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DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS
FOR

CHAMPION FOREST

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DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS

FOR

CHAMPION FOREST

THIS DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS is made this 28th day of September, 2001, by Champion Forest, LLC, a North Carolina limited liability company.

PART ONE: INTRODUCTION TO THE COMMUNITY

Champion Forest, LLC has created this Declaration to provide a governance structure and a flexible system of standards and procedures for the overall development, expansion, administration, maintenance, and preservation of Champion Forest as a planned community.

Article I Creation of the Community

1.1 Purpose and Intent.

Declarant, as the owner of the real property described in Exhibit "A" (or if not the owner, with the owner's consent), is Recording this Declaration to establish a general plan of development for Champion Forest, a planned community. This Declaration provides for the Community's overall development, administration, maintenance, and preservation, and provides a flexible and reasonable procedure for its future expansion. An integral part of the development plan is the creation of Champion Forest Homeowners Association, Inc., an association comprised of all Champion Forest property owners, to own, operate, and/or maintain various common areas and community improvements and to administer and enforce this Declaration and the other Governing Documents.

This document does not and is not intended to create a condominium under North Carolina law.

1.2. Binding Effect.

This Declaration governs the property described in Exhibit "A," and any other property submitted to this Declaration in the future. This Declaration shall run with the title to such property and shall bind anyone having any right, title, or interest in any portion of such property, their heirs, successors, successors-in-title, and assigns.

Declarant, the Association, any aggrieved Owner, and their respective legal representatives, heirs, successors, and assigns may enforce this Declaration. This Declaration shall be effective for a minimum of 25 years from the date it is Recorded. After 25 years, this Declaration shall be extended automatically for successive 10 year periods unless at least 75% of the then Owners sign a document stating that the Declaration is terminated and that document is Recorded within the year before any extension. In such case, this Declaration shall expire on the date specified in the termination document.

1.3. Governing Documents.

The Governing Documents create a general development plan for Champion Forest. The following diagram identifies and summarizes the Governing Documents, each as they may be amended:

| | |
|--|---|
| Declaration (Recorded) | creates obligations which are binding upon the Association and all present and future owners of property in Champion Forest |
| Supplemental Declaration (Recorded) | adds property to Champion Forest; may impose additional obligations or restrictions on such property |
| Articles of Incorporation (filed with the Department of State) | establishes the Association as a non-profit corporation under North Carolina law |
| By-Laws (Board adopts) | governs the Association's internal affairs, such as voting rights, elections, meetings, officers, etc. |
| Architectural Guidelines (Declarant adopts) | establish architectural standards and guidelines for improvements and modifications to Lots, including structures, landscaping, and other items on Lots |
| Use Restrictions (initial set attached as Exhibit "C") | govern use of property and activities within Champion Forest |
| Board Resolutions and Rules (Board adopts) | establishes rules, policies, and procedures for internal governance and Association activities; regulate operation and use of Common Area |

Additional restrictions or provisions which are more restrictive than the provisions of this Declaration may be imposed on any portion of Champion Forest, in which case, the more restrictive provisions will be controlling. However, no Person shall Record any additional covenants, conditions, or restrictions affecting any portion of Champion Forest without Declarant's written consent, so long as Declarant or any Declarant Affiliate owns property described in Exhibit "A" or "B." Thereafter, the Board must consent. Any instrument Recorded without the required consent is void and of no force and effect.

If there are conflicts between North Carolina Law, the Articles, the Declaration, and the By-Laws, North Carolina law, the Declaration, the Articles, and the By-Laws (in that order) shall prevail.

The Governing Documents apply to all Owners and any occupants of a Lot. They also apply to tenants, guests, visitors, and invitees. All leases must require that tenants and all occupants of the leased Lot are bound by and obligated to comply with the Governing Documents; provided, the Governing Documents shall apply regardless of whether specifically set forth in the lease.

If any court determines that any provision of this Declaration is invalid, or invalid as applied in a particular instance, such determination shall not affect the validity of other provisions or other applications of the provision.

Diagrams in the Governing Documents illustrate concepts and assist the reader. The diagrams are for illustrative purposes only. If there is a conflict between any diagram and the text of the Governing Documents, the text shall control.

Article II Concepts and Definitions

The terms used in the Governing Documents are given their natural, commonly accepted definitions unless otherwise specified. Capitalized terms are defined as follows:

"Affiliate": Any Person which (either directly or indirectly, through one or more intermediaries) controls, is in common control with, or is controlled by, another Person, and any Person that is a director, trustee, officer, employee, independent contractor, shareholder, agent, co-venturer, subsidiary, personal representative, or attorney of any of the foregoing. For the purposes of this definition, the term "control" means the direct or indirect power to direct or cause the direction of an entity's management or policies, whether through the ownership of voting securities, by contract, or otherwise.

"Architectural Guidelines": The Community's architectural, design, and construction guidelines and review procedures adopted pursuant to Article IV.

"Architectural Review Committee" or "ARC": The committee established to review plans and specifications for the construction or modification of improvements and to administer and enforce the architectural controls described in Article IV.

"Articles": The Articles of Incorporation of Champion Forest Homeowners Association Inc., filed with North Carolina's Secretary of State, as they may be amended.

"Association": The Champion Forest Homeowners Association, Inc., a North Carolina nonprofit corporation, its successors or assigns.

"Benefited Assessment": Assessments charged against a particular Lot or particular Lots for Association expenses as described in Section 8.4.

"Board of Directors" or "Board": The body responsible for the general governance and administration of the Association, selected as provided in the By-Laws.

"Builder": Anyone acquiring Lots for the purpose of constructing homes for later sale to consumers, or who purchases land within the Community for further subdivision, development, and/or resale in the ordinary course of its business.

"By-Laws": The By-Laws of Champion Forest Homeowners Association, Inc., as they may be amended. A copy of the initial By-Laws is attached to this Declaration as Exhibit D.

"Class "B" Control Period": The time period during which the Class "B" Member may appoint a majority of the Board members. The Class "B" Control Period ends when any one of the following occurs:

- (a) when 75% of the Lots permitted under the Master Plan are issued certificates of occupancy and are owned by Class "A" Members other than Builders;
- (b) December 31, 2015; or
- (c) when, in its discretion, the Class "B" Member so determines.

"Common Area": All real and personal property, including easements, which the Association owns, leases, or otherwise has a right to possess or use for the common use and enjoyment of the Owners. Common Area includes the Limited Common Area, as defined below.

"Common Expenses": The actual and estimated expenses the Association incurs, or expects to incur, for the general benefit of all Owners. Common Expenses include any reserves the Board finds necessary or appropriate.

"Common Maintenance Areas": The Common Area, together with any other area for which the Association has or assumes maintenance or other responsibility.

"Community" or "Champion Forest": The real property described in Exhibit "A," together with such additional property as is subjected to this Declaration in accordance with Article IX.

"Community-Wide Standard": The standard of conduct, maintenance, or other activity generally prevailing throughout the Community, or the minimum standards established pursuant to the Architectural Guidelines, Use Restrictions, and Board resolutions, whichever is the highest standard. Declarant initially shall establish such standard. The Community-Wide Standard may contain objective elements, such as specific lawn or house maintenance requirements, and subjective elements, such as matters subject to the Board's or the

ARC's discretion. The Community-Wide Standard may or may not be set out in writing. The Community-Wide Standard may evolve as development progresses and as Champion Forest changes.

COMMUNITY -WIDE STANDARD THE HIGHER OF:

Minimum Standards OR Prevailing Standards

Architectural Guidelines

Use Restrictions

Board Resolutions

Example set by Declarant, Board

"Declarant": Champion Forest, LLC, a North Carolina limited liability company, or any successor or assign as developer of all or any portion of Champion Forest Subdivision who is designated as Declarant in a Recorded instrument the immediately preceding Declarant executes.

"Lot": A portion of the Community, whether improved or unimproved, which may be independently owned and conveyed, and upon which a dwelling is intended for development, use, and occupancy. The term shall refer to the land, if any, which is part of the Lot as well as any improvements on the Lot. The boundaries of each Lot shall be shown on a Plat; provided, in the case of a building containing multiple dwellings for independent sale (e.g., attached condominium or townhouse units), each dwelling which may be sold independently shall be a separate Lot.

A parcel shall be deemed to be a single Lot until such time as a Plat subdivides all or a portion of the parcel. Thereafter, the subdivided portion shall contain the number of Lots shown on the Plat. Any portion not subdivided shall continue to be a single Lot.

"Master Plan": The land use plan for Champion Forest approved by Union County and/or the Village Wesley Chapel, as it may be amended, which includes all of the property described in Exhibit "A" and all or a portion of the property described in Exhibit "B." Declarant is not obligated to submit property shown on the Master Plan to this Declaration. In addition, Declarant may submit property to this Declaration which is not shown on the Master Plan.

"Member": Each Lot Owner, as described in Section 6.2. There are two membership classes - Class "A" and Class "B."

