots permitted by the applicable zoning for the property described in the Master Plan or whenever the Declarant earlier determines, the Board shall be increased to five directors and the President shall call for an election by which the Neighborhood Representatives, as a group, shall be entitled to elect two of the five directors, who shall be elected at large. The Declarant shall appoint the remaining three directors. The Owner Directors shall be elected for a term of two years or until the happening of the event described in subsection (c) (i) below, whichever is shorter. If such directors' terms expire prior to the happening of the event described in subsection (c) (i) below, successors shall be elected for a like term.

(c) *Directors After the Declarant Control Period.*

(i) Not later than termination of the Declarant Control Period, the Board shall be increased to seven directors. The President shall call for an election by which the Neighborhood Representatives shall be entitled to elect six directors, with an equal number of directors elected by the Neighborhood Representatives representing each Neighborhood and any remaining directorships filled at large by the votes of all Neighborhood Representatives. Three directors shall be elected to serve until the second annual meeting following their election and three directors shall be elected to serve until the third annual meeting following their election, as such directors determine among themselves.

(ii) The Declarant shall be entitled to appoint, remove, and replace the seventh director until such time as the Declarant no longer owns a Lot within Lake Arrowhead Phase II, at which time the director appointed by the Declarant shall resign. The remaining directors shall be entitled to appoint a successor to fill the vacancy until the next annual meeting, at which time the Neighborhood Representatives, voting at large, shall be entitled to elect a successor who shall be elected for a term of two years.

(iii) Upon expiration of the term of office of each Owner Director, the Neighborhood Representatives entitled to elect such director shall be entitled to elect a successor to serve a term of two years. Owner Directors shall hold office until their respective successors have been elected. Directors may serve any number of consecutive terms.

3.4. Nomination and Election Procedures.

(a) *Nomination of Candidates.* At least 30 days prior to any election of directors by the Neighborhood Representatives, the Board shall appoint a Nominating Committee consisting of a chairman, who shall be a Board member, and three or more Owners or representatives of Owners. The Nominating Committee shall serve a term of one year or until its successors are appointed. The names of the Nominating Committee members shall be announced in the notice of each election.

In preparation for each election, the Nominating Committee shall meet and make as many nominations for election to the Board as it shall in its discretion determine, but in no event less than the number of positions to be filled by the Neighborhood Representatives at such election. The Nominating Committee shall nominate separate slates for the directors, if any, to be elected at large by all Neighborhood Representatives, and for the director(s) to be elected by the Neighborhood Representatives within each Neighborhood. In making its nominations, the Nominating Committee shall use reasonable efforts to nominate candidates

representing the diversity that exists within the pool of potential candidates. Nominations shall also be permitted from the floor at the meeting at which any election is held. All candidates shall have a reasonable opportunity to communicate their qualifications to the Neighborhood Representatives and to solicit votes.

(b) *Election Procedures.* At each election, voting shall be by written ballot. Each Neighborhood Representative may cast all votes assigned to the Lots it represents for each position to be filled from any slate of candidates on which such Neighborhood Representative is entitled to vote. In the event of a tie vote on any slate, the Neighborhood Representatives entitled to vote on such slate shall be informed of the tie vote and given the opportunity to discuss the candidates among themselves in an effort to resolve the tie before another vote is taken. If the second vote again results in a tie, then the Board shall call for election of the director(s) from such slate by the Owners represented by such Neighborhood Representatives. Such election shall be held by mail, with ballots to be sent by first class mail to each Owner entitled to vote on such slate within 10 days after the meeting at which the original election was held.

3.5. Removal of Directors and Vacancies.

Any Owner Director may be removed, with or without cause, by the vote of Neighborhood Representatives holding a majority of the votes entitled to be cast for the election of such director. Any director whose removal is sought shall be given notice prior to any meeting called for that purpose. Upon removal of a director by the Neighborhood Representatives, the Neighborhood Representatives entitled to elect the removed director shall elect a successor for the remainder of the term of such director.

At any meeting at which a quorum is present, a majority of the directors may remove any Owner Director who has three consecutive unexcused absences from Board meetings, or who is more than 30 days delinquent (or resides in a Lot owned by an Owner who is so delinquent) in the payment of any assessment or other charge due the Association. The Board may appoint a successor to fill the vacancy for the remainder of the term.

In the event of the death, disability, or resignation of an Owner Director, the Board may declare a vacancy and appoint a successor to fill the vacancy until the next annual meeting, at which time the Neighborhood Representatives entitled to fill such directorship shall elect a successor for the remainder of the term. Any director whom the Board appoints shall be selected from among eligible Owners or residents of Lots within the Neighborhood represented by the director who vacated the position.

This Section shall not apply to directors the Declarant appoints. The Declarant may appoint a successor to fill any vacancy on the Board resulting from the death, disability, or resignation of a director appointed by the Declarant.

B. Meetings.

3.6. Organizational Meetings.

The Board shall hold an organizational meeting within 10 days following each annual Association meeting at such time and place as the Board shall fix.

3.7. Regular Meetings.

The Board shall hold regular meetings at such time and place as a majority of the directors shall determine, but the Board shall meet at least four times during each fiscal year with at least one meeting per quarter.

3.8. Special Meetings.

The President, Vice President, or any two directors may call a special meeting of the Board.

3.9. Notice; Waiver of Notice.

(a) Notices of Board meetings shall specify the time and place of the meeting and, in the case of a special meeting, the nature of any special business to be considered. The Board shall notify each director of meetings by: (i) personal delivery; (ii) first class mail, postage prepaid; (iii) telephone communication, either directly to the director or to a person at the director's office or home who would reasonably be expected to communicate such notice promptly to the director; or (iv) facsimile, electronic mail, or other electronic communication device, with confirmation of transmission. All such notices shall be given at or sent to the director's telephone number, fax number, electronic mail address, or sent to the director's address as shown on the Association's records. The Board shall deposit notices sent by first class mail into a United States mailbox at least five business days before the day of the meeting. The Board shall give notices by personal delivery, telephone, or electronic communication at least 72 hours before the time set for the meeting.

(b) The Board shall notify the Members of each Board meeting by either: (i) posting notice of the meeting in a conspicuous place in at least 48 hours in advance of the meeting; (ii) publication of a schedule of the Board meetings in a newspaper, newsletter, on a community intranet or website, or by similar means at least seven days prior to the meeting; or (iii) mailing notice of the meeting to each Member.

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

3.10. Telephonic Participation in Meetings.

Members of the Board or any committee the Board designates may participate in a Board or committee meeting by conference telephone or similar communications equipment through which all persons participating in the meeting can hear each other. Participation in a meeting pursuant to this section shall constitute presence at such meeting.

3.11. Quorum of Board.

At all Board meetings, a majority of the directors shall constitute a quorum for the transaction of business, and the votes of a majority of the directors present at a meeting at which a quorum is present shall constitute the Board's decision, unless Georgia law, these

By-Laws, or the Declaration specifically provide otherwise. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the departure of directors, if at least a majority of the required quorum for that meeting approves any action taken. If the Board cannot hold a meeting because a quorum is not present, a majority of the directors present may adjourn the meeting to a time not less than five nor more than 30 days from the date of the original meeting. At the reconvened meeting, if a quorum is present the Board may transact, without further notice, any business it might have transacted at the original meeting.

3.12. Conduct of Meetings.

The President or any designee the Board approves by resolution shall preside over all Board meetings. The Secretary shall ensure that minutes of the meetings are kept and that all resolutions and all transactions occurring at such meetings are included in the Association's records.

3.13. Open Meetings; Executive Session.

(a) Subject to the provisions of subsection 3.13(b) and Section 3.14, all Board meetings shall be open to all Members, but only directors may participate in any discussion or deliberation unless a director requests that attendees be granted permission to speak. In such case, the President may limit the time any such individual may speak.

(b) Notwithstanding the above, the President may adjourn any Board meeting and reconvene in executive session, and may exclude persons other than directors and such other persons as the Board may specifically invite, to discuss matters of a sensitive nature, such as proposed, pending, or threatened litigation, personnel matters, matters relating to the formation of a contract with third parties or other matters specified by law. The Board also shall meet in executive session if requested by a Member who may be subject to a fine, penalty, or other form of discipline and the Member requesting such executive session shall be entitled to attend. The general nature of any business to be considered in executive session shall first be announced in open session and any matter discussed in executive session shall be generally noted in the minutes of the Board.

3.14. Action Without a Formal Meeting.

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

C. Powers and Duties.

3.15. Powers.

The Board shall have the power to administer the Association's affairs, perform the Association's responsibilities, and exercise the Association's rights as set forth in the Governing Documents and as provided by law. The Board may do or cause to be done on the Association's behalf all acts and things except those which the Governing Documents or Georgia law require to be done and exercised exclusively by the Neighborhood Representatives or the membership generally.

3.16. Duties.

The Board's duties shall include, without limitation:

(a) preparing and adopting, in accordance with the Declaration, an annual budget establishing each Owner's share of the Common Expenses and any Neighborhood Common Expenses;

(b) levying and collecting assessments from the Owners;

(c) providing for the operation, care, upkeep, and maintenance of the Common Area consistent with the Community-Wide Standard;

(d) designating, hiring, and dismissing personnel necessary to carry out the Association's rights and responsibilities and where appropriate, providing for compensation of such personnel and for the purchase of equipment, supplies, and materials to be used by such personnel in the performance of their duties;

(e) opening bank accounts on the Association's behalf and designating the signatories required;

(f) depositing all funds received on the Association's behalf in a bank depository which it shall approve and using such funds to operate the Association; however, in the Board's business judgment any reserve funds may be deposited in depositories other than banks;

(g) making or contracting for the making of repairs, additions, and improvements to or alterations of the Common Area in accordance with the Governing Documents;

(h) enforcing by legal means the provisions of the Governing Documents and bringing any proceedings which may be instituted on behalf of or against the Owners concerning the Association; however, the Association's obligation in this regard shall be conditioned in the manner provided in the Declaration;

(i) obtaining and carrying property and liability insurance and fidelity bonds, as provided in the Declaration, paying the cost thereof, and filing and adjusting claims, as appropriate;

(j) paying the cost of all services rendered to the Association;

(k) keeping a detailed accounting of the Association's receipts and expenditures;

(l) making available to any prospective purchaser of a Lot, any Owner, and the holders, insurers, and guarantors of any Mortgage on any Lot, current copies of the Governing Documents and all other books, records, and financial statements of the Association as provided in Article 10; and

(m) indemnifying a director, officer or committee member, or former director, officer or committee member of the Association to the extent such indemnity is required by Georgia law, the Articles, or these By-Laws.

3.17. Conflicts of Interest.

Unless otherwise approved by a majority of the other directors, no Owner Director may transact business with the Association or any Association contractor during his or her term as director or within two years after the term expires. A director shall promptly disclose in writing to the Board any actual or potential conflict of interest affecting the director relative to his or her performance as a director. A director's failure to make such disclosure shall be grounds for removal by a majority vote of the other Board members. Notwithstanding the above, directors appointed by the Declarant may be employed by or otherwise transact business with the Declarant or its affiliate, and the Declarant may transact business with the Association or its contractors.