"Mortgage": A mortgage, a deed of trust, a deed to secure debt, or any other form of security instrument affecting title to any Lot. The term "Mortgagee" shall refer to a beneficiary or holder of a Mortgage.

"Owner": The title holder to any Lot, but excluding, in all cases, anyone holding an interest merely as security for the performance of an obligation (e.g., a Mortgagee). If a Lot is sold under a Recorded contract of sale, and the contract specifically so provides, the purchaser (rather than the fee owner) will be considered the Owner.

"Person": An individual, a corporation, a partnership, a trustee, or any other legal entity.

"Plat": Any Recorded land survey plat for all or any portion of Champion Forest.

"Record," "Recording," or "Recorded": To file, the filing of, or filed of record a legal instrument in the Office of the Register of Deeds of Union County, North Carolina.

"Regular Assessment": Annual assessments levied to fund Common Expenses for the general benefit of all Lots, as determined in accordance with Section 8.1.

"Special Assessment": Assessments charged against all Owners in accordance with Section 8.3.

"Supplemental Declaration": A Recorded instrument which subjects additional property to this Declaration, identifies Common Area and/or imposes additional restrictions and obligations on the land described.

"Use Restrictions": The initial use restrictions, rules, and regulations governing the use of and activities on the Lots and the Common Areas set forth in Exhibit "C," as they may be changed in accordance with Article III or otherwise amended.

PART TWO: CREATION AND MAINTENANCE OF COMMUNITY STANDARDS

The standards for use and conduct, maintenance, and architecture at Champion Forest are what give the Community its identity and make it a place that people want to call "home." This Declaration establishes procedures for adopting, modifying, applying, and enforcing such standards while providing the flexibility for community standards to evolve as the Community changes and grows.

Article III Use and Conduct

3.1. Restrictions on Use, Occupancy, and Alienation.

The restrictions set forth in this Section may be amended only in accordance with Article XIX.

(a) Residential and Related Uses. Lots shall be used primarily for residential and related purposes. No business shall be conducted in, on, or from any Lot, except that an Owner or another resident of the Lot may conduct business activities on such Lot if the business activity:

- (i) is not apparent or detectable by sight, sound, or smell from outside of a permitted structure;
- (ii) complies with applicable zoning requirements;
- (iii) does not involve regular visitation of the Lot by clients, customers, suppliers, or other business invitees, or door-to-door solicitation within the Community; and

(iv) is consistent with the residential character of the Community and does not constitute a nuisance, or a hazardous or offensive use, or threaten the security or safety of others within the Community, as determined in the Board's sole discretion.

"Business" shall have its ordinary, generally accepted meaning and shall include, without limitation, any occupation, work, or activity undertaken on an ongoing basis which involves providing goods or services to Persons other than the family of the producer and for which the producer receives a fee, compensation, or other form of consideration, regardless of whether (A) such activity is engaged in full or part time, (B) such activity is intended to or does generate a profit, or (C) a license is required.

This Section shall not apply to restrict Declarant's activities, nor shall it restrict the activities of Persons Declarant approves with respect to the development and sale of property in the Community. This Section shall not apply to Association activities related to the provision of services or to operating and maintaining the Community, including the Community's recreational and other amenities.

Leasing a residence is not a "business" within the meaning of this subsection.

(b) Leasing. For purposes of this Declaration, "leasing" is the regular, exclusive occupancy of a dwelling by any Person other than the Owner, for which the Owner receives any consideration or benefit, including a fee, service, or gratuity. The principle dwelling on the Lot may be leased only in its entirety (e.g., separate rooms within the same dwelling may not be separately leased); provided, a detached "in-law suite" or "guest house" may be independently leased.

All leases shall be in writing and shall have a term of at least seven months, except with the Board's prior written consent. The restrictions on lease terms set forth in this paragraph shall not apply to Lots Declarant or its Affiliates own.

Within ten days of a lease being signed, an Owner shall notify the Board or the Association's managing agent of the lease and provide any additional information the Board may reasonably require. The Owner must give the tenant copies of the Governing Documents. In addition to this sub-section (b), the Board may adopt reasonable Use Restrictions and rules regulating leasing and subleasing.

(c) Maximum Occupancy. No more than two Persons per bedroom may occupy the same dwelling on a regular and consistent basis (as the Board determines).

(d) Occupants Bound. Every Owner shall cause anyone occupying or visiting his or her Lot to comply with the Governing Documents and shall be responsible for all violations and losses they cause to the Common Maintenance Areas, notwithstanding the fact that such Persons also are responsible for complying and may be sanctioned for any violation.

(e) Subdivision of a Lot. Lots may not be subdivided or their boundary lines changed except with the Board's prior written approval; provided, Declarant may subdivide, change the boundary line of, and replat any Lot it owns. In addition, for so long as Declarant owns any portion of the Community, it may convert Lots into Common Area.

3.2. Framework for Regulation.

As part of the general plan of development, the Governing Documents establish a framework of covenants, easements, and restrictions which govern the Community. This includes the initial Use Restrictions set forth in Exhibit "C." Within that framework, the Board and the Members must be able to respond to unforeseen problems and changes affecting the Community. This Article establishes procedures for modifying and expanding the Use Restrictions to respond to such changes.

The procedures described in this Article are not intended to apply to reasonable rules and regulations relating to use and operation of the Common Area, which the Board may adopt by resolution, or other administrative rules, unless the Board chooses, in its discretion, to submit to such procedures.

3.3. Owners' Acknowledgment and Notice to Purchasers.

Each Owner, by accepting a deed, acknowledges and agrees that the use, enjoyment, and marketability of his or her Lot is limited and affected by the Use Restrictions and Board rules, which may change from time to time. All Lot purchasers are on notice that the Association may have adopted changes to the Use Restrictions and that such changes may not be set forth in a Recorded document. Copies of the current Use Restrictions and Board rules may be obtained from the Association.

3.4. Rule Making Authority.

(a) Subject to the terms of this Article and the Board's duty to exercise business judgment and reasonableness on behalf of the Association and the Members, the Board may change (i.e., modify, cancel, limit, create exceptions to, or add to) the Use Restrictions. The Board shall send the Members notice of any proposed change at least five business days before the Board meeting to consider the change. The Members shall have a reasonable opportunity to be heard at such Board meeting.

The proposed change shall be approved unless disapproved by a majority of the Association's Class "A" votes, or by the Class "B" Member, if any. The Board is not obligated to call a meeting of the Members to

consider disapproval unless it receives a petition which meets the By-Law's requirements for special meetings. If the Board receives such a petition before the change's effective date, the change shall not become effective until after a meeting is held, and then subject to the outcome of the meeting.

(b) Alternatively, members representing a majority of the Class "A" votes in the Association, at an Association meeting duly called for such purpose, may vote to change the Use Restrictions then in effect. Any such change shall require approval of the Class "B" Member, if any.

(c) Before any Use Restriction change becomes effective, the Board shall send a copy of the new or changed Use Restriction to each Owner. The change does not become effective until 30 days following distribution to the Owners. The Association shall provide to any requesting Member or Mortgagee, without cost, a copy of the Use Restrictions then in effect.

(d) No action taken under this Article shall have the effect of modifying, repealing, or expanding the Architectural Guidelines or any provision of this Declaration other than the initial Use Restrictions. In the event of a conflict between the Architectural Guidelines and the Use Restrictions, the Architectural Guidelines shall control. In the event of a conflict between the Use Restrictions and any provision within this Declaration (exclusive of the Use Restrictions), the Declaration provision shall control.

3.5. Protection of Owners and Others.

Except as may be set forth in this Declaration (either initially or by amendment) or in the initial Use Restrictions set forth in Exhibit "C," the Association's actions with respect to Use Restrictions and rules must comply with the following:

(a) Similar Treatment. Similarly situated Owners must be treated similarly.

(b) Displays. Owners' rights to display religious and holiday signs, symbols, and decorations on their Lots of the kinds normally displayed in single-family residential neighborhoods shall not be abridged, except that the Association may adopt time, place, and manner restrictions with respect to such displays.

The Association shall not regulate the content of political signs; however, it may regulate the time, place, and manner of posting such signs (including design criteria).

(c) Household Composition. The Association shall not interfere with any Owner's freedom to determine the composition of his/her household, except that it may enforce the occupancy limits set out in Section 3.1(c).

(d) Activities Within Dwellings. The Association shall not interfere with activities carried on within a dwelling, except it may prohibit activities not normally associated with residential property, and it may restrict or prohibit activities that create monetary costs for the Association or other owners, that create a danger to anyone's

health or safety, that generate excessive noise or traffic, that create unsightly conditions visible outside the dwelling, or that are an unreasonable source of annoyance.

(e) Alienation. The Association shall not prohibit leasing or transfer of any Lot, or require the Association's or the Board's consent prior to leasing or transferring a Lot. The Association may require that Owners use Association-approved lease forms (or include specific lease terms) and may impose a reasonable review or administrative fee on the lease or transfer of any Lot. In addition, among other things, Section 3.1(b) imposes a minimum lease term.

(f) Abridging Existing Rights. The Association may not require an Owner to dispose of personal property that was in or on a Lot in compliance with previous rules. This exemption shall apply only during the period of such Owner's ownership of the Lot and shall not apply to subsequent Owners who take title to the Lot after adoption of the rule.

(g) Reasonable Rights to Develop. The Association may not impede Declarant's right to develop Champion Forest.

The limitations in subsections (a) through (f) of this Section shall not apply to amendments to this Declaration adopted in accordance with Article XVIII.

Article IV Architecture and Landscaping

4.1. General.

Except for work done by or on behalf of Declarant, no structure or thing shall be placed, erected, or installed upon any Lot, and no improvements or other work (including staking, clearing, excavation, grading and other site work, exterior alterations, or planting or removal of landscaping) shall take place within Champion Forest, except in compliance with this Article and the Architectural Guidelines.

Any Owner may remodel, paint, or redecorate the interior of any structure on his or her Lot without approval. However, modifications to the interior of screened porches, patios, and any other portions of a Lot visible from outside a structure are subject to approval.

Each dwelling shall be designed by and built in accordance with the plans and specifications of a licensed architect acceptable to Declarant, unless Declarant, in its sole discretion, or its designee, otherwise approves.

This Article does not apply to Declarant's activities, nor to the Association's activities during the Class "B" Control Period.

4.2. Architectural Review.

(a) By Declarant. Declarant shall have exclusive authority to administer and enforce architectural controls and to review and act upon all applications for architectural and other improvements within the

Community. Declarant's rights under this Article IV shall continue for as long as Declarant or any Declarant Affiliate owns any portion of the Community or has a unilateral right to annex property, unless Declarant earlier terminates its rights in a Recorded instrument. Declarant may designate one or more Persons to act on its behalf in reviewing any application. In reviewing and acting upon any request for approval, Declarant or its designee acts solely in Declarant's interest and owes no duty to any other Person.

Declarant may from time to time delegate or assign all or any portion of its rights under this Article to any other Person or committee, including the Architectural Review Committee. Any such delegation shall be in writing, shall specify the delegated responsibilities, and shall be subject to (i) Declarant's right to revoke such delegation at any time and reassume its prior jurisdiction, and (ii) Declarant's right to veto any decision which it determines, in its discretion, to be inappropriate or inadvisable for any reason. So long as Declarant has any rights under this Article, the jurisdiction of other entities shall be limited to such matters as Declarant specifically delegates.

(b) Architectural Review Committee. Upon Declarant's delegation or upon expiration or termination of Declarant's rights under this Article, the Association, acting through the ARC, shall assume jurisdiction over architectural matters. When appointed, the ARC shall consist of at least three, but not more than seven, persons. Members of the ARC need not be Members of the Association or representatives of Members, and may, but need not, include architects, engineers, or similar professionals, who may be compensated in such manner and amount, if any, as the Board may establish. The ARC members shall serve and may be removed and replaced in the Board's discretion.

As long as Declarant or any Declarant Affiliate owns any portion of the Community or has the unilateral right to annex property, the ARC shall notify Declarant of any action to be taken under this Article. During such time, Declarant shall have the right, in its sole and absolute discretion, to veto any action the ARC takes; provided, Declarant's right to veto must be exercised within 10 business days after it receives notice of the ARC's action. The party submitting the plans for approval shall not be notified of the ARC's approval or disapproval until after Declarant's right to veto has been exercised or has expired.

The Board may create and appoint subcommittees of the ARC. Subcommittees may be established to preside over particular areas of review (e.g., landscape plans) and shall be governed by procedures the Board or the ARC may establish. Any subcommittee's actions are subject to review and approval by Declarant, for as long as Declarant may review the ARC's decisions, and the ARC. Notwithstanding the above, neither the ARC nor Declarant shall be obligated to review all actions of any subcommittee, and the failure to take action in any instance shall not be a waiver of the right to act in the future.

Unless and until such time as Declarant delegates any of its reserved rights to the ARC or Declarant's rights under this Article terminate, the Association shall have no jurisdiction over architectural matters.

Declarant and the Association may employ architects, engineers, or other Persons to perform the review required under this article.

(c) Reviewer. For purposes of this Article, the "Reviewer" is the entity having jurisdiction in a particular case.

(d) Fees; Assistance. The Reviewer may establish and charge reasonable fees for its review of applications and may require that such fees be paid in advance. Such fees may include the reasonable costs incurred in having any application reviewed by architects, engineers, or other professionals. The Board may include the compensation of such Persons in the Association's annual operating budget.

4.3. Guidelines and Procedures.

(a) Architectural Guidelines. Declarant may prepare the initial Architectural Guidelines, which may contain general provisions applicable to all of Champion Forest. The Architectural Guidelines are intended to provide guidance to Owners and Builders regarding matters of particular concern to the Reviewer. The Architectural Guidelines are not the exclusive basis for the Reviewer's decisions, and compliance with the Architectural Guidelines does not guarantee an application's approval.

Declarant shall have sole and full authority to amend the Architectural Guidelines as long as it or any Declarant Affiliate owns any portion of the Community or has a unilateral right to annex property. Declarant's right to amend shall continue even if its reviewing authority is delegated to the ARC, unless Declarant also delegates the power to amend to the ARC. Upon termination or delegation of Declarant's right to amend, the Board may amend the Architectural Guidelines.

Amendments to the Architectural Guidelines shall be prospective only. They shall not require modifications to or removal of structures previously approved once the approved construction or modification has begun. However, any new work on such structures must comply with the Architectural Guidelines as amended. Subject to the Community-Wide Standard, there is no limit to the scope of amendments to the Architectural Guidelines, and such amendments may remove requirements previously imposed or otherwise make the Architectural Guidelines less restrictive.

The Reviewer shall make the Architectural Guidelines available to Owners and Builders who seek to engage in development or construction within Champion Forest. In Declarant's discretion, the Architectural Guidelines may be Recorded, in which event the Recorded version, as it may be amended from time to time, shall control in the event of any dispute as to which version of the Architectural Guidelines was in effect at any particular time.

(b) Procedures. Unless the Architectural Guidelines provide otherwise, no construction activities or other activities described in Section 4.1 may begin until a request is submitted to and approved by the Reviewer. The request must be in writing and be accompanied by plans and specifications and other information the Reviewer

or the Architectural Guidelines require. Plans and specifications shall show, as applicable, site layout, structural design, exterior elevations, exterior materials and colors, landscaping, drainage, exterior lighting, irrigation, and other features of proposed construction.

In reviewing each submission, the Reviewer may consider any factors it deems relevant, including, without limitation, harmony of the proposed exterior design with surrounding structures and environment. Decisions may be based on purely aesthetic considerations. Each Owner acknowledges that aesthetic determinations are purely subjective and that opinions may vary as to the desirability and/or attractiveness of particular improvements. The Reviewer shall have the sole discretion to make final, conclusive, and binding determinations on matters of aesthetic judgment and such determinations are not subject to review so long as they are made in good faith and in accordance with the required procedures.

The Reviewer shall make a determination on each application after receipt of a completed application and other information it requires. The Reviewer may permit or require that an application be submitted or considered in stages, in which case, a final decision shall not be required until after the final, required submission stage. The Reviewer may (i) approve the application, with or without conditions; (ii) approve a portion of the application and disapprove other portions; or (iii) disapprove the application.

Reviewer approval is not a substitute for any approvals or reviews required by Mecklenburg County or any other municipality or governmental agency or entity having jurisdiction over architectural or construction matters.

The Reviewer shall notify the applicant in writing of the final determination on any application within 45 days after its receipt of a completed application and all required information. If the Reviewer fails to respond in a timely manner, approval shall be deemed given, subject to Declarant's right to veto pursuant to Section 4.2(a). However, no approval, whether expressly granted or deemed granted, shall be inconsistent with the Architectural Guidelines unless a written variance has been granted pursuant to Section 4.5.

Notice shall be deemed given at the time the envelope containing the response is deposited in U.S. mail. Personal or electronic delivery of such written notice also shall be sufficient and shall be deemed given at the time of confirmed delivery to the applicant.

As part of any approval, the Reviewer may require that construction in accordance with approved plans commence within a specified time period. If construction does not commence within the required period, the approval shall expire and the Owner must reapply for approval before commencing any activities. Once commenced, construction must be diligently pursued to completion. All construction work shall be completed within one year of commencement unless otherwise specified in the notice of approval or the Architectural Guidelines, or unless the Reviewer, in its discretion, grants an extension in writing. If approved work is not completed within the required time, it shall be in violation of this Article and shall be subject to enforcement action by the Association or Declarant.

Declarant or the Board, with Declarant's consent, by resolution, may exempt certain activities from the application and approval requirements of this Article, provided such activities are undertaken in strict compliance with the requirements of such resolution. For example, Builders may submit and receive pre-approval of landscaping or other plans for general application. Such pre-approved plans shall not require resubmission prior to use on a particular Lot.