Article 4

Transition from Declarant to Owner Control

4.1. Transition Process.

Transition is a process by which control of the Board gradually shifts from the Declarant to the Owners, as described in Section 3.3. The process concludes upon termination of the Declarant Control Period. At that time, the Owners, through their newly-elected Board, will take responsibility for fulfilling the Association's responsibilities and exercising the Association's authority under the Governing Documents without the direct guidance or involvement of the Declarant or Declarant-appointed directors.

4.2. Education and Communication.

In anticipation of termination of the Declarant Control Period, the Declarant shall communicate with the Owners regarding the transition process, the anticipated timeline for transition, what to expect during and after the transition, and opportunities for Owner participation. Such communication shall be in writing and through one or more "town hall" meetings at which Owners have the opportunity to ask and obtain answers to questions in order to gain a better understanding of the transition process.

4.3. Transition Committee.

(a) *Appointment; Purpose.* At least six months prior to termination of the Declarant Control Period, the Declarant shall establish a Transition Committee comprised of five to seven members, all of whom shall be Owners. The purpose of the Transition Committee shall be (i) to involve the Owners in facilitating a smooth transition of control of the Board from directors appointed by the Declarant to directors elected by the Neighborhood Representatives, and (ii) to help prepare the Board and the Owners to assume responsibility for carrying on Association operations once the Declarant and its representatives are no longer directly involved.

(b) *Organizational Meeting.* The Declarant shall call for a meeting of the Transition Committee within 30 days after its appointment. At such meeting, the Declarant shall explain the transition process, advise the Transition Committee of its responsibilities, and facilitate the election of a chairperson from among the members of the Transition Committee. The Transition Committee shall establish a meeting schedule and a schedule for completing necessary tasks prior to the termination of the Declarant Control Period. It may

appoint such subcommittees as it deems appropriate to assist it in performing its responsibilities. Each subcommittee shall be chaired by a member of the Transition Committee and shall consist of at least two Owners.

(c) *Responsibilities.* The Transition Committee, with the assistance of such subcommittees as it may appoint pursuant to subsection (b), shall conduct a review and analysis of Association properties, facilities, records, and operations to familiarize itself with the history and status of such matters and make recommendations as to matters requiring future action. It shall prepare a report setting forth its findings and recommendations for distribution to the Owners and presentation to the newly-elected Board upon termination of the Declarant Control Period. The Board will use such report to assist in understanding the scope of its responsibilities and as a planning tool. Specific areas to be addressed in the report shall include:

(i) the condition of Association property and facilities, identifying any immediate maintenance, repairs, or improvements needed and suggesting a proposed schedule for short and long-term maintenance, repairs, and replacements;

(ii) the financial condition of the Association, including the status of any outstanding accounts receivable and actions being taken to collect them, the adequacy of the Association's budgets and sufficiency of reserves, and the status of the Association's tax filings, tax liability, if any, and tax reporting responsibilities;

(iii) the nature and extent of insurance policies which the Association is required to maintain, the adequacy of current coverage and limits, renewal dates for all insurance policies, and the status of any pending insurance claims; and

(iv) the status of Association records and legal matters, identifying all existing contracts, permits, licenses, and warranties, if any, noting their expiration dates and making any recommendations as to their renewal; reporting on the status of title to all Common Areas; reporting on the status of any pending lawsuits; and making recommendations as to any proposed changes or amendments to the Governing Documents that the Transition Committee feels are appropriate or advisable.

(d) *Communication.* The Transition Committee shall report to the Board at least monthly on the status of its work.

(e) *Board Action.* Upon termination of the Declarant Control Period and election of a new Board pursuant to Section 3.3(c), the Board shall review the Transition Committee's report and meet with the Transition Committee to discuss the Committee's findings and recommendations. It shall then use the Transition Committee's report as a planning tool in carrying out its responsibilities under the Governing Documents.

4.4. Professional Assistance.

The Board may, as a Common Expense, retain industry professionals, including association managers, attorneys, engineers, and accountants, as it deems necessary or appropriate to assist the Board in preparing for transition and to assist the Transition Committee in conducting its review.

Article 5

Officers

5.1. Officers.

The Association's officers shall be a President, Vice President, Secretary, and Treasurer. The President and Secretary shall be elected from among the Board members; other officers may, but need not, be Board members. The Board may appoint such other officers, including one or more Assistant Secretaries and Assistant Treasurers, as it shall deem desirable, such officers to have such authority and perform such duties as the Board prescribes. Any two or more offices may be held by the same person, except the offices of President and Secretary.

5.2. Election and Term of Office.

The Board shall elect the Association's officers at the first Board meeting following each annual meeting of the Association, to serve until their successors are elected.

5.3. Removal and Vacancies.

The Board may remove any officer whenever in its judgment the Association's best interests will be served, and may fill any vacancy in any office arising because of death, resignation, removal, or otherwise, for the unexpired portion of the term.

5.4. Powers and Duties.

The Association's officers shall have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as the Board may specifically confer or impose. The President shall be the Association's chief executive officer. The Treasurer shall have primary responsibility for preparing the Association's budgets as provided for in the Declaration, and may delegate all or part of the preparation and notification duties to a finance committee, management agent, or both.

5.5. Resignation.

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

Article 6

Committees

In addition to the Transition Committee appointed pursuant to Article 4, the Board may appoint such other committees as it deems appropriate to perform such tasks and to serve for such periods as the Board may designate by resolution. Each committee shall operate in accordance with the terms of such resolution. In the conduct of its duties and responsibilities, each committee shall abide by the notice and quorum requirements applicable to the Board under Sections 3.9, 3.10, and 3.11. Except as otherwise provided by

Board resolution or the Governing Documents, members of a committee may act by unanimous written consent in lieu of a meeting.

Article 7

Standards of Conduct; Liability and Indemnification

7.1. Standards for Directors and Officers.

The Board shall exercise its powers in a reasonable, fair, nondiscriminatory manner and shall adhere to the procedures established in the Governing Documents. In performing their duties, directors and officers shall act as fiduciaries and shall be insulated from liability as provided for directors of corporations under Georgia law and as otherwise provided by the Governing Documents. Directors and officers shall discharge their duties as directors or officers, and as members of any committee to which they are appointed, in a manner that the director or officer believes in good faith to be in the best interest of the corporation and with the care that an ordinarily prudent person in a like position would exercise under similar circumstances. A director is entitled to rely on information, opinions, reports, or statements, including financial statements and other financial data, prepared or presented by others to the extent authorized under Georgia law.

7.2. Liability.

(a) A director or officer shall not be personally liable to the Association, any Member, or any other Person for any action taken or not taken as a director or officer if he or she has acted in accordance with Section 7.1.

(b) Pursuant to the business judgment rule, a director also shall not be personally liable for any action taken or not taken as a director if the director:

(i) acts within the expressed or implied scope of the Governing Documents and his or her actions are not ultra vires;

(ii) affirmatively undertakes to make decisions which the director reasonably believes are necessary for the Association's continued and successful operation and, when decisions are made, makes them on an informed basis;

(iii) acts on a disinterested basis, promptly disclosing any real or potential conflict of interests (pecuniary or other), and avoiding participation in decisions and actions on matters as to which he has a conflict of interest (beyond that which all directors have by virtue of their ownership or occupancy of a Lot); and

(iv) acts in a non-fraudulent manner and without reckless indifference to the Association's affairs.

(c) The Association's officers, directors, and committee members shall not be liable for any mistake of judgment, negligent or otherwise, except for their own individual willful misfeasance, malfeasance, misconduct, or bad faith. The officers and directors shall have no personal liability with respect to any contract or other commitment made or action taken in good faith on the Association's behalf (except to the extent that such officers or directors may also be Members).

7.3. Indemnification.

Subject to the limitations of Georgia law, the Association shall indemnify every officer, director, and committee member against all damages and expenses, including counsel fees and expenses, reasonably incurred in connection with any action, suit, or other proceeding (including settlement of any suit or proceeding, if approved by the then Board) to which he or she may be a party by reason of being or having been an officer, director, or committee member, except that the Association shall have no obligation to indemnify any individual against liability or expenses incurred in connection with a proceeding:

(a) brought by or in the right of the Association, although it may reimburse the individual for reasonable expenses incurred in connection with the proceeding if it is determined, by the court or in the manner provided above, that the individual met the relevant standard of conduct under Georgia law; or

(b) to the extent that the individual is adjudged liable for conduct that constitutes:

(i) appropriation, in violation of his or her duties, of any business opportunity of the Association; or

(ii) intentional misconduct or knowing violation of the law; or

(iii) an unlawful distribution to members, directors or officers; or

(iv) receipt of an improper personal benefit.

This right to indemnification shall not be exclusive of any other rights to which any present or former officer, director, or committee member may be entitled. The Association shall, as a Common Expense, maintain adequate general liability and officers' and directors' liability insurance to fund this obligation, if such insurance is reasonably available.

7.4. Advancement of Expenses.

In accordance with the procedures and subject to the conditions and limitations set forth in Georgia law, the Board may authorize the Association to advance funds to pay for or reimburse the reasonable expenses incurred by a present or former officer, director or committee member in any proceeding to which he or she may be a party by reason of being or having been an officer, director, or committee member of the Association.

7.5. Board and Officer Training.

The Board may conduct or provide for seminars and continuing educational opportunities designed to educate and inform its officers and directors of their responsibilities as officers and directors. Such programs may include instruction on applicable Georgia corporate and fiduciary law principles, other issues relating to administering community affairs, and upholding and enforcing the Governing Documents. The Board may retain industry professionals, which may include property managers, attorneys, and accountants, as appropriate or necessary for such purpose. Each newly elected officer and director shall be encouraged to complete a training seminar within the first six months of assuming such position. The seminar may be live, video or audiotape, or in other format. The cost of such seminar shall be a Common Expense.

The Board also may provide, or provide for, Owner and resident education designed to foster a better understanding of Lake Arrowhead Phase II's governance and operations, and leadership training classes designed to educate Neighborhood Representatives and Owners of the nomination, election, and voting processes and the duties and responsibilities of directors and officers.

Article 8

Management and Accounting

8.1. Compensation of Directors and Officers.

The Association shall not compensate directors and officers for acting as such unless Neighborhood Representatives representing a majority of the total votes in the Association approve such compensation at an Association meeting. The Association may reimburse any director or officer for expenses he or she incurs on the Association's behalf upon approval of a majority of the other directors. Nothing herein shall prohibit the Association from compensating a director or officer, or any entity with which a director or officer is affiliated, for services or supplies he or she furnishes to the Association in a capacity other than as a director or officer pursuant to a contract or agreement with the Association. However, such director must make known his or her interest to the Board prior to entering into such contract, and a majority of the Board, excluding any interested director, must approve such contract.

8.2. Right of Declarant to Disapprove Actions.

So long as the Declarant owns a Lot within Lake Arrowhead Phase II, the Declarant shall have a right to disapprove any action, policy, or program of the Association, the Board and any committee which, in the Declarant's sole judgment, would tend to impair rights of the Declarant or Builders under the Declaration or these By-Laws, interfere with development or construction of any portion of Lake Arrowhead Phase II, or diminish the level of services the Association provides. The Board shall not implement any action, policy, or program subject to the right of disapproval set forth herein until and unless the requirements of this Section have been met.