4.4. No Waiver of Future Approvals.

Each Owner acknowledges that the people reviewing applications under this Article will change from time to time and that opinions on aesthetic matters, as well as interpretation and application of the Architectural Guidelines, may vary accordingly. In addition, each Owner acknowledges that it may not always be possible to identify objectionable features until work is completed, at which time, it may or may not be unreasonable to require that such objectionable features be changed. However, the Reviewer may refuse to approve similar proposals in the future. Approval of applications or plans shall not constitute a waiver of the right to withhold approval of similar applications, plans, or other matters subsequently or additionally submitted for approval.

4.5. Variances.

The Reviewer may authorize variances from compliance with the Architectural Guidelines and any procedures when circumstances such as topography, natural obstructions, hardship, or aesthetic or environmental considerations require, but only in accordance with duly adopted rules and regulations. No variance shall (a) be effective unless in writing; (b) be contrary to this Declaration; or (c) prevent the Reviewer from denying a variance in other circumstances. A variance requires Declarant's written consent for so long as Declarant or any Declarant Affiliate owns any portion of the Community or has the unilateral right to annex property and, thereafter, requires the Board's written consent.

4.6. Limitation of Liability.

This Article establishes standards and procedures as a mechanism for maintaining and enhancing the overall aesthetics of Champion Forest. The standards and procedures do not create any duty to any Person. Review and approval of any application pursuant to this Article may be based on purely aesthetic considerations. The Reviewer is not responsible for the structural integrity or soundness of approved construction or modifications, for compliance with building codes and other governmental requirements, or for ensuring that every dwelling is of comparable quality, value, or size, of similar design, or aesthetically pleasing or otherwise acceptable to other Owners.

Declarant, Declarant's Affiliates, the Association, its officers, the Board, the ARC, the Association's management agent, any committee, or any member of any of the foregoing shall not be held liable for the approval of, disapproval of, or failure to approve or disapprove any plans; soil conditions, drainage, or other general site work; any defects in plans revised or approved hereunder; any loss or damage arising out of the

action, inaction, integrity, financial condition, or quality of work of any contractor or its subcontractors, employees, or agents, whether or not Declarant has approved or featured such contractor as a Builder in the Community; or any injury, damages, or loss arising out of the manner or quality or other circumstances of approved construction on or modifications to any Lot. In all matters, the Association shall defend and indemnify the Board, the ARC, the members of each, and the Association officers as provided in Section 7.6.

4.7. Certificate of Compliance.

Any Owner may request in writing that the Reviewer issue a certificate of architectural compliance certifying that there are no known violations of this Article or the Architectural Guidelines. The Association shall either grant or deny such written request within 30 days after receipt and may charge a reasonable administrative fee. The issuance of a certificate of architectural compliance shall prevent the Association from taking enforcement action against an Owner for any condition known to the Association on the date of the certificate.

4.8. Enforcement.

Any construction, alteration, or other work done in violation of this Article or the Architectural Guidelines is subject to enforcement action. Upon written request from the Association or Declarant, an Owner shall, at his/her own cost and expense, and within a reasonable time frame identified in the request, cure the violation or restore the Lot to substantially the same condition as existed before the violation occurred. Should an Owner fail to cure the problem or otherwise restore the property as required, the Association, Declarant, or their designees shall have the right to enter the property, remove the violation, and restore the property. All costs, together with interest at the rate the Board establishes (not to exceed the maximum rate then allowed by law), may be assessed against the benefited Lot and collected as a Benefitted Assessment.

Any approvals granted under this Article are conditioned upon completion of all elements of the approved work, unless approval to modify any application has been obtained. In the event that any Person fails to commence and diligently pursue to completion all approved work by the deadline imposed, Declarant or the Association may, after notifying the Owner and allowing an opportunity to be heard in accordance with the By-Laws, enter upon the Lot and remove or complete any incomplete work and assess all costs incurred against the Lot and its Owner as a Benefitted Assessment.

Any act of any contractor, subcontractor, agent, employee, or invitee of an Owner shall be deemed as an act done by or on behalf of such Owner. Any contractor, subcontractor, agent, employee, or other invitee of an Owner who fails to comply with the terms and provisions of this Article and the Architectural Guidelines may be excluded from the Community, subject to the notice and hearing procedures contained in the By-Laws. Declarant, Declarant Affiliate, or the Association, and their respective officers and directors, shall not be held liable to any Person for exercising the rights granted by this paragraph.

The Association shall be primarily responsible for enforcing this Article. If, however, in Declarant's discretion, the Association fails to take appropriate enforcement action within a reasonable time period, Declarant, for so long as it or any Declarant Affiliate owns any portion of the Community or has the unilateral right to annex property, may, but shall not be obligated to, exercise the enforcement rights set forth above. In such event, Declarant may assess and collect Benefitted Assessments against the violating Owner and assert the Association's lien rights pursuant to Article VIII. The Association hereby assigns to Declarant such rights and authority, including the right to all funds collected, and no further assignments shall be required.

In addition to the foregoing, the Association and Declarant shall have the authority and standing to pursue all legal and equitable remedies available to enforce the provisions of this Article and the Reviewer's decisions. If the Association or Declarant prevails, they shall be entitled to recover all costs including, without limitation, attorneys' fees and court costs, reasonably incurred in such action. The alternative dispute resolution provisions set out in Article XIII shall not apply to actions by Declarant or the Association to enforce the provisions of this Article or the Reviewer's decisions.

Article V Maintenance and Repair

5.1. Maintenance of Lots.

Each Owner must maintain his or her Lot, including all structures, landscaping, and other improvements comprising the Lot, in a manner consistent with the Governing Documents, the Community-Wide Standard, and any other applicable covenants, unless such maintenance responsibility is otherwise assumed by or assigned to (and accepted by) the Association under any Supplemental Declaration or additional covenants applicable to such Lot.

Each Owner must maintain the sidewalk and landscaping located in the public right-of-way adjacent to his or her Lot unless the Association assumes all or part of such maintenance responsibility.

5.2. Responsibility for Repair and Replacement.

Unless otherwise specifically provided in the Governing Documents or in other instruments creating and assigning maintenance responsibility, responsibility for maintenance includes responsibility for repair and replacement as necessary to maintain the property to a level consistent with the Community-Wide Standard.

Each Owner shall carry property insurance for the full replacement cost of all insurable improvements on his or her Lot, less a reasonable deductible, unless the Association carries such insurance (which it may, but is not obligated to do). If the Association assumes responsibility for insuring a Lot, the insurance premiums shall be levied as a Benefitted Assessment against the benefitted Lot and the Owner.

In the event of damage to or destruction of a structure on a Lot, the Owner shall promptly repair or reconstruct the structure in a manner consistent with the original construction or other plans or specifications

approved in accordance with Article IV. Alternatively, the Owner shall clear the Lot and maintain it in a neat and attractive condition consistent with the Community-Wide Standard. The Owner shall pay any costs insurance proceeds do not cover.

PART THREE: COMMUNITY GOVERNANCE AND ADMINISTRATION

This Declaration establishes the Association as a way for each Owner to participate in the governance and administration of Champion Forest. While the Board of Directors has responsibility for the Association's day-to-day management and operation, some decisions are considered of such importance that they are reserved for the Association's membership -- the Lot Owners.

Article VI The Association and its Members

6.1. Function of Association.

The Association is the entity responsible for management, maintenance, operation, and control of the Common Maintenance Areas. The Association also has primary responsibility for administering and enforcing the Governing Documents. The Association shall perform its functions in accordance with the Governing Documents and North Carolina law. The Board shall be responsible for management of the Association and may contract with a property manager for such purposes. The Board is appointed or elected as provided in the By-Laws.

6.2. Membership.

Every Owner is a Member of the Association; provided, there is only one membership per Lot. If a Lot is owned by more than one Person, each co-Owner shares the privileges of the membership, subject to reasonable Board regulation and the voting restrictions described in Section 6.3 and in the By-Laws. Co-Owners are jointly and severally obligated to perform the responsibilities of an Owner. The membership rights of an Owner which is not an individual (e.g., a corporation) may be exercised by any officer, director, partner, or trustee, or by an individual the Owner designates from time to time in a written instrument provided to the Association's Secretary.

6.3. Voting.

The Association shall have two classes of membership, Class "A" and Class "B."

(a) Class "A". Class "A" Members are all Owners except the Class "B" Member. Class "A" Members have one equal vote for each Lot they own, except that there is only one vote per Lot. No vote shall be exercised for any property which is exempt from assessment under Section 8.8.

In any situation where there is more than one Owner of a Lot, the vote for such Lot shall be exercised as the co-Owners determine among themselves and advise the Secretary of the Association in writing prior to the

vote being taken. Absent such advice, the Lot's vote shall be suspended if more than one Person seeks to exercise it.

(b) Class "B". The sole Class "B" Member shall be Declarant. The Class "B" Member shall not vote, but may appoint a majority of the Board members during the Class "B" Control Period, as specified in the By-Laws, and may exercise the additional rights specified throughout the Governing Documents.