(a) Notice. The Association shall give the Declarant written notice of all meetings of the membership, the Board, and committees and any actions which any of them propose to take by written consent in lieu of a meeting. The Association shall give such notice by certified mail, return receipt requested, or by personal delivery at the address the Declarant has registered with the Association. Such notice shall comply as to Board meetings with Section 3.9, and shall, except in the case of regular Board meetings pursuant to these By-Laws, set forth with reasonable particularity the agenda to be followed at such meeting.

(b) Opportunity to be Heard. At any such meeting, the Association shall give the Declarant the opportunity to join in or to have its representatives or agents join in discussion from the floor of any prospective action, policy, or program which would be subject to the right of disapproval set forth herein. The Declarant, its representatives, or its agents shall make its concerns, thoughts, and suggestions known to the Board and/or the members of the subject committee. The Declarant, acting through any officer or director, agent, or authorized representative, may exercise its right to disapprove at any time within 10 days following the meeting at which such action was proposed or, in the case of any action taken by written

consent in lieu of a meeting, at any time within 10 days following receipt of written notice of the proposed action.

The Declarant may use this right to disapprove to block proposed actions but shall not use it to require any action or counteraction of any committee, the Board, or the Association. The Declarant shall not use its right to disapprove to reduce the level of services the Association is obligated to provide or to prevent capital repairs or any expenditure required to comply with applicable laws and regulations.

8.3. Managing Agent.

The Board may employ for the Association professional management agents at such compensation as the Board may establish, to perform such duties and services as the Board shall authorize. The Board may delegate such powers as are necessary to perform the manager's assigned duties but shall not delegate policy-making authority or ultimate responsibility for those duties set forth in Section 3.16. The Board may employ the Declarant or its affiliate as managing agent or manager. The Board may delegate to one of its members the authority to act on its behalf on all matters relating to the duties of the managing agent or manager which might arise between Board meetings. The Association shall not be bound, either directly or indirectly, by any management contract executed during the Declarant Control Period unless such contract contains a right of termination which may be exercised by the Association, with or without cause and without penalty, at any time after termination of the Declarant Control Period upon not more than 90 days' written notice.

The managing agent shall not accept remuneration from vendors, independent contractors, or others providing goods or services to the Association, whether in the form of commissions, finder's fees, service fees, prizes, gifts, or otherwise; any thing of value received shall benefit the Association. The managing agent shall promptly disclose to the Board any financial or other interest that it may have in any firm providing goods or services to the Association.

8.4. Accounts and Reports.

(a) The Board shall follow the following accounting standards unless the Board by resolution specifically determines otherwise:

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

(ii) the Association's cash accounts shall not be commingled with any other accounts, and during the Declarant Control Period, operating accounts shall not be commingled with reserve accounts;

(b) Commencing at the end of the quarter in which the first Lot is sold and closed, financial reports shall be prepared for the Association within 60 days after the end of each quarter:

(i) an income statement reflecting all income and expense activity for the preceding period;

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

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

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

(v) a delinquency report listing all Owners who are delinquent in paying any assessments at the time of the report (any assessment or installment thereof shall be considered to be delinquent on the 15th day following the due date unless the Board specifies otherwise by resolution). A copy of the quarterly financial report shall be made available at no charge to any Member requesting a copy.

(c) An annual report consisting of at least the following shall be made available for Members' review within 180 days after the close of the fiscal year: (i) a balance sheet; (ii) an operating (income) statement; and (iii) a statement of changes in financial position for the fiscal year. Such annual report shall be prepared on an audited, reviewed, or compiled basis, as the Board determines.

8.5. Borrowing.

The Association shall have the power to borrow money for any legal purpose. However, the Board shall obtain Neighborhood Representative approval in the same manner provided in the Declaration for Special Assessments if the proposed borrowing is for the purpose of making discretionary capital improvements and the total amount of such borrowing, together with all other debt incurred within the previous twelve (12) month period, exceeds or would exceed twenty percent (20%) of the Association's budgeted gross expenses for that fiscal year.

8.6. Right to Contract.

The Association shall have the right to contract with any Person for the performance of various duties and functions. This right shall include, without limitation, the right to enter into common management, operational, or other agreements with trusts, condominiums, cooperatives, any Neighborhood Association, and other owners or residents associations, within and outside Lake Arrowhead Phase II.

8.7. Agreements, Contracts, Deeds, Leases, Checks, Etc.

All Association agreements, contracts, deeds, leases, checks, and other instruments shall be executed by at least two officers or by such other person or persons as the Board may designate by resolution.

Article 9

Enforcement Procedures

The Association shall have the power, as provided in the Declaration, to impose sanctions for any violation of the Governing Documents. To the extent specifically required by the Declaration, the Board shall comply with the following procedures prior to imposition of sanctions:

9.1. Notice and Response.

The Board or its delegate shall serve the alleged violator with written notice describing (a) the nature of the alleged violation, (b) the proposed sanction to be imposed, (c) the alleged violator shall have 14 days to present a written request for a hearing before the Covenants Committee if one has been appointed pursuant to Article V; and (d) a statement that the proposed sanction maybe imposed as contained in the notice unless a hearing is requested within 14 days of the notice. The alleged violator shall respond to the notice of the alleged violation in writing within such 14-day period, regardless of whether the alleged violator is challenging the imposition of the proposed sanction. If the alleged violator cures the alleged violation and notifies the Board in writing within such 14-day period the Board may, but shall not be obligated to, waive the sanction. Such waiver shall not constitute a waiver of the right to sanction future violations of the same or other provisions and rules by any Person. If a timely request for a hearing is not made, the sanction stated in the notice shall be imposed; provided the Board or Covenants Committee may, but shall not be obligated to, suspend any proposed sanction if the violation is cured within the 14-day period. Prior to the effectiveness of sanctions imposed pursuant to this Article, proof of proper notice shall be placed in the minutes of the Board or Covenants Committee, as applicable. Such proof shall be deemed adequate if a copy of the notice, together with a statement of the date and manner of delivery, is entered by the officer, director, or agent who delivered such notice. The notice requirement shall be deemed satisfied if the alleged violator or its representative requests and appears at the hearing.

9.2. Hearing.

If a hearing is requested within the allotted 14-day period, the hearing shall be held before the Covenants Committee, or if none has been appointed, then before the Board in executive session, within 30 days after receipt of the alleged violator's request. The Board shall notify the alleged violator at least 10 days prior to the hearing of the time, date, and place of the hearing. The alleged violator shall be afforded a reasonable opportunity to be heard. Prior to the effectiveness of any sanction hereunder, proof of proper notice shall be placed in the minutes of the meeting. Such proof shall be deemed adequate if a copy of the notice, together with a statement of the date and manner of delivery, is entered by the officer, director, or agent who delivered such notice. The notice requirement shall be deemed satisfied if the alleged violator or its representative appears at the meeting. The minutes of the meeting shall contain a written statement of the results of the hearing and the sanction, if any, imposed. Written notice of the decision shall be either personally delivered to the Owner or mailed to the violator within 14 days after the hearing.

9.3. Appeal.

Following a hearing before the Covenants Committee, the violator shall have the right to appeal the decision to the Board. To exercise this right, the violator must deliver a written notice of appeal to the Association's manager, President, or Secretary within 10 days after the hearing date.

Article 10

Miscellaneous

10.1. Fiscal Year.

The Association's fiscal year shall be the calendar year unless the Board establishes a different fiscal year by resolution.

10.2. Parliamentary Rules.

Except as may be modified by Board resolution, Robert's Rules of Order (current edition) shall govern the conduct of Association proceedings when not in conflict with Georgia law or the Governing Documents.

10.3. Conflicts.

If there are conflicts among the provisions of Georgia law, the Articles, the Declaration, and these By-Laws, the provisions of Georgia law, the Declaration, the Articles of Incorporation, and the By-Laws (in that order) shall prevail.

10.4. Books and Records.

(a) *Turnover of Books and Records.* Within 90 days after termination of the Declarant Control Period, the Declarant shall deliver to the Association all property, books and records of the Association.

(b) *Inspection by Members and Mortgagees.* The Board shall make available for inspection and copying by any holder, insurer or guarantor of a first Mortgage on a Lot, any Member, or the duly appointed representative of any of the foregoing at any reasonable time and for a purpose reasonably related to his or her interest in a Lot: the Governing Documents, the membership register, books of account, the minutes of meetings of the Members, the Board, and committees, and any other records as required by Georgia law. The Board shall provide for such inspection to take place within 10 business days after receipt of a written request for access at the Association's office or at such other place within Lake Arrowhead Phase II as the Board shall designate.

(c) *Rules for Inspection.* The Board shall establish rules with respect to:

- (i) the frequency and manner of inspection; and
- (ii) hours and days of the week when such an inspection may be made; and
- (iii) payment of the cost of reproducing documents requested.

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

10.5. Notices.

(a) *Form of Notice and Method of Delivery.* Except as otherwise provided in the Declaration or these By-Laws or by Georgia law, all notices, demands, bills, statements, or other communications under the Declaration or these By-Laws shall be in writing and may be delivered in person, by United States mail, by private carrier, or if the intended recipient has

given its prior written authorization to use such method of delivery, by facsimile or electronic mail with written confirmation of transmission.

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

(i) if to a Member or Neighborhood Representative, at the address, telephone facsimile number, or e-mail address which the Member or Neighborhood Representative has designated in writing and filed with the Secretary or, if no such address has been designated, at the address of the Lot of such Member or Neighborhood Representative;

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

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

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

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

(ii) if delivered personally or by private carrier, when actually delivered to the address of the intended recipient, as evidenced by the signature of the person at such address who accepts such delivery; or

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

10.6. Amendment.

(a) *By Declarant.* Prior to termination of the Declarant Control Period, the Declarant may unilaterally amend these By-Laws. Thereafter, the Declarant may unilaterally amend these By-Laws at any time and from time to time if such amendment is necessary (i) to bring any provision into compliance with any applicable governmental statute, rule or regulation, or judicial determination; (ii) to enable any reputable title insurance company to issue title insurance coverage on the Lots; or (iii) to enable any institutional or governmental lender, purchaser, insurer, or guarantor of mortgage loans, including, for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to make, purchase, insure, or guarantee mortgage loans on the Lots. So long as the Declarant owns a Lot within Lake Arrowhead Phase II, the Declarant may unilaterally amend these By-Laws for any other purpose, provided the amendment has no material adverse effect upon any Member's right, subject to the approval requirements in Chapter 16 of the Declaration, if applicable.

(b) *By Members Generally.* Except as provided above, these By-Laws may be amended only by the affirmative vote or written consent, or any combination thereof, of

Neighborhood Representatives representing 67% of the total votes in the Association, and the consent of the Declarant, if such exists. In addition, the approval requirements set forth in Chapter 16 of the Declaration shall be met, if applicable. Notwithstanding the above, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

(c) *Validity and Effective Date of Amendments.* Amendments to these By-Laws shall become effective upon adoption unless a later effective date is specified therein. Any procedural challenge to an amendment must be made within six months of its adoption, or such amendment shall be presumed to have been validly adopted. In no event shall a change of conditions or circumstances operate to amend any provisions of these By-Laws.

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

CERTIFICATION

I, the undersigned, do hereby certify:

That I am the duly elected and acting Secretary of Lake Arrowhead Phase II Property Owners Association, Inc., a Georgia nonprofit corporation;

That the foregoing By-Laws constitute the original By-Laws of the Association, as duly adopted by resolution of the Board of Directors thereof on the __ day of November, 2007.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said Association this __ day of November 2007.