The Class "B" membership terminates upon the earlier of:

- (i) two years after the Class "B" Control Period expires; or
- (ii) when, in its discretion, Declarant declares in a Recorded instrument.

Upon termination of the Class "B" membership, Declarant shall be a Class "A" Member entitled to one Class "A" vote for each Lot it owns.

Article VII Association Powers and Responsibilities

7.1. Acceptance and Control of Association Property.

(a) The Association may acquire, hold, mortgage or otherwise encumber, lease (as landlord or tenant), operate, and dispose of tangible and intangible personal property and real property, subject to the provisions of Sections 14.5 and 17.4. The Association may enter into leases, licenses, or operating agreements, for payment or no payment, as the Board deems appropriate, permitting use of portions of the Common Area by others. However, the Association may not convey or subject to a security interest any portion of the Common Area unless Members representing at least 80% of the Class "A" vote agree in writing.

(b) Declarant or its designees may transfer to the Association, and the Association shall accept, personal property and/or fee title or other property interests in any improved or unimproved real property included within the property described in Exhibits "A" or "B." Upon Declarant's written request, the Association shall transfer back to Declarant any unimproved real property originally conveyed to the Association for no payment, to the extent conveyed by Declarant in error or needed by Declarant to make minor adjustments in property lines.

(c) The Association is responsible for management, operation, and control of the Common Area, subject to any covenants, easements, or restrictions set forth in the deed or other instrument transferring the property to the Association. The Board may adopt such reasonable rules regulating use of the Common Area as it deems appropriate. The Association may enter into a property management agreement with any Person, including Declarant or any Declarant Affiliate.

7.2. Maintenance of Common Maintenance Areas.

The Association shall maintain the Common Maintenance Areas in accordance with the Community-Wide Standard. The Common Maintenance Areas shall include, but are not limited to:

- (a) the Common Area, including landscaping, structures, and other improvements;
- (b) landscaping within public rights-of-way within or abutting Champion Forest;
- (c) such portions of any additional property as may be dictated by Declarant, this Declaration, any Supplemental Declaration, any Plat, or any contract, covenant, or agreement for maintenance entered into by, or for the benefit of, the Association; and
- (d) all ponds, streams, and/or wetlands located within Champion Forest which serve as part of the Community's stormwater drainage system, including associated improvements and equipment, but not including any such areas maintained by a community development district or other governmental or quasi governmental body.

The Association may maintain other property which it does not own, including property dedicated to the public, if the Board determines that such maintenance is necessary or desirable to maintain the Community-Wide Standard and the property owner consents.

The Association shall not be liable for any damage or injury occurring on or arising out of the condition of property which it does not own except to the extent that it has been negligent in performing its maintenance responsibilities.

The Association shall maintain the facilities and equipment within the Common Maintenance Areas in continuous operation, except for any periods necessary, as determined by the Board, to perform required maintenance or repairs, unless Members representing at least 75% of the Class "A" votes in the Association agree in writing to discontinue such operation (which may include closing and/or demolishing such facilities or equipment). Notwithstanding the above, the Common Maintenance Areas may not be reduced, nor shall operation of its facilities and equipment be discontinued, without Declarant's prior written approval as long as Declarant or any Declarant Affiliate owns any property described in Exhibit "A" or "B" to this Declaration.

The costs associated with maintenance, repair, and replacement of the Common Maintenance Areas shall be a Common Expense. However, the Association may seek reimbursement from the owner(s) of, or other Persons responsible for, certain portions of the Common Maintenance Areas pursuant to this Declaration, a Supplemental Declaration, or other Recorded covenants or agreements.

Unless Declarant expressly agrees in writing with the Association to pay the costs of maintaining any portion of the Common Maintenance Areas, Declarant shall have no such obligation, regardless of any inferences

which may be drawn from promotional or other materials.

7.3. Insurance.

(a) Required Coverages. The Association, acting through its Board or its duly authorized agent, shall obtain and continue in effect the following types of insurance, if reasonably available, or if not, the most nearly equivalent coverages as are reasonably available:

(i) Blanket property insurance covering "risks of direct physical loss" on a "special form" basis (or comparable coverage by whatever name denominated) for all insurable improvements on the Common Area and within other portions of the Common Maintenance Areas to the extent that the Association has assumed responsibility in the event of a casualty, regardless of ownership. If such coverage is not generally available at reasonable cost, then "broad form" coverage may be substituted. All Association property insurance policies shall have policy limits sufficient to cover the full replacement cost of the insured improvements under current building ordinances and codes;

(ii) Commercial general liability insurance on the Common Maintenance Areas, insuring the Association and its Members for damage or injury caused by the negligence of the Association or any of its Members, employees, agents, or contractors while acting on its behalf. If generally available at reasonable cost, such coverage (including primary and any umbrella coverage) shall have a limit of at least \$2,000,000.00 per occurrence and in the aggregate with respect to bodily injury, personal injury, and property damage;

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

(iv) Directors and officers liability coverage; and

(v) Commercial crime insurance, including fidelity insurance covering all Persons responsible for handling Association funds in an amount determined in the Board's business judgment, but not less than an amount equal to one-quarter of the annual Regular Assessments on all Lots plus reserves on hand. Fidelity insurance policies shall contain a waiver of all defenses based upon the exclusion of Persons serving without compensation.

In the exercise of its business judgment, the Board may obtain additional insurance coverage and higher limits.

Premiums for Common Maintenance Area insurance shall be a Common Expense.

(b) Policy Requirements. The Association shall arrange for an annual review of the sufficiency of its insurance coverage by one or more qualified Persons, at least one of whom must be familiar with insurable replacement costs in the Mecklenburg County area. All Association policies shall provide for a certificate of

insurance to be furnished to the Association and, upon request, to each Member insured.

The policies may contain a reasonable deductible which shall not be subtracted from the face amount of the policy in determining whether the policy limits satisfy the requirements of Section 7.3(a). In the event of an insured loss, the deductible shall be treated as a Common Expense in the same manner as the premiums for the applicable insurance coverage. However, if the Board reasonably determines, after notice and an opportunity to be heard in accordance with the By-Laws, that the loss is the result of the negligence or willful misconduct of one or more Owners, their guests, invitees, or tenants, then the Board may assess the full amount of such deductible against such Owners) and their Lots as a Benefited Assessment.

To the extent available upon reasonable cost and terms, all insurance coverage obtained by the Board shall:

(i) be written with a company authorized to do business in North Carolina which satisfies the requirements of the Federal National Mortgage Association, or such other secondary mortgage market agencies or federal agencies as the Board deems appropriate;

(ii) be written in the name of the Association as trustee for the benefited parties. Policies on the Common Areas shall be for the benefit of the Association and its Members;

(iii) not be brought into contribution with insurance purchased by individual Owners, their Mortgagees, or any occupants of a Lot;

(iv) contain an inflation guard endorsement;

(v) include an agreed amount endorsement, if the policy contains a co-insurance clause;

(vi) provide that each Owner is an insured person under the policy with respect to liability arising out of such Owner's interest in the Common Area as a Member in the Association (provided, this provision shall not be construed as giving an Owner any interest in the Common Area other than that of a Member);

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

(viii) include an endorsement precluding cancellation, invalidation, or condition to recovery under the policy on account of any act or omission of any one or more individual Owners, unless such Owner is acting within the scope of its authority on behalf of the Association.

In addition, the Board shall use reasonable efforts to secure insurance policies which list the Owners (as a class) as additional insureds and provide:

- (i) a waiver of subrogation as to any claims against Declarant, Declarant's Affiliate, the Association, or their respective directors, officers, employees, and agents, and the Owners and their tenants, servants, agents, and guests;
- (ii) a waiver of the insurer's rights to repair and reconstruct instead of paying cash;
- (iii) an endorsement excluding Owners' individual policies from consideration under any "other insurance" clause;
- (iv) an endorsement requiring at least 30 days' prior written notice to the Association of any cancellation, substantial modification, or non-renewal;
- (v) a cross liability provision; and
- (vi) a provision vesting in the Board exclusive authority to adjust losses; provided, no Mortgagee having an interest in such losses may be prohibited from participating in the settlement negotiations, if any, related to the loss.

(c) Restoring Damaged Improvements. In the event of damage to or destruction of Common Area or other property which the Association is obligated to insure, the Board or its duly authorized agent shall file and adjust all insurance claims and obtain reliable and detailed estimates of the cost of repairing or restoring the property to substantially the condition in which it existed prior to the damage, allowing for changes or improvements necessitated by changes in applicable building codes.

Damaged improvements on the Common Area shall be repaired or reconstructed unless Members representing at least 80% of the total Class "A" votes in the Association and the Class "B" Member, if any, decide within 60 days after the loss not to repair or reconstruct. If either the insurance proceeds or estimates of the loss, or both, are not available to the Association within such 60-day period, then the period may be extended until such funds or information are available. No Mortgagees shall have the right to participate in the determination of whether the damage or destruction to the Common Area shall be repaired or reconstructed.

If a decision is made not to restore the damaged improvements, and no alternative improvements are authorized, the affected property shall be cleared of all debris and ruins and thereafter shall be maintained by the Association in a neat and attractive condition consistent with the Community-Wide Standard.

The Association shall retain in a reserve fund for capital items any insurance proceeds remaining after paying the costs of repair or reconstruction, or after an agreed-upon settlement, for the benefit of the Members. This is a covenant for the benefit of Mortgages and may be enforced by the Mortgagee of any affected Lot.

If insurance proceeds and reserves are insufficient to cover the costs of repair or reconstruction, the cost of repair or replacement shall be a Common Expense, pursuant to N.C.G.S. 47F-3-113(g).

7.4. Compliance and Enforcement.

(a) The Board may impose sanctions for Governing Document violations, which sanctions include those listed below and any others described elsewhere in the Governing Documents. The Board may establish a range of penalties for different violations, with violations of the Declaration, unsafe conduct, and harassment or intentionally malicious conduct treated more severely than other violations. The following sanctions require prior notice and an opportunity for a hearing in accordance with the By-Laws:

- (i) imposing reasonable monetary fines, not to exceed \$150.00 per violation (or per day in the case of a continuing violation), which shall constitute a lien upon the violator's Lot (fines may be imposed within a graduated range). There is no limit on the aggregate amount of any fine for a continuing violation;
- (ii) suspending an Owner's right to vote;
- (iii) suspending any Person's right to use Common Area amenities; provided, nothing shall authorize the Board to impair an Owner or occupant's access to his or her Lot;
- (iv) suspending any services provided by the Association;
- (v) exercising self-help or taking action to abate any violation of the Governing Documents occurring on a Lot in a non-emergency situation (including removing personal property that violates the Governing Documents); and
- (vi) levying Benefitted Assessments to cover costs incurred by the Association to bring a Lot into compliance with the Governing Documents.

In addition, the Board may take the following enforcement actions to ensure compliance with the Governing Documents without the necessity of compliance with the procedures set forth in the By-Laws:

- (i) exercising self-help or taking action to abate a violation on a Lot in an emergency situation (including towing vehicles that are in violation of parking rules and regulations);
- (ii) exercising self-help or taking action to abate a violation on the Common Area under any circumstances; or
- (iii) bringing suit at law for monetary damages or in equity to stop or prevent any violation, or both.

In addition to any other enforcement rights, if an Owner fails properly to perform his or her maintenance responsibility, the Association may Record a notice of violation or perform the required maintenance and assess its costs against the Lot and the Owner as a Benefitted Assessment. Except in an emergency situation, the Association shall provide the Owner reasonable notice and an opportunity to cure the problem prior to taking such enforcement action.

Moreover, if an Owner is legally responsible for damage inflicted on any Common Area, the Association may direct such Owner to repair such damage or the Association may make the repairs and recover damages from the responsible Owner. If the damages are less than or equal to the jurisdictional amount established for small claims under N.C.G.S. 7A-210, the Owner may request a hearing before the Board or an adjudicatory panel the Board appoints pursuant to N.C.G.S. 47F-3-107.

The above sanctions shall not apply to Declarant or any Declarant Affiliate or to any Lot owned by Declarant or any of its Affiliates. All sanctions and remedies set forth in the Governing Documents are in addition to any remedies available at law or in equity. In any action to enforce the Governing Documents, the prevailing party may recover all of its costs incurred in the action, including, without limitation, court costs and reasonable attorneys' fees.

(b) The decision to pursue enforcement action in any particular case shall be left to the Board's discretion, except that the Board shall not be arbitrary or capricious in taking enforcement action. Without limiting the generality of the foregoing sentence, the Board may determine that, under the circumstances of a particular case:

- (i) the Association's position is not strong enough to justify taking any or further action;
- (ii) the covenant, restriction, or rule being enforced is, or is likely to be construed as, inconsistent with applicable law;
- (iii) although a technical violation may exist or may have occurred, it is not of such a material nature as to be objectionable to a reasonable person or to justify expending the Association's resources; or
- (iv) that it is not in the Association's best interests, based upon hardship, expense, or other reasonable criteria, to pursue enforcement action.

A decision not to enforce a particular provision shall not prevent the Association from enforcing the same provision at a later time or prevent the enforcement of any other covenant, restriction, or rule.

By contract or other agreement, the Association may enforce applicable city and county ordinances. In addition, Union County and the Village of Wesley Chapel may enforce their ordinances within Champion Forest.

7.5. Implied Rights: Board Authority

The Association may exercise any right or privilege given to it expressly or by reasonable implication by the Governing Documents, and may take action reasonably necessary to effectuate any such right or privilege. Except as otherwise specifically provided in the Governing Documents or by law, all of the Association's rights and powers may be exercised by the Board without a vote of the membership.

The Board may institute, defend, settle, or intervene on the Association's behalf in mediation, binding or non-binding arbitration, litigation, or administrative proceedings in matters pertaining to the Common Maintenance Areas, enforcement of the Governing Documents, or any other civil claim or action. However, the Board has no legal duty to institute litigation on behalf of or in the name of the Association or the Members.

In exercising the Association's rights and powers, making decisions on the Association's behalf, including, without limitation, deciding whether to file a lawsuit under any circumstances, and conducting the Association's affairs, Board members and the Association's officers are subject to, and their actions shall be judged in accordance with, the standards set forth in the Bylaws.

7.6. Indemnification of Officers, Directors, and Others.

The officers, directors, and committee members, acting in such capacity, 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 for any contract or other commitment made or action taken in good faith on the Association's behalf.

Subject to North Carolina law, the Association shall indemnify every officer, director, and committee member against all damages and expenses, including counsel fees, reasonably incurred in connection with any action, suit, or other proceeding (including settlement of any suit or proceeding, if approved by the then Board of Directors) to which he or she may be a party by reason of being or having been an officer, director, or committee member, except that such obligation to indemnify shall be limited to those actions for which liability is limited under this Section.

This right to indemnification shall not be exclusive of any other rights which any present or former officer, director, or committee member may have. 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.

7.7. Provision of Services.

The Association may provide, or provide for, services and facilities for all or any of the Members and their Lots, and may enter into contracts or agreements with other entities, including Declarant or its Affiliates, to provide such services and facilities. The Board may charge use or service fees for any such services and

facilities, or may include the costs in the Association's budget as a Common Expense and assess it as part of the Regular Assessment, if provided to all Lots. By way of example, such services and facilities might include landscape maintenance, pest control service, cable television service,- telephone, internet access, security monitoring, caretaker, transportation, fire protection, utilities, trash collection and recycling, and similar services and facilities.

Nothing in this Section shall be construed as a representation by Declarant or the Association as to what, if any, services shall be provided. In addition, subject to the contract terms, the Board may modify or cancel existing contracts for services in its discretion, unless the services are otherwise required by the Governing Documents. Non-use of services provided to all Owners or Lots as a Common Expense shall not exempt any Owner from the obligation to pay assessments for such services.

7.8. Relationships with Other Properties.

The Association may enter into contractual agreements or covenants to share costs with any neighboring properties to contribute funds for, among other things, shared or mutually beneficial property or services and/or a higher level of Common Area maintenance.

7.9. Facilities and Services Open to the Public.

Certain of the Common Maintenance Areas, including facilities, may be open for public use and enjoyment. Such facilities and areas may include, for example: greenbelts, trails and paths, parks, areas conducive to gathering and interaction, roads, sidewalks, and medians. During the Class "B" Control Period, Declarant may designate such facilities and areas as open to the public. Thereafter, the Board may designate facilities and areas as open for public use.

7.10. Relationship with Governmental and Tax-Exempt Organizations.

The Association may enter into agreements or contracts with, or grant exclusive and/or non-exclusive easements over the Common Area to, state or local governments, public utility providers, and non-profit, tax-exempt organizations for the benefit of the Community, the Association, and the Members. The Association may contribute money, real property (including Common Area), personal property, or services to any such entity. Any such contribution shall be a Common Expense and included as a line item in the Association's annual budget.

For the purposes of this Section, a "tax-exempt organization" shall mean an entity which is exempt from federal income taxes under the Internal Revenue Code ("Code"), such as, but not limited to, entities which are exempt from federal income taxes under Sections 501(c)(3) or 501(c)(4), as the Code may be amended from time to time.

7.11. Right To Designate Sites for Governmental and Public Interests.

For so long as Declarant or any Declarant Affiliate owns any property described in Exhibit "A" or "B," Declarant may, but is not obligated to, designate sites within the Community for government, education, or

religious activities and interests, including without limitation, fire, police, and utility facilities, schools and educational facilities, houses of worship, parks, and other public facilities. Subject to the approval requirements set forth in Sections 14.5 and 17.4, the sites may include Common Area, in which case the Association shall take whatever action is required to permit such use, including dedication or conveyance of the site, if so directed by Declarant.