[SEAL]

Secretary

DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS

FOR

LAKE ARROWHEAD

THIS DECLARATION made this 31st day of MARCH, 1993, by PURCELL CO., INC. (formerly Diamondhead Corporation), hereinafter called "Declarant";

WITNESSETH:

WHEREAS, this Declaration constitutes an extension, renewal and amendment of certain Declarations 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 Declarations of Covenants, Conditions and Restrictions are more particularly described on Exhibit "A" attached hereto and made a part hereof by reference.

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 hereby declares 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

Georgia, Cherokee County
Filed in office this 1 day of April 1993
at 4:00 P.M. Recorded in Book 1429 Page 240
this 2 day of April 1993
Ann M. Reneau
Clerk, Superior Court

1 - Pick-up
Lake Arrowhead
21570

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:

Unit 2: Lake Arrowhead, Unit 2, Phase 1, according to the map or plat thereof, recorded April 3, 1973, in Plat Book 9, Pages 17-30, inclusive, in the records of the Clerk of the Superior Court of Cherokee County, Georgia.

Unit 2: Resubdivision of a Portion of Lake Arrowhead, Unit 2, Phase 1, according to the Map or Plat thereof, recorded September 10, 1973, in Plat Book 9, Pages 63-65, inclusive, in the records of the Clerk of the Superior Court of Cherokee County, Georgia.

Unit 3: Lake Arrowhead, Unit 3, Phase 1, according to the map or plat thereof, recorded January 25, 1973, in Plat Book 9, Pages 1-16, inclusive, in the records of the Clerk of the Superior Court of Cherokee County, Georgia.

Unit 4: Lake Arrowhead, Unit 4, Phase 1, according to the Map or Plat thereof, recorded May 5, 1973, in Plat Book 9, Pages 34-47, inclusive, in the records of the Clerk of the Superior Court of Cherokee County, Georgia.

Unit 5: Lake Arrowhead, Unit 5, Phase 1, according to the Map or Plat thereof, recorded July 27, 1973, in Plat Book 9, Pages 48-60, inclusive, in the records of the Clerk of the Superior Court of Cherokee County, Georgia.

Unit 9: Lake Arrowhead, Unit 9, Phase 1, according to the Map or Plat thereof, recorded September 19, 1973, in Plat Book 9, Pages 68-74, inclusive, in the records of the Clerk of the Superior Court of Cherokee County, Georgia.

Unit 10: Lake Arrowhead, Unit 10, Phase 1, according to the Map or Plat thereof, recorded September 10, 1973, in Plat Book 9, Pages 61-62, inclusive, in the records of the Clerk of the Superior Court of Cherokee County, Georgia.

Unit 20A: Lake Arrowhead, Unit 20A, Phase 1, according to the Map or Plat thereof, recorded June 5, 1978, in Plat Book 9, Pages 137-138, 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 IIICOMMON 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 of \$1,000.00, 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 of \$1,000.00, 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 of \$1,000.00 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. Notwithstanding the foregoing requirement to pay said \$1,000.00 initiation fee, Declarant hereby acknowledges that all present Property Owners have previously paid or had their respective initiation fee waived with respect to their currently owned lot.

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 1993, the annual assessment payable to Lake Arrowhead Yacht & Country Club shall be \$402.00 for each Lot and each Improved Lot now or hereafter made subject to this Declaration. For the calendar year 1994, the annual assessment payable to Lake Arrowhead Yacht &

Country Club shall be \$576.00 for each Lot and \$672.00 for each Improved Lot now or hereafter made subject to this Declaration. 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, 1994, 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 successive 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 VPROPERTY 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 VI

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 Declaration shall be improved, occupied and used for the respective purposes and permitted uses as designated for the respective Units indicated in the Zoning Classifications set forth in Exhibit "B" 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. Except with the express written permission of Declarant first had and obtained, no house or portion thereof, garage, carport, playhouse, outbuilding or other structure

shall be erected closer than ten (10) feet from the side lines of any lot, twenty-five (25) feet from the rear line of any lot, and twenty-five (25) feet from the front line of any lot. For purposes of this provision, the front line of a lot shall be deemed to be the lot line (or lines) which is contiguous to a street or road. Notwithstanding the foregoing, the minimum set-back requirement for lots backing up to water or golf courses shall be thirty (30) feet.

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 above-ground tanks will be permitted for the storage of fuel or water or any other substance, except that such tanks may be placed above-ground

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. Storage tanks for propane or other explosive or otherwise dangerous material must be situated in an approved container at a minimum of twenty-five (25) feet from any new dwelling henceforth constructed on property now or hereafter subject to this Declaration.

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 unkempt 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 stalls of at least eight (8) feet by eighteen (18) feet each for each single family residence constructed on any lot or tract. Said two (2) parking stalls shall be constructed entirely within the building setback area as defined herein, and at least one stall of same shall be sheltered. Enclosures, shelters, screens and other improvements constructed for the purpose of automobile parking and other vehicles shall be attached to and a part of the structure of the house constructed on any lot.

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 is 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 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 IXOTHER 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 XGENERAL PROVISIONS

Section 1. Duration. The covenants and restrictions of this Declaration shall run with and bind the land, shall be and remain in effect, and shall inure to the benefit of and be enforceable by Declarant, the Association or the Property Owner of any lot now or hereafter subject to this Declaration, their respective heirs,

legal representatives, successors and assigns for a period of ten (10) years from the date this Declaration is filed for record in the office of the Clerk of the Superior Court of Cherokee County, Georgia. Said covenants and restrictions may be renewed and extended, in whole or in part, beyond said period for successive periods not to exceed ten (10) years each if an agreement for renewal and extension is signed (a) by Declarant, if it is the owner of any lots then subject thereto, (b) by at least fifty-one (51%) percent of the Property Owners whose lots are then subject thereto, and (c) by the then owner(s) of the Common Properties within LAKE ARROWHEAD. No such agreement of renewal and extension shall be effective unless filed for record at least one (1) day prior to the effective date of such renewal and extension. 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 the 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. Any failure by Declarant, the Association, or any Property Owner 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. By acceptance of this Declaration, Association hereby agrees to accept all or any portion of the Common Properties if and when transferred or conveyed by the Declarant to Association. Declarant and Association hereby acknowledge and agree that any and all prior agreements (whether express, implied or otherwise) by and between Declarant and the Association or Lake Arrowhead Yacht & Country Club, Inc. and the Association are replaced by the terms and conditions of this Declaration and any such prior agreements are hereby made null and void. 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.

Section 7. Right of Termination. (a) Each of the Declarations of Covenants, Conditions and Restrictions described in Exhibit "A" hereto (the "Existing Declarations") will expire by its respective terms within the calendar year 1993 if not previously renewed in accordance with its terms on or prior to the applicable renewal date therefor. Declarant, as the owner of one or more lots in each

Unit of Lake Arrowhead described in said Exhibit "A", and as the owner of the Common Properties, must agree, in addition to the requisite number of Property Owners, to the extension, renewal and amendment of each of the Existing Declarations, as herein provided, in order for the same to be effective. In the event that any one or more of the Existing Declarations is not extended, renewed and amended, as herein provided, in accordance with its terms on or prior to the applicable renewal date therefor in order to prevent the subsequent expiration thereof, Declarant may be unwilling to agree to the extension, renewal and amendment, as herein provided, of any of the Existing Declarations. The applicable renewal date varies from Unit to Unit. Consequently, and in order to afford the Property Owners and the Association as much time as possible to obtain the requisite number of signatures of the Property Owners in each Unit to extend, renew and amend the Existing Declarations as herein provided, Declarant has executed this Declaration expressly subject to and conditioned upon the terms of this paragraph and expressly reserves the right of revocation and termination hereinafter provided. Affixed hereto, as furnished to Declarant, are the signatures of two-thirds (2/3) of the Property Owners in Unit 3 of Lake Arrowhead. Declarant may hereafter, from time to time, refile this Declaration with the signatures of Property Owners for other Units in Lake Arrowhead described herein, or such other documentation accompanying said signatures as Declarant deems appropriate, in order to extend, renew and amend the applicable Existing Declaration(s), provided that the requisite signatures are furnished to Declarant in reasonable time and in proper form to file the same of record prior to the applicable renewal date therefor in order to prevent subsequent expiration of the applicable Existing Declaration(s). If any one of the Existing Declarations is not duly renewed, extended and amended, as herein provided, in accordance with its terms on or prior to the applicable renewal date to prevent the subsequent expiration

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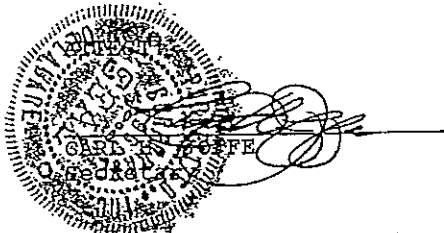
thereof, then Declarant shall have the absolute right, exercisable in its sole discretion, to file in the Office of the Clerk of the Superior Court of Cherokee County, Georgia, on or before December 31, 1993, a revocation of its agreement to the extension, renewal and amendment of all of the Existing Declarations, as herein provided (together with and expressly including any supplemental filings therefor as hereinabove provided) and the termination thereof ("Termination Agreement"), so that from and after the date of filing of the Termination Agreement, the Existing Declarations, as extended, renewed and amended hereby (together with any supplemental filings therefor as hereinabove provided), shall, individually and collectively, be null and void and of no force or effect. Neither the initial filing for record of this Declaration nor any supplemental filings as hereinabove provided shall constitute or be deemed to constitute any waiver, release or impairment of any kind of Declarant's rights to revoke its execution hereof and thereof and to terminate the same on the terms and conditions set forth in this paragraph. If subsequent to the filing for record of this Declaration and on or prior to December 31, 1993, no such Termination Agreement is filed by or on behalf of Declarant, then this Declaration shall remain in full force and effect as to, and only as to, those Units of Lake Arrowhead for which the Existing Declaration was duly renewed, extended and amended hereby (or by any supplemental filings as hereinabove provided) in accordance with the respective terms thereof and on or prior to the applicable renewal date in order to prevent the expiration thereof, except, however, as to any such Unit of Lake Arrowhead in which revocations of Property Owners are duly filed on or before December 1, 1993, as provided in paragraph (b) below, and as a result of such revocations the required agreement of two-thirds (2/3) of the Property Owners in such Unit shall no longer be satisfied.

(b) If by November 1, 1993, any one or more of the Existing Declarations has not been renewed, extended and amended, as herein provided, in accordance with its terms on or prior to the applicable renewal date therefor, each individual Property Owner who had previously agreed to such renewal, extension and amendment of the Existing Declaration applicable to such Property Owner's lot (or the Association at the request and on behalf of such Property Owner) shall have the absolute right to file in the Office of the Clerk of the Superior Court of Cherokee County, Georgia, on or before December 1, 1993, a revocation of said individual Property Owner's agreement to the extension, renewal and amendment, as herein provided, of the Existing Declaration applicable to such Property Owner's lot. Should the agreement of two-thirds (2/3) of affected Property Owners within a particular Unit required to renew, extend and amend the Existing Declaration, as herein provided, with respect to such Unit have previously been obtained on or prior to the applicable renewal date therefor but shall no longer be satisfied as a result of such individual Property Owner revocations as aforesaid, then the Existing Declaration, as renewed, extended and amended hereby, applicable to any such unit without the then requisite agreement of two-thirds (2/3) of affected Property Owners shall be null and void and of no force or effect. Nothing contained in this paragraph (b) shall supercede or otherwise impair in any way Declarant's right to file the Termination Agreement provided for in paragraph (a) of this Section 7 or otherwise entitle any Property Owner to revoke such owner's agreement to such renewal, extension or amendment, if previously given, except as provided in this paragraph (b).