7.12. Education and Training.

The Association may provide education and training activities as a tool for fostering Owner and resident awareness of Champion Forest's governance, operations, and concerns. Appropriate educational topics include dispute or conflict resolution, issues involving the Governing Documents, and benefiting from and contributing to Champion Forest as a planned community. The Association also shall fund and support the education and training required for officers and directors under the By-Laws.

7.13. Use of Technology.

In recognition of the opportunities offered through computers and continuing advancements in the high technology fields, the Association may, as a Common Expense, provide for or offer services that make use of computers and other technological opportunities. For example, to the extent North Carolina law permits, and unless otherwise specifically prohibited in the Governing Documents, the Association may send required notices by electronic means; hold Board or Association meetings and permit attendance and voting by electronic means; send and collect assessment and other invoices over the computer; sponsor a community cable television channel; create and maintain a community intranet or Internet home page offering interactive participation opportunities for users; maintain an "online" newsletter or bulletin board.

Article VIII Association Finances

8.1. Budgeting and Allocating Common Expenses.

Association Funds

General Operating Fund
Reserve Fund for Repair and Replacement of Capital Items

Primary Sources of Income

Regular Assessments
Special Assessments
Declarant Subsidy (if any)
One-time Contributions to Working Capital

Secondary Sources of Income

Facilities Rental
Monetary Penalties
Benefited Assessments
Interest on Reserves and
Delinquent Assessments
Late Charges

The Association is authorized to levy Regular Assessments equally against all. Lots subject to assessment under Section 8.5 to fund the Common Expenses. Before the beginning of each fiscal year, the Board shall prepare a budget of the estimated Common Expenses for the coming year, including any contributions to be made to a reserve fund pursuant to Section 8.2. The budget shall separately reflect all fees for recreational amenities and shall reflect the sources and estimated amounts of funds to cover such expenses, including any prior year's surplus or deficit, any non-assessment income, and anticipated assessment income.

In determining the Regular Assessment, the Board may consider any assessment income expected to be generated from any property reasonably anticipated to become subject to assessment during the fiscal year.

The budget is subject to ratification by the Owners at a meeting. The Board shall send a summary of the proposed budget and notice of the meeting to consider ratification of the budget not less than 10 nor more than 60 days prior to the date of the meeting. A quorum need not be present at the meeting and the notice to Owners shall include a statement that the budget may be ratified without a quorum being present. The budget shall be ratified unless, at such meeting, the Members representing a majority of the Class "A" votes disapprove the budget.

Declarant may, but shall not be obligated to, reduce the Regular Assessment for any fiscal year by payment of a subsidy (in addition to any amounts paid by Declarant under Section 8.6(b)) which may be either a contribution, an advance against future assessments due from Declarant, or a loan, in Declarant's discretion. Any such subsidy shall be disclosed as a line item in the income portion of the budget. The payment of such subsidy

in any year shall not obligate Declarant to continue paying a subsidy in future years, unless otherwise provided in a written agreement between the Association and Declarant.

If any proposed budget is disapproved, or the Board fails for any reason to determine the budget for any year, then the budget most recently in effect shall continue in effect until a new budget is determined.

The Board may revise the budget and adjust the Regular Assessment from time to time during the year, subject to the notice requirements set forth above and in North Carolina law.

8.2. Budgeting for Reserves.

The Board may include in the Common Expense budget, as appropriate, a capital contribution to fund reserves in an amount sufficient to meet the projected need with respect both to amount and timing by annual contributions over the budget period. Reserve budgets shall take into account the number and nature of replaceable assets, the expected life of each asset, and the expected repair or replacement cost. So long as the Board exercises business judgment in determining the amount or necessity of the reserve fund, the amount shall be considered adequate.

The Board may adopt resolutions regarding the expenditure of any reserve funds, including policies designating the nature of assets for which reserve funds may be expended. So long as Declarant or any Declarant Affiliate owns any property described in Exhibits "A" or "B," neither the Association nor the Board shall adopt, modify, limit, or expand such policies without Declarant's prior written consent.

The Board may enter into agreements with Declarant, on negotiated terms, under which Declarant may obligate itself to provide or contribute to reserve funds as needed on a "cash basis" in lieu of funding reserves on an accrual basis. The Board has no duty to fund reserves during any period that Declarant is funding Association budget deficits.

8.3. Special Assessments.

In addition to other authorized assessments, the Association may levy Special Assessments against the entire membership to cover unbudgeted expenses or expenses in excess of those budgeted. Except as otherwise specifically provided in this Declaration, any Special Assessment shall require the affirmative vote or written consent of Members representing at least a majority of the total Class "A" votes in the Association, and the affirmative vote or written consent of the Class "B" Member, if any. Special Assessments shall be payable in such manner and at such times as determined by the Board, and may be payable in installments extending beyond the fiscal year in which the Special Assessment is approved.

8.4. Benefited Assessments.

The Association may levy Benefited Assessments against one or more particular Lots as follows:

(a) to cover the costs, including overhead and administrative costs, of providing services to Lots upon request of an Owner pursuant to any menu of special services which the Association may offer (which might include the items identified in Section 7.7) or pursuant to a Supplemental Declaration. Benefited Assessments for special services may be levied in advance of the provision of the requested service; and

(b) to cover costs incurred in bringing a Lot into compliance with the Governing Documents, or costs incurred as a consequence of the conduct of the Owner or occupants of the Lot, their agents, contractors, employees, licensees, invitees, or guests; provided, the Board shall give the Lot Owner prior written notice and an opportunity for a hearing, in accordance with the By-Laws, before levying any Benefited Assessment under this subsection.

Lots which Declarant or any Declarant Affiliate owns are exempt from Benefited Assessments.

8.5. Commencement of Assessment Obligation: Time of Payment.

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

Owners shall pay assessments in the manner and on the dates the Board establishes. The Board may require advance payment of assessments at closing of the transfer of title to a Lot and may impose special requirements for Owners with a history of delinquent payment. If the Board so elects, assessments may be paid in quarterly or monthly installments. Unless the Board otherwise provides, the Regular Assessment shall be due and payable in advance on the first day of each fiscal year. If any Owner is delinquent in paying any assessments or other charges levied on his Lot, the Board may require that the outstanding balance on all assessments be paid in full immediately.

8.6. Obligation for Assessments.

(a) Personal Obligation. Each Owner, by accepting a deed or entering into a Recorded contract of sale for any Lot, covenants and agrees to pay all assessments authorized in the Governing Documents for each Lot owned. All assessments, together with interest (computed from the assessment's due date at a rate of at least 18% per annum or such higher rate as the Board may establish, subject to North Carolina law), late charges as determined by Board resolution, costs, and reasonable attorneys' fees, shall be the personal obligation of each

Owner and a lien upon each Lot until paid in full. Upon a transfer of title to a Lot, the grantee shall be jointly and severally liable for any assessments and other charges due at the time of conveyance.

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

No Owner is exempt from liability for assessments by non-use of Common Area, abandonment of his or her Lot, or any other means. The obligation to pay assessments is a separate and independent covenant by each Owner. No reduction or abatement of assessments or set-off shall be claimed or allowed for any alleged failure of the Association or Board to take some action or perform some required function, or for inconvenience or discomfort arising from making repairs or improvements, or for any other reason.

Upon written request, the Association shall furnish to any Owner liable for any type of assessment a certificate in writing signed by an Association officer setting forth whether such assessment has been paid. Such certificate shall be conclusive evidence of payment. The Association may require the advance payment of a reasonable processing fee for the issuance of such certificate.

(b) Declarant's Option to Fund Budget Deficits. During the Class "B" Control Period, Declarant may satisfy the obligation for assessments on Lots which it or any Declarant Affiliate owns either by paying assessments in the same manner as any other Owner or by funding the budget deficit. The budget deficit is the difference between the amount of assessments levied on Class "A" Member-owned Lots, plus any other income received during the fiscal year, and the amount of the Association's actual expenditures during the fiscal year, including reserve contributions. Unless Declarant otherwise notifies the Board in writing at least 30 days before the beginning of the fiscal year, Declarant shall continue paying on the same basis as during the previous fiscal year.

Regardless of Declarant's election, Declarant's assessment obligations may be satisfied in the form of cash or by "in kind" contributions of services or materials, or by a combination of these. After termination of the Class "B" Control Period, except with respect to Benefitted Assessments, Declarant shall pay assessments on Lots which it or its Affiliates own in the same manner as any other Owner.

8.7. Lien for Assessments.

The Association shall have a lien against each Lot, including Declarant's Lots, to secure payment of delinquent assessments, as well as interest, late charges (subject to North Carolina law), and costs of collection (including attorneys' fees). Such lien shall be superior to all other liens, except (a) the liens of all taxes, bonds, assessments, and other levies which by law would be superior, and (b) the lien or charge of any Recorded first

Mortgage (meaning any Recorded Mortgage with first priority over other Mortgages) made in good faith and for value. The Association's lien may be enforced by suit, judgment, and judicial or nonjudicial foreclosure. Pursuant to N.C.G.S. 47F-3-16(c), the Association's lien for delinquent assessments automatically terminates after three years from the lien's Recordation, unless proceedings to enforce the lien are instituted within such time.