IN WITNESS WHEREOF, Purcell Co., Inc., the Declarant aforesaid, has executed this instrument under seal by and through its duly authorized respective officers as of the day and year first above written.

PURCELL CO., INC., Declarant,
Owner of the Common Properties,
and the Owner of the lots more
particularly described on
Exhibit "C" attached hereto
and made a part hereof.

By: Artis E. James, Jr.
ARTIS E. JAMES, JR.
President



Signed, sealed and delivered
in the presence of:

Unofficial Witness
Unofficial Witness

Notary Public
Notary Public
My Commission Expires
2-3-94
(NOTARIAL SEAL)

AGREED & ACKNOWLEDGED

WITNESS the hand and seal of the undersigned as of this 31st
day of March, 1993.

ATTEST:
Janice K. Hawley
JANICE K. HAWLEY
Secretary

LAKE ARROWHEAD PROPERTY OWNERS
ASSOCIATION, INC.
By: Raymond E. Hobbs
RAYMON E. HOBBS
President

Signed, sealed and delivered
in the presence of:

Robert B. Stambarger
Unofficial Witness

Donna S. Miltonore
Notary Public
My Commission Expires:
NOVEMBER 18, 1995
(NOTARIAL SEAL)

The undersigned do hereby consent to, join in and agree to be
bound by the foregoing Declaration of Covenants, Conditions and
Restrictions for Lake Arrowhead.

WITNESS the hand and seal of the undersigned as of this 31st
day of March, 1993.

Signed, sealed and
delivered in the
presence of:

Robert B. Stambarger
Unofficial Witness

LAKE ARROWHEAD PROPERTY OWNERS
ASSOCIATION, INC., as Attorney-
in-Fact for Each Property Owner in
Unit 3 of Lake Arrowhead Identified
on Exhibit "D" attached hereto and
made a part hereof.

Donna S. Miltonore
Notary Public
My Commission Expires:
NOVEMBER 18, 1995
(NOTARIAL SEAL)

BY: Raymond E. Hobbs
RAYMON E. HOBBS
President

ATTEST: Janice Hawley
JANICE HAWLEY
Secretary



EXHIBIT "A"

1. Declaration of Covenants, Conditions and Restrictions for Lake Arrowhead - Unit 2, Phase 1, recorded in Book 140 at Page 584 of the records of the Clerk of the Superior Court of Cherokee County, Georgia.
2. Declaration of Covenants, Conditions and Restrictions for Lake Arrowhead - Resubdivision of a Portion of Unit 2, Phase 1, recorded in Book 150 at Page 134 of the records of the Clerk of the Superior Court of Cherokee County, Georgia.
3. Declaration of Covenants, Conditions and Restrictions for Lake Arrowhead - Unit 3, Phase 1, recorded in Book 139 at Page 547 of the records of the Clerk of the Superior Court of Cherokee County, Georgia.
4. Declaration of Covenants, Conditions and Restrictions for Lake Arrowhead - Unit 4, Phase 1, recorded in Book 144 at Page 27 of the records of the Clerk of the Superior Court of Cherokee County, Georgia.
5. Declaration of Covenants, Conditions and Restrictions for Lake Arrowhead - Unit 5, Phase 1, recorded in Book 147 at Page 638 of the records of the Clerk of the Superior Court of Cherokee County, Georgia.
6. Declaration of Covenants, Conditions and Restrictions for Lake Arrowhead - Unit 9, Phase 1, recorded in Book 149 at Page 500 of the records of the Clerk of the Superior Court of Cherokee County, Georgia.
7. Declaration of Covenants, Conditions and Restrictions for Lake Arrowhead - Unit 10, Phase 1, recorded in Book 150 at Page 173 of the records of the Clerk of the Superior Court of Cherokee County, Georgia.

EXHIBIT "B"
TO DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR
LAKE ARROWHEAD, UNIT 2, PHASE 1

1. Zone R-S-2-1200 Residential -
Single Family - Two Story - 1200 Square Feet

Zone R-S-2-1200 Defined:

- A. Improvements on each lot within this zone shall be used exclusively for the purposes of a single family residence.
- B. A residence within this zone shall be limited to a maximum of two (2) stories in height wherein a second story shall be defined as any floor level which lies at an elevation of more than five (5) feet but less than twelve (12) feet above any other floor level within the same residence.
- C. The Declarant has the authority to set up additional regulations as to the height and size requirements for all buildings and structures within this zone including fences, walls, eaves, trellises, copings and other such surfaces, projections and appendages as will visibly affect the appearance of said buildings and structures.
- D. A residence within this zone shall contain not less than one thousand two hundred (1,200) square feet of fully enclosed floor area devoted to living purposes. Said floor area shall be exclusive of roofed or unroofed porches, terraces, garages, carports and other outbuildings and shall be computed from faces of exterior walls. The ground floor of said residence must contain at least one thousand (1,000) square feet of fully enclosed floor area devoted to living purposes.
- E. Permits and/or approvals for the construction of improvements on properties zoned R-S-2-1200 shall be issued only as a result of a thorough review of a complete and detailed set of construction plans of the proposed building by the Declarant (construction shall thereafter commence only upon receipt of written approval by the Declarant). Plans submitted to the Declarant for approval shall include the following:
- (1) Site development plan, including drives, paths, fences, decks, patios and all proposed improvements in connection with such building.
 - (2) Landscaping plan to include all trees, bushes and various plantings, etc.
 - (3) Complete and detailed construction plans and specifications to include all exterior elevations, materials to be used and colors.
- F. The following lots are zoned R-S-2-1200 and shall be improved only in strict conformance with the definitions and restrictions of that zoning classification:
- | | | |
|-----------|------|---|
| Block 1: | Lots | 1-24, inclusive |
| Block 2: | Lots | 1-19, inclusive |
| Block 3: | Lots | 1-40, inclusive |
| Block 4: | Lots | 1-53, inclusive |
| Block 5: | Lots | 1-65, inclusive |
| Block 6: | Lots | 1-39, inclusive |
| Block 7: | Lots | 1-52, inclusive,
54-97, inclusive
99-119, inclusive |
| Block 8: | Lots | 1-16, inclusive |
| Block 9: | Lots | 1-22, 24-141, inclusive |
| Block 10: | Lots | 1-47, inclusive
63-67, inclusive
70-87, inclusive |
| Block 12: | Lots | 1-10, inclusive |

2. Zone R-S-2-1400 Residential -
Single Family - Two Story - 1400 Square Feet

Zone R-S-2-1400 Defined:

- A. Improvements on each lot within this zone shall be used exclusively for the purposes of a single family residence.
- B. A residence within this zone shall be limited to a maximum of two (2) stories in height wherein a second story shall be defined as any floor level which lies at an elevation of more than five (5) feet but less than twelve (12) feet above any other floor level within the same residence.
- C. The Declarant has the authority to set up additional regulations as to the height and size requirements for all buildings and structures within this zone including fences, walls, eaves, trellises, copings and other such surfaces, projections and appendages as will visibly affect the appearance of said buildings and structures.
- D. A residence within this zone shall contain not less than one thousand four hundred (1,400) square feet of fully enclosed floor area devoted to living purposes. Said floor area shall be exclusive of roofed or unroofed porches, terraces, garages, carports and other outbuildings and shall be computed from faces of exterior walls. The ground floor of said residence must contain at least one thousand (1,000) square feet of fully enclosed floor area devoted to living purposes.
- E. Permits and/or approvals for the construction of improvements on properties zoned R-S-2-1400 shall be issued only as a result of a thorough review of a complete and detailed set of construction plans of the proposed building by the Declarant (construction shall thereafter commence only upon receipt of written approval by the Declarant). Plans submitted to the Declarant for approval shall include the following:
- (1) Site development plan, including drives, paths, fences, decks, patios and all proposed improvements in connection with such building.
 - (2) Landscaping plan to include all trees, bushes and various plantings, etc.
 - (3) Complete and detailed construction plans and specifications to include all exterior elevations, materials to be used and colors.
- F. The following lots are zoned R-S-2-1400 and shall be improved only in strict conformance with the definitions and restrictions of that zoning classification:

Block 10: Lots 48-53, inclusive,
60, 61,
88-90, inclusive
95-97, inclusive
Block 12: Lots 11-20, inclusive

EXHIBIT "B"
 TO DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR
 RESUBDIVISION OF A PORTION OF UNIT 2, PHASE 1, LAKE ARROWHEAD

1. Zone R-S-2-1200 Residential -
 Single Family - Two Story - 1200 Square Feet

Zone R-S-2-1200 Defined:

- A. Improvements on each lot within this zone shall be used exclusively for the purposes of a single family residence.
- B. A residence within this zone shall be limited to a maximum of two (2) stories in height wherein a second story shall be defined as any floor level which lies at an elevation of more than five (5) feet but less than twelve (12) feet above any other floor level within the same residence.
- C. The Declarant has the authority to set up additional regulations as to the height and size requirements for all buildings and structures within this zone including fences, walls, eaves, trellises, copings and other such surfaces, projections and appendages as will visibly affect the appearance of said buildings and structures.
- D. A residence within this zone shall contain not less than one thousand two hundred (1,200) square feet of fully enclosed floor area devoted to living purposes. Said floor area shall be exclusive of roofed or unroofed porches, terraces, garages, carports and other outbuildings and shall be computed from faces of exterior walls. The ground floor of said residence must contain at least one thousand (1,000) square feet of fully enclosed floor area devoted to living purposes.
- E. Permits and/or approvals for the construction of improvements on properties zoned R-S-2-1200 shall be issued only as a result of a thorough review of a complete and detailed set of construction plans of the proposed building by the Declarant (construction shall thereafter commence only upon receipt of written approval by the Declarant). Plans submitted to the Declarant for approval shall include the following:
- (1) Site development plan, including drives, paths, fences, decks, patios and all proposed improvements in connection with such building.
 - (2) Landscaping plan to include all trees, bushes and various plantings, etc.
 - (3) Complete and detailed construction plans and specifications to include all exterior elevations, materials to be used and colors.
- F. The following lots are zoned R-S-2-1200 and shall be improved only in strict conformance with the definitions and restrictions of that zoning classification:

Block 8: Lots 2-20, inclusive
 Block 9: Lots 20-22, inclusive
 35-48, inclusive
 115-117, inclusive

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2. Zone R-S-2-1400 Residential -
Single Family - Two Story - 1400 Square Feet

Zone R-S-2-1400 Defined:

- A. Improvements on each lot within this zone shall be used exclusively for the purposes of a single family residence.
- B. A residence within this zone shall be limited to a maximum of two (2) stories in height wherein a second story shall be defined as any floor level which lies at an elevation of more than five (5) feet but less than twelve (12) feet above any other floor level within the same residence.
- C. The Declarant has the authority to set up additional regulations as to the height and size requirements for all buildings and structures within this zone including fences, walls, eaves, trellises, copings and other such surfaces, projections and appendages as will visibly affect the appearance of said buildings and structures.
- D. A residence within this zone shall contain not less than one thousand four hundred (1,400) square feet of fully enclosed floor area devoted to living purposes. Said floor area shall be exclusive of roofed or unroofed porches, terraces, garages, carports and other outbuildings and shall be computed from faces of exterior walls. The ground floor of said residence must contain at least one thousand (1,000) square feet of fully enclosed floor area devoted to living purposes.
- E. Permits and/or approvals for the construction of improvements on properties zoned R-S-2-1400 shall be issued only as a result of a thorough review of a complete and detailed set of construction plans of the proposed building by the Declarant (construction shall thereafter commence only upon receipt of written approval by the Declarant). Plans submitted to the Declarant for approval shall include the following:
 - (1) Site development plan, including drives, paths, fences, decks, patios and all proposed improvements in connection with such building.
 - (2) Landscaping plan to include all trees, bushes and various plantings, etc.
 - (3) Complete and detailed construction plans and specifications to include all exterior elevations, materials to be used and colors.
- F. The following lots are zoned R-S-2-1400 and shall be improved only in strict conformance with the definitions and restrictions of that zoning classification:

Block 5: Lot 1
Block 7: Lots 35-37, inclusive
 42-54, inclusive
Block 8: Lots 1
 21-25, inclusive
Block 9: Lots 23-28, inclusive

EXHIBIT "B"
TO DECLARATION OF COVENANTS CONDITIONS AND RESTRICTIONS FOR
LAKE ARROWHEAD, UNIT 3, PHASE 1

1. Zone R-S-2-1200 Residential -
Single Family - Two Story - 1200 Square Feet

Zone R-S-2-1200 Defined:

- A. Improvements on each lot within this zone shall be used exclusively for the purposes of a single family residence.
- B. A residence within this zone shall be limited to a maximum of two (2) stories in height wherein a second story shall be defined as any floor level which lies at an elevation of more than five (5) feet but less than twelve (12) feet above any other floor level within the same residence.
- C. The Declarant has the authority to set up additional regulations as to the height and size requirements for all buildings and structures within this zone including fences, walls, eaves, trellises, copings and other such surfaces, projections and appendages as will visibly affect the appearance of said buildings and structures.
- D. A residence within this zone shall contain not less than one thousand two hundred (1,200) square feet of fully enclosed floor area devoted to living purposes. Said floor area shall be exclusive of roofed or unroofed porches, terraces, garages, carports and other outbuildings and shall be computed from faces of exterior walls. The ground floor of said residence must contain at least one thousand (1,000) square feet of fully enclosed floor area devoted to living purposes.
- E. Permits and/or approvals for the construction of improvements on properties zoned R-S-2-1200 shall be issued only as a result of a thorough review of a complete and detailed set of construction plans of the proposed building by the Declarant (construction shall thereafter commence only upon receipt of written approval by the Declarant). Plans submitted to the Declarant for approval shall include the following:
- (1) Site development plan, including drives, paths, fences, decks, patios and all proposed improvements in connection with such building.
 - (2) Landscaping plan to include all trees, bushes and various plantings, etc.
 - (3) Complete and detailed construction plans and specifications to include all exterior elevations, materials to be used and colors.
- F. The following lots are zoned R-S-2-1200 and shall be improved only in strict conformance with the definitions and restrictions of that zoning classification:

Block 1:	Lots	1-37, inclusive
Block 2:	Lots	1-27, inclusive
Block 3:	Lots	1-7, inclusive
Block 4:	Lots	1-13, inclusive
Block 5:	Lots	1-10, inclusive
Block 6:	Lots	1-116, inclusive
Block 8:	Lots	1-12, inclusive
		14-182, inclusive
Block 9:	Lots	1-109, inclusive
Block 10:	Lots	1-11, inclusive
Block 11:	Lots	2-4, inclusive
		44-46, inclusive
		48, 52, 53,
		86-90, inclusive
Block 12:	Lots	1-38, inclusive

2. Zone R-S-2-2000 Residential -
Single Family - Two Story - 2000 Square Feet

Zone R-S-2-2000 Defined:

- A. Improvements on each lot within this zone shall be used exclusively for the purposes of a single family residence.
- B. A residence within this zone shall be limited to a maximum of two (2) stories in height wherein a second story shall be defined as any floor level which lies at an elevation of more than five (5) feet but less than twelve (12) feet above any other floor level within the same residence.
- C. The Declarant has the authority to set up additional regulations as to the height and size requirements for all buildings and structures within this zone including fences, walls, eaves, trellises, copings and other such surfaces, projections and appendages as will visibly affect the appearance of said buildings and structures.
- D. A residence within this zone shall contain not less than two thousand (2,000) square feet of fully enclosed floor area devoted to living purposes. Said floor area shall be exclusive of roofed or unroofed porches, terraces, garages, carports and other outbuildings and shall be computed from faces of exterior walls. The ground floor of said residence must contain at least one thousand five hundred (1,500) square feet of fully enclosed floor area devoted to living purposes.
- E. Permits and/or approvals for the construction of improvements on properties zoned R-S-2-2000 shall be issued only as a result of a thorough review of a complete and detailed set of construction plans of the proposed building by the Declarant (construction shall thereafter commence only upon receipt of written approval by the Declarant). Plans submitted to the Declarant for approval shall include the following:
 - (1) Site development plan, including drives, paths, fences, decks, patios and all proposed improvements in connection with such building.
 - (2) Landscaping plan to include all trees, bushes and various plantings, etc.
 - (3) Complete and detailed construction plans and specifications to include all exterior elevations, materials to be used and colors.
- F. The following lots are zoned R-S-2-2000 and shall be improved only in strict conformance with the definitions and restrictions of that zoning classification:

Block 11: Lots 1,
 5-19, inclusive
 21-43, inclusive
 47, 49, 51,
 54-76, inclusive
 78-85, inclusive

1. Zone R-S-2-1200 Residential -
Single Family - Two Story - 1200 Square Feet

Zone R-S-2-1200 Defined:

- A. Improvements on each lot within this zone shall be used exclusively for the purposes of a single family residence.
- B. A residence within this zone shall be limited to a maximum of two (2) stories in height wherein a second story shall be defined as any floor level which lies at an elevation of more than five (5) feet but less than twelve (12) feet above any other floor level within the same residence.
- C. The Declarant has the authority to set up additional regulations as to the height and size requirements for all buildings and structures within this zone including fences, walls, eaves, trellises, copings and other such surfaces, projections and appendages as will visibly affect the appearance of said buildings and structures.
- D. A residence within this zone shall contain not less than one thousand two hundred (1,200) square feet of fully enclosed floor area devoted to living purposes. Said floor area shall be exclusive of roofed or unroofed porches, terraces, garages, carports and other outbuildings and shall be computed from faces of exterior walls. The ground floor of said residence must contain at least one thousand (1,000) square feet of fully enclosed floor area devoted to living purposes.
- E. Permits and/or approvals for the construction of improvements on properties zoned R-S-2-1200 shall be issued only as a result of a thorough review of a complete and detailed set of construction plans of the proposed building by the Declarant (construction shall thereafter commence only upon receipt of written approval by the Declarant). Plans submitted to the Declarant for approval shall include the following:
 - (1) Site development plan, including drives, paths, fences, decks, patios and all proposed improvements in connection with such building.
 - (2) Landscaping plan to include all trees, bushes and various plantings, etc.
 - (3) Complete and detailed construction plans and specifications to include all exterior elevations, materials to be used and colors.
- F. The following lots are zoned R-S-2-1200 and shall be improved only in strict conformance with the definitions and restrictions of that zoning classification:

Lots 1-15, inclusive
31-33, inclusive
79-91, inclusive
101-171, inclusive
181, 182,
215-223, inclusive
226-235, inclusive
238-253, inclusive
260-263, inclusive
268-271, inclusive
275-289, inclusive
311-315, inclusive
416-420, inclusive

2. Zone R-S-2-1400 Residential -
Single Family - Two Story - 1400 Square Feet

Zone R-S-2-1400 Defined:

- A. Improvements on each lot within this zone shall be used exclusively for the purposes of a single family residence.
- B. A residence within this zone shall be limited to a maximum of two (2) stories in height wherein a second story shall be defined as any floor level which lies at an elevation of more than five (5) feet but less than twelve (12) feet above any other floor level within the same residence.
- C. The Declarant has the authority to set up additional regulations as to the height and size requirements for all buildings and structures within this zone including fences, walls, eaves, trellises, copings and other such surfaces, projections and appendages as will visibly affect the appearance of said buildings and structures.
- D. A residence within this zone shall contain not less than one thousand four hundred (1,400) square feet of fully enclosed floor area devoted to living purposes. Said floor area shall be exclusive of roofed or unroofed porches, terraces, garages, carports and other outbuildings and shall be computed from faces of exterior walls. The ground floor of said residence must contain at least one thousand (1,000) square feet of fully enclosed floor area devoted to living purposes.
- E. Permits and/or approvals for the construction of improvements on properties zoned R-S-2-1400 shall be issued only as a result of a thorough review of a complete and detailed set of construction plans of the proposed building by the Declarant (construction shall thereafter commence only upon receipt of written approval by the Declarant). Plans submitted to the Declarant for approval shall include the following:
- (1) Site development plan, including drives, paths, fences, decks, patios and all proposed improvements in connection with such building.
 - (2) Landscaping plan to include all trees, bushes and various plantings, etc.
 - (3) Complete and detailed construction plans and specifications to include all exterior elevations, materials to be used and colors.
- F. The following lots are zoned R-S-2-1400 and shall be improved only in strict conformance with the definitions and restrictions of that zoning classification:
- Lots 23, 24, 25, 30, 34, 35, 36, 40, 41, 42, 43,
48, 49, 50, 51, 57, 53, 64, 65, 66, 67, 72,
73, 77, 78, 92, 95, 96, 97,
172-180, inclusive
183-187, inclusive
199, 204,
208-214, inclusive
224, 225, 236, 237,
254-259, inclusive
264-267, inclusive
272, 273, 274, 298, 299, 300, 310, 318, 341,
342, 360, 361,
364-379, inclusive
400, 413, 414, 422, 423,
430-436, inclusive
443, 444

3. Zone R-S-2-1600 Residential -
Single Family - Two Story - 1600 Square Feet

Zone R-S-2-1600 Defined:

- A. Improvements on each lot within this zone shall be used exclusively for the purposes of a single family residence.
- B. A residence within this zone shall be limited to a maximum of two (2) stories in height wherein a second story shall be defined as any floor level which lies at an elevation of more than five (5) feet but less than twelve (12) feet above any other floor level within the same residence.
- C. The Declarant has the authority to set up additional regulations as to the height and size requirements for all buildings and structures within this zone including fences, walls, eaves, trellises, copings and other such surfaces, projections and appendages as will visibly affect the appearance of said buildings and structures.
- D. A residence within this zone shall contain not less than one thousand six hundred (1,600) square feet of fully enclosed floor area devoted to living purposes. Said floor area shall be exclusive of roofed or unroofed porches, terraces, garages, carports and other outbuildings and shall be computed from faces of exterior walls. The ground floor of said residence must contain at least one thousand (1,000) square feet of fully enclosed floor area devoted to living purposes.
- E. Permits and/or approvals for the construction of improvements on properties zoned R-S-2-1600 shall be issued only as a result of a thorough review of a complete and detailed set of construction plans of the proposed building by the Declarant (construction shall thereafter commence only upon receipt of written approval by the Declarant). Plans submitted to the Declarant for approval shall include the following:
 - (1) Site development plan, including drives, paths, fences, decks, patios and all proposed improvements in connection with such building.
 - (2) Landscaping plan to include all trees, bushes and various plantings, etc.
 - (3) Complete and detailed construction plans and specifications to include all exterior elevations, materials to be used and colors.
- F. The following lots are zoned R-S-2-1600 and shall be improved only in strict conformance with the definitions and restrictions of that zoning classification:

- Lots 16-22, inclusive
- 26-29, inclusive
- 37, 38, 39,
- 44-47, inclusive
- 52-56, inclusive
- 58-62, inclusive
- 68-71, inclusive
- 74, 75, 76, 93, 94, 98, 99, 100,
- 188-198, inclusive
- 200-203, inclusive
- 205, 206, 207,
- 290-297, inclusive
- 301-309, inclusive
- 316, 317,
- 319-340, inclusive
- 343-359, inclusive
- 362, 363,
- 380-399, inclusive
- 401-412, inclusive
- 415, 421,
- 424-429, inclusive
- 437-442, inclusive
- 445

EXHIBIT "B"
TO DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR
LAKE ARROWHEAD, UNIT 5, PHASE 1

1. Zone R-S-2-1200 Residential -
Single Family - Two Story - 1200 Square Feet

Zone R-S-2-1200 Defined:

- A. Improvements on each lot within this zone shall be used exclusively for the purposes of a single family residence.
- B. A residence within this zone shall be limited to a maximum of two (2) stories in height wherein a second story shall be defined as any floor level which lies at an elevation of more than five (5) feet but less than twelve (12) feet above any other floor level within the same residence.
- C. The Declarant has the authority to set up additional regulations as to the height and size requirements for all buildings and structures within this zone including fences, walls, eaves, trellises, copings and other such surfaces, projections and appendages as will visibly affect the appearance of said buildings and structures.
- D. A residence within this zone shall contain not less than one thousand two hundred (1,200) square feet of fully enclosed floor area devoted to living purposes. Said floor area shall be exclusive of roofed or unroofed porches, terraces, garages, carports and other outbuildings and shall be computed from faces of exterior walls. The ground floor of said residence must contain at least one thousand (1,000) square feet of fully enclosed floor area devoted to living purposes.
- E. Permits and/or approvals for the construction of improvements on properties zoned R-S-2-1200 shall be issued only as a result of a thorough review of a complete and detailed set of construction plans of the proposed building by the Declarant (construction shall thereafter commence only upon receipt of written approval by the Declarant). Plans submitted to the Declarant for approval shall include the following:
 - (1) Site development plan, including drives, paths, fences, decks, patios and all proposed improvements in connection with such building.
 - (2) Landscaping plan to include all trees, bushes and various plantings, etc.
 - (3) Complete and detailed construction plans and specifications to include all exterior elevations, materials to be used and colors.
- F. The following lots are zoned R-S-2-1200 and shall be improved only in strict conformance with the definitions and restrictions of that zoning classification:

- Lots 1-337, inclusive
- 347-361, inclusive
- 364-377, inclusive
- 382,
- 392-407, inclusive
- 416-420, inclusive
- 427-431, inclusive
- 434-564, inclusive
- 566,
- 575-643, inclusive

2. Zone R-S-2-1600 Residential -
Single Family - Two Story - 1600 Square Feet

Zone R-S-2-1600 Defined:

- A. Improvements on each lot within this zone shall be used exclusively for the purposes of a single family residence.
- B. A residence within this zone shall be limited to a maximum of two (2) stories in height wherein a second story shall be defined as any floor level which lies at an elevation of more than five (5) feet but less than twelve (12) feet above any other floor level within the same residence.
- C. The Declarant has the authority to set up additional regulations as to the height and size requirements for all buildings and structures within this zone including fences, walls, eaves, trellises, copings and other such surfaces, projections and appendages as will visibly affect the appearance of said buildings and structures.
- D. A residence within this zone shall contain not less than one thousand six hundred (1,600) square feet of fully enclosed floor area devoted to living purposes. Said floor area shall be exclusive of roofed or unroofed porches, terraces, garages, carports and other outbuildings and shall be computed from faces of exterior walls. The ground floor of said residence must contain at least one thousand (1,000) square feet of fully enclosed floor area devoted to living purposes.
- E. Permits and/or approvals for the construction of improvements on properties zoned R-S-2-1600 shall be issued only as a result of a thorough review of a complete and detailed set of construction plans of the proposed building by the Declarant (construction shall thereafter commence only upon receipt of written approval by the Declarant). Plans submitted to the Declarant for approval shall include the following:
 - (1) Site development plan, including drives, paths, fences, decks, patios and all proposed improvements in connection with such building.
 - (2) Landscaping plan to include all trees, bushes and various plantings, etc.
 - (3) Complete and detailed construction plans and specifications to include all exterior elevations, materials to be used and colors.
- F. The following lots are zoned R-S-2-1600 and shall be improved only in strict conformance with the definitions and restrictions of that zoning classification:

Lots 338-346, inclusive
 362, 363,
 378-381, inclusive
 383-391, inclusive
 408-415, inclusive
 421-426, inclusive
 432, 433, 565,
 567-574, inclusive

1429 291

EXHIBIT "B"
TO DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR
LAKE ARROWHEAD, UNIT 9, PHASE 1

1. Zone R-S-2-1800 Residential -
Single Family - Two Story - 1800 Square Feet

Zone R-S-2-1800 Defined:

- A. Improvements on each lot within this zone shall be used exclusively for the purposes of a single family residence.
- B. A residence within this zone shall be limited to a maximum of two (2) stories in height wherein a second story shall be defined as any floor level which lies at an elevation of more than five (5) feet but less than twelve (12) feet above any other floor level within the same residence.
- C. The Declarant has the authority to set up additional regulations as to the height and size requirements for all buildings and structures within this zone including fences, walls, eaves, trellises, copings and other such surfaces, projections and appendages as will visibly affect the appearance of said buildings and structures.
- D. A residence within this zone shall contain not less than one thousand eight hundred (1,800) square feet of fully enclosed floor area devoted to living purposes. Said floor area shall be exclusive of roofed or unroofed porches, terraces, garages, carports and other outbuildings and shall be computed from faces of exterior walls. The ground floor of said residence must contain at least one thousand (1,000) square feet of fully enclosed floor area devoted to living purposes.
- E. Permits and/or approvals for the construction of improvements on properties zoned R-S-2-1800 shall be issued only as a result of a thorough review of a complete and detailed set of construction plans of the proposed building by the Declarant (construction shall thereafter commence only upon receipt of written approval by the Declarant). Plans submitted to the Declarant for approval shall include the following:
- (1) Site development plan, including drives, paths, fences, decks, patios and all proposed improvements in connection with such building.
 - (2) Landscaping plan to include all trees, bushes and various plantings, etc.
 - (3) Complete and detailed construction plans and specifications to include all exterior elevations, materials to be used and colors.
- F. The following lots are zoned R-S-2-1800 and shall be improved only in strict conformance with the definitions and restrictions of that zoning classification:

Lots 1, 2, 11,
18-23, inclusive
41-45, inclusive
49-60, inclusive
64-78, inclusive
88-97, inclusive
101-111, inclusive
126,
129-238, inclusive

2. Zone R-S-2-2400 Residential -
Single Family - Two Story - 2400 Square Feet

Zone R-S-2-2400 Defined:

- A. Improvements on each lot within this zone shall be used exclusively for the purposes of a single family residence.
- B. A residence within this zone shall be limited to a maximum of two (2) stories in height wherein a second story shall be defined as any floor level which lies at an elevation of more than five (5) feet but less than twelve (12) feet above any other floor level within the same residence.
- C. The Declarant has the authority to set up additional regulations as to the height and size requirements for all buildings and structures within this zone including fences, walls, eaves, trellises, copings and other such surfaces, projections and appendages as will visibly affect the appearance of said buildings and structures.
- D. A residence within this zone shall contain not less than two thousand four hundred (2,400) square feet of fully enclosed floor area devoted to living purposes. Said floor area shall be exclusive of roofed or unroofed porches, terraces, garages, carports and other outbuildings and shall be computed from faces of exterior walls. The ground floor of said residence must contain at least one thousand two hundred (1,200) square feet of fully enclosed floor area devoted to living purposes.
- E. Permits and/or approvals for the construction of improvements on properties zoned R-S-2-2400 shall be issued only as a result of a thorough review of a complete and detailed set of construction plans of the proposed building by the Declarant (construction shall thereafter commence only upon receipt of written approval by the Declarant). Plans submitted to the Declarant for approval shall include the following:
 - (1) Site development plan, including drives, paths, fences, decks, patios and all proposed improvements in connection with such building.
 - (2) Landscaping plan to include all trees, bushes and various plantings, etc.
 - (3) Complete and detailed construction plans and specifications to include all exterior elevations, materials to be used and colors.
- F. The following lots are zoned R-S-2-2400 and shall be improved only in strict conformance with the definitions and restrictions of that zoning classification:

Lots 3-10, inclusive
 12-17, inclusive
 24-40, inclusive
 46, 47, 48, 61, 62, 63,
 79-87, inclusive
 98, 99, 100,
 112-125, inclusive
 127, 128

EXHIBIT "B"
TO DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR
LAKE ARROWHEAD, UNIT 10, PHASE 1

- 1. Zone R-S-2-1200 Residential -
Single Family - Two Story - 1200 Square Feet

Zone R-S-2-1200 Defined:

- A. Improvements on each lot within this zone shall be used exclusively for the purposes of a single family residence.
- B. A residence within this zone shall be limited to a maximum of two (2) stories in height wherein a second story shall be defined as any floor level which lies at an elevation of more than five (5) feet but less than twelve (12) feet above any other floor level within the same residence.
- C. The Declarant has the authority to set up additional regulations as to the height and size requirements for all buildings and structures within this zone including fences, walls, eaves, trellises, copings and other such surfaces, projections and appendages as will visibly affect the appearance of said buildings and structures.
- D. A residence within this zone shall contain not less than one thousand two hundred (1,200) square feet of fully enclosed floor area devoted to living purposes. Said floor area shall be exclusive of roofed or unroofed porches, terraces, garages, carports and other outbuildings and shall be computed from faces of exterior walls. The ground floor of said residence must contain at least one thousand (1,000) square feet of fully enclosed floor area devoted to living purposes.
- E. Permits and/or approvals for the construction of improvements on properties zoned R-S-2-1200 shall be issued only as a result of a thorough review of a complete and detailed set of construction plans of the proposed building by the Declarant (construction shall thereafter commence only upon receipt of written approval by the Declarant). Plans submitted to the Declarant for approval shall include the following:
 - (1) Site development plan, including drives, paths, fences, decks, patios and all proposed improvements in connection with such building.
 - (2) Landscaping plan to include all trees, bushes and various plantings, etc.
 - (3) Complete and detailed construction plans and specifications to include all exterior elevations, materials to be used and colors.
- F. The following lots are zoned R-S-2-1200 and shall be improved only in strict conformance with the definitions and restrictions of that zoning classification:

Lots 1, 2, 26, 27, 30, 31

2. Zone R-S-2-2000 Residential -
Single Family - Two Story - 2000 Square Feet

Zone R-S-2-2000 Defined:

- A. Improvements on each lot within this zone shall be used exclusively for the purposes of a single family residence.
- B. A residence within this zone shall be limited to a maximum of two (2) stories in height wherein a second story shall be defined as any floor level which lies at an elevation of more than five (5) feet but less than twelve (12) feet above any other floor level within the same residence.
- C. The Declarant has the authority to set up additional regulations as to the height and size requirements for all buildings and structures within this zone including fences, walls, eaves, trellises, copings and other such surfaces, projections and appendages as will visibly affect the appearance of said buildings and structures.
- D. A residence within this zone shall contain not less than two thousand (2,000) square feet of fully enclosed floor area devoted to living purposes. Said floor area shall be exclusive of roofed or unroofed porches, terraces, garages, carports and other outbuildings and shall be computed from faces of exterior walls. The ground floor of said residence must contain at least one thousand (1,000) square feet of fully enclosed floor area devoted to living purposes.
- E. Permits and/or approvals for the construction of improvements on properties zoned R-S-2-2000 shall be issued only as a result of a thorough review of a complete and detailed set of construction plans of the proposed building by the Declarant (construction shall thereafter commence only upon receipt of written approval by the Declarant). Plans submitted to the Declarant for approval shall include the following:
 - (1) Site development plan, including drives, paths, fences, decks, patios and all proposed improvements in connection with such building.
 - (2) Landscaping plan to include all trees, bushes and various plantings, etc.
 - (3) Complete and detailed construction plans and specifications to include all exterior elevations, materials to be used and colors.
- F. The following lots are zoned R-S-2-2000 and shall be improved only in strict conformance with the definitions and restrictions of that zoning classification:

Lots 3-24, inclusive
25, 28, 29

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EXHIBIT "B"
TO DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR
LAKE ARROWHEAD, UNIT 20-A, PHASE 1

1. Zone R-S-2-2000 Residential -
Single Family - Two Story - 2000 Square Feet

Zone R-S-2-2000 Defined:

- A. Improvements on each lot within this zone shall be used exclusively for the purposes of a single family residence.
- B. A residence within this zone shall be limited to a maximum of two (2) stories in height wherein a second story shall be defined as any floor level which lies at an elevation of more than five (5) feet but less than twelve (12) feet above any other floor level within the same residence.
- C. The Declarant has the authority to set up additional regulations as to the height and size requirements for all buildings and structures within this zone including fences, walls, eaves, trellises, copings and other such surfaces, projections and appendages as will visibly affect the appearance of said buildings and structures.
- D. A residence within this zone shall contain not less than two thousand (2,000) square feet of fully enclosed floor area devoted to living purposes, and if such residence is to be two (2) story, not less than one thousand six hundred (1,600) of such square feet are to be contained on the first or ground floor. Said floor area shall be exclusive of roofed or unroofed porches, terraces, garages, carports and other outbuildings and shall be computed from faces of exterior walls.
- E. Permits and/or approvals for the construction of improvements on properties zoned R-S-2-2000 shall be issued only as a result of a thorough review of a complete and detailed set of construction plans of the proposed building by the Declarant (construction shall thereafter commence only upon receipt of written approval by the Declarant). Plans submitted to the Declarant for approval shall include the following:
 - (1) Site development plan, including drives, paths, fences, decks, patios and all proposed improvements in connection with such building.
 - (2) Landscaping plan to include all trees, bushes and various plantings, etc.
 - (3) Complete and detailed construction plans and specifications to include all exterior elevations, materials to be used and colors.
- F. The following lots are zoned R-S-2-2000 and shall be improved only in strict conformance with the definitions and restrictions of that zoning classification:

Lots 1-14, inclusive

After Recording Return To:
Legal Department
Purcell Co., Inc.
4401 East Aloha Drive
Diamondhead, Mississippi 39525-3303

FILED IN OFFICE
CLERK OF SUPERIOR COURT
CHEROKEE COUNTY, GA

03 MAR 31 PM 3:52

BOOK 6002 PAGE 077

Anne M. Parson

Cross Reference: Declaration
of Covenants, Conditions and
Restrictions for Lake
Arrowhead recorded in Deed
Book 1429, Page 240, Cherokee
County, Georgia Records

AMENDMENT TO DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR LAKE ARROWHEAD

THIS AMENDMENT is made and entered into this 26TH day of
FEBRUARY, 2003 by PURCELL CO., INC. (formerly Diamondhead
Corporation), hereinafter called "Declarant".

W I T N E S S E T H:

WHEREAS, Declarant has heretofore filed for record that
certain Declaration of Covenants, Conditions and Restrictions
for Lake Arrowhead dated March 31, 1993, and recorded in Deed
Book 1429, Page 240, Cherokee County, Georgia Records (said
Declaration of Covenants being hereinafter referred to as the
"Declaration");

WHEREAS, pursuant to the provisions of Section 2 of Article
X of the Declaration, the Declaration may be amended by an
agreement signed by at least fifty-one (51%) percent of the
Property Owners whose lots are then subject thereto; and by
Declarant and the owner of the Common Properties on certain
conditions as provided in the Declaration;

WHEREAS, Declarant, together with the undersigned Property Owners, represent at least fifty-one (51%) percent of those Property Owners whose lots are subject to the Declaration, and Declarant is the owner of the Common Properties;

NOW, THEREFORE, Declarant, together with the undersigned Property Owners, do hereby agree that the Declaration is hereby amended as follows:

1. Section 2 of Article III is hereby amended by adding the following new sentence at the end of said Section on Page 6 of the Declaration: "At the option of the Board of Directors of the Association and upon written notice to Declarant and Lake Arrowhead Yacht & Country Club, an annual audit of the books and records of the Lake Arrowhead Yacht & Country Club relating to the security, management, operation and maintenance of the Common Properties for any preceding calendar year may be performed by an accounting firm designated by the Board of Directors of the Association, with the costs and expenses of any such audit being paid from the assessments provided for in Article IV hereof."
2. Section 2 of Article IV is hereby amended by deleting all of said Section on Pages 8 and 9 of the Declaration and by substituting the following provision in lieu thereof:

"Section 2. Amount of Assessments. For the calendar year 2002, the annual assessment payable to Lake Arrowhead Yacht & Country Club shall be \$684.00 (being \$57.00 per month) for each Lot and \$792.00 (being \$66.00 per month) for each Improved Lot now or hereafter made subject to this Declaration. For the months of January, February and March 2003, the annual assessment payable to Lake Arrowhead Yacht & Country Club shall be \$696.00 (being \$58.00 per month) for each Lot and \$804.00 (being \$67.00 per month) for each Improved Lot now or hereafter made subject to this Declaration. For the months of April through December 2003, the annual assessment payable to Lake Arrowhead Yacht & Country Club shall be \$1,080.00 (being \$90.00 per month) for each Lot and \$1,560.00 (being \$130.00 per month) for each Improved Lot now or hereafter made

subject to this Declaration. For the calendar year 2004 and for each calendar year thereafter, the annual assessment payable to Lake Arrowhead Yacht & Country Club shall be \$1,080.00 for each Lot and \$1,560.00 for each Improved Lot now or hereafter made subject to this Declaration, unless an increase or other change in such annual assessment amount for each such Lot and each such Improved Lot shall be approved from time to time by a majority vote of the members of the Board of Directors of the Association at the request, or with the consent, of the Declarant in each instance as hereinafter provided. The amount of the annual assessment in effect from time to time may only be increased or otherwise changed by a majority vote of all of the members of the Board of Directors of the Association on and subject to the terms of this Section. In the event that an increase or other change in the amount of the annual assessment for each such Lot and each such Improved Lot is from time to time hereafter approved on and subject to the terms of this Section, such increased or otherwise changed annual assessment shall thereafter remain the annual assessment for each such Lot and each such Improved Lot until such time as any additional increase or other change in the amount thereof may be approved from time to time in the manner required by this Section. In no event and under no circumstance shall the Board of Directors of the Association have the right to vote for or approve any increase or other change in any annual assessment in effect at any time unless any such proposed increase or other change in the annual assessment and the final amount thereof has been expressly approved by Declarant in writing prior thereto. The Board of Directors shall promptly upon the request of Declarant furnish to Declarant a certificate executed by the Secretary of the Association affirming the required vote of the Board of Directors of the Association approving any such increase or other change in the annual assessment permitted hereby."

3. Section 1 of Article X is hereby amended by deleting all of said Section on Pages 26 and 27 of the Declaration, and by substituting the following provision in lieu thereof:

"Section 1. Duration. The covenants and restrictions of this Declaration shall run with and bind the land, shall be and remain in effect, and shall inure to the benefit of and be enforceable by Declarant, the Association or the Property Owner of any lot now or hereafter subject to this Declaration, their respective heirs, legal representatives, successors and assigns until March 31, 2003, at which time they shall be automatically renewed and extended for an additional ten (10) year period, and shall thereafter be automatically renewed and extended for successive periods of ten (10) years each unless proper notice of intention to terminate this Declaration be filed as provided in this Section. In order to terminate this Declaration, at least fifty-one (51%) percent of the Property Owners whose lots are then subject hereto shall sign an instrument providing that this Declaration shall not be extended and shall be terminated upon the expiration of the then applicable ten (10) year term hereof. No such termination agreement shall be effective unless filed for record in the office of the Clerk of the Superior Court of Cherokee County, Georgia at least ninety (90) days prior to the date which is the last day of the then applicable ten (10) year term 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."

IN WITNESS WHEREOF, Declarant, together with the undersigned Property Owners of lots subject to the Declaration, have executed this Amendment under seal as of the day and year first above written.

Signed, sealed and delivered in the presence of:

[Signature]
Unofficial Witness

[Signature]
Notary Public

My Commission Expires:

10-18-2003

(NOTARIAL SEAL)

DECLARANT:

PURCELL CO., INC., Declarant, owner of the Common Properties, and the Property Owner of the lots more particularly described on Exhibit "A" attached hereto and made a part hereof that are subject to the Declaration

BY: *[Signature]*
HOLCOMB HECTOR,
Vice President

ATTEST: *[Signature]*
CARL H. JOFFE,
Secretary

(CORPORATE SEAL)

AGREED AND ACKNOWLEDGED

WITNESS the hand and seal of the undersigned as of the day and year first above written.

Signed, sealed and delivered in the presence of:

LAKE ARROWHEAD PROPERTY OWNERS ASSOCIATION, INC.

Melissa E. Deems
Unofficial Witness

BY: W. R. Akers
Name: W. R. AKERS
Title: PRESIDENT

Linda Diane Nelson
Notary Public

ATTEST: Johnny B. DeLoach
Name: JOHNNY B. DeLoach
Title: SECRETARY

My Commission Expires:
February 24, 2007
(NOTARIAL SEAL)

(CORPORATE SEAL)