At a foreclosure sale, the Association may bid for the Lot and acquire, hold, lease, mortgage, and convey the Lot. The Association may sue for unpaid assessments and other charges without foreclosing or waiving its assessment lien.

Sale or transfer of any Lot shall not affect the assessment lien or relieve such Lot from the lien for any subsequent assessments. However, the sale or transfer of any Lot pursuant to foreclosure by the first Mortgagee extinguishes the lien relating to any amounts due prior to the Mortgagee's foreclosure. The purchaser of a foreclosed Lot shall not be personally liable for assessments on such Lot due prior to the foreclosure sale. Such unpaid assessments shall be a Common Expense collectible from Owners of all Lots subject to assessment under Section 8.6, including such purchaser, its successors and assigns.

Notwithstanding the above, while the Association owns a Lot: (a) no right to vote shall be exercised on its behalf; (b) no assessment shall be levied on it; and (c) each other Lot shall be charged, in addition to its usual assessment, its pro rata share of the assessment that would have been charged such Lot had it not been acquired by the Association.

8.8. Exempt Property.

The following property shall be exempt from payment of Regular Assessments, and Special Assessments:

- (a) All Common Area and other portions of the Community which are not Lots; and
- (b) Any property dedicated to and accepted by any governmental authority or public utility.

In addition, both Declarant and the Association shall have the right, but not the obligation, to grant exemptions to schools, houses of worship, hospitals, or Lots owned by and used by Persons qualifying for tax exempt status under Section 501(c) of the Internal Revenue Code. Exemptions granted by Declarant shall be binding on the Association.

8.9. Use and Consumption Fees Licenses and Royalties.

The Board may charge use and consumption fees to any Person using Association services or facilities and may determine the amount and method of determining such fees. Different fees may be charged to different classes of users (e.g., Owners and non-Owners).

PART FOUR: COMMUNITY DEVELOPMENT

The Declaration reserves various rights to the developer in order to facilitate the smooth and orderly development of Champion Forest and to accommodate changes in the master plan which inevitably occur as a community the size of Champion Forest grows and matures.

Article IX Expansion of the Community**9.1. Annexation by Declarant.**

Declarant may, from time to time, subject to this Declaration annex all or any portion of the property described in Exhibit "B" by Recording a Supplemental Declaration describing the property being subjected. A Supplemental Declaration Recorded pursuant to this Section shall not require the consent of any Person except the owner of such property, if other than Declarant.

Declarant's right to annex property pursuant to this Section. expires when all property described in Exhibit "B" has been subjected to this Declaration or 15 years after this Declaration is Recorded, whichever is earlier. Until then, Declarant may transfer or assign this right to any Person who is the developer of at least a portion of the real property described in Exhibits "A" or "B." Any such transfer shall be memorialized in a Recorded instrument executed by Declarant.

Nothing in this Declaration shall require Declarant or any successor to subject additional property to this Declaration or to develop any of the property described in Exhibit "B" in any manner whatsoever.

9.2. Annexation by the Association.

The Association also may annex property to the provisions of this Declaration by Recording a Supplemental Declaration describing the additional property. Annexation by the Association shall require the affirmative vote or written consent of Members representing more than 50% of the Class "A" votes and the consent of the property owner. In addition, so long as Declarant or any Declarant Affiliate owns property subject to this Declaration or which may become subject to this Declaration in accordance with Section 9.1, Declarant's consent is required. The Supplemental Declaration shall be signed by the President and Secretary of the Association, by the owner of the property, and by Declarant, if Declarant's consent is required.

9.3. Additional Covenants and Easements.

By Supplemental Declaration, Declarant may impose additional covenants and easements on portions of the Community, including covenants obligating the Association to maintain and insure specific property and authorizing the Association to recover its costs through Benefitted Assessments. If someone other than Declarant owns the property, then such owner's consent and execution of the Supplemental Declaration is required. Any such Supplemental Declaration may supplement, create exceptions to, or otherwise modify the terms of this Declaration as it applies to the subject property in order to reflect the different character and intended use of such property.

9.4. Effect of Filing Supplemental Declaration.

Unless otherwise specified, a Supplemental Declaration shall be effective upon the earlier of (a) notice to the Persons affected thereby, or (b) Recording. The Lots subjected to this Declaration by Supplemental Declaration shall have equal voting rights in the Association and equal pro rata liability for Regular Assessments with all other Lots. All property made subject to this Declaration also shall be subject to the Community Covenant whether or not specifically stated in the Supplemental Declaration.

Article X Additional Rights Reserved to Declarant

10.1. Withdrawal of Property.

Declarant reserves the right to amend this Declaration, so long as it has a right to annex property pursuant to Section 9.1, to remove any unimproved portion of Champion Forest from the coverage of this Declaration. "Unimproved" means that no structure has yet been built on the property. Such amendment shall not require the consent of any Person other than the Owner(s), of the property to be withdrawn, if not the Declarant. Except as provided in Section 7.1(b), if the property is Common Area, the Association's consent is required for such withdrawal.

10.2. Marketing and Sales Activities.

Notwithstanding anything in the Governing Documents to the contrary, Declarant, its Affiliates, and Builders may construct and maintain upon portions of the Common Area and other property they own, such facilities, activities, and things as, in Declarant's opinion, may reasonably be required, convenient, or incidental to the construction or sale of Lots. Such permitted facilities, activities, and things shall include business offices, signs, flags (whether hung from flag poles or attached to a structure), model homes, sales offices, holding or sponsoring special events, and exterior lighting features or displays. In addition, if reasonably required, convenient, or incidental to construction or sales activities, Declarant, Declarant's Affiliates, and Builders may park vehicles in areas other than garages or driveways, including on streets. Builder's rights under this Section are subject to Declarant's approval.

10.3. Right to Develop.

Declarant and its Affiliates and their respective employees, agents, and designees shall have a right of access and use and an easement over and upon all of the Common Area for the purpose of making, constructing, and installing such improvements to the Common Area, and to the Exhibit "B" property, as it deems appropriate in its sole discretion.

Each Owner acknowledges that Champion Forest is a master planned community, the development of which is likely to extend over many years, and agrees and consents to all changes in (a) uses or density of Lots or dwellings within Champion Forest, or (b) changes in the Master Plan.

Each Owner acknowledges and agrees that the present plans and themes for Champion Forest's development may change and that it has not relied on any representation, warranty, or assurance by any Person (a) that any Lots, or other property or facilities will be added, modified, or eliminated within Champion Forest; or (b) as to the financial or other impact of such action on any Owner. Each Owner acknowledges and agrees that it is not entitled to rely upon and has not received or relied upon any representations, warranties, or guarantees whatsoever as to: (a) the design, construction, completion, development, use, benefits, or value of Champion Forest; or (b) the number, types, sizes, prices, or designs of any residential or non-residential structures or improvements built or to be built in any part of Champion Forest.

10.4. Right to Approve Changes in Champion Forest Standards.

No amendment to or modification of any Use Restrictions, rules, or the Architectural Guidelines shall be effective without prior notice to and the written approval of Declarant so long as Declarant or any Declarant Affiliate owns any portion of the Community or has a unilateral right to annex property in accordance with Section 9.1.

10.5. Right to Transfer or Assign Declarant Rights.

Any or all of Declarant's special rights and obligations set forth in this Declaration or the By-Laws may be transferred in whole or in part to other Persons; provided, the transfer shall not reduce an obligation nor enlarge a right beyond that which Declarant has under this Declaration or the By-Laws. No such transfer or assignment shall be effect' unless it is in a Recorded instrument signed by Declarant. Declarant may allow other Persons to exercise, on a one-time or limited basis, any Declarant right without transferring the entire right. In such case, a Recorded instrument is not required.

10.6. Central Telecommunication, Receiving, and Distribution System.

Declarant reserves for itself, its successors and assignees, the exclusive and perpetual right to operate within Champion Forest, and to service the buildings and the structures within any Lot, a central telecommunication (including cable television and security monitoring), receiving, and distribution system, including conduits, wires, amplifiers, towers, antennae, and other apparatus and equipment (the "Community

Systems") related to such receiving system as Declarant, in its discretion, deems appropriate. Such exclusive and perpetual right shall include, without limitation, Declarant's right to select and contract with companies licensed to provide telecommunications and cable television service in the Champion Forest area, and to charge individual users a reasonable fee not to exceed the maximum allowable charge for such service, as from time to time is defined by the laws, rules, and regulations of the relevant government authority, if applicable.

Declarant may require that the Board enter into a bulk rate service agreement for the provision of Community Systems to all Lots as a Common Expense. If particular services or benefits are provided to particular Owners or Lots at their request, the benefited Owner(s) shall pay the service provider directly for such services, or the Association may assess the costs as a Benefited Assessment.

10.7. INTENTIONALLY DELETED.

10.8. Right To Use Common Area for Special Events.

As long as Declarant or any Declarant Affiliate owns any property described in Exhibit "A" or "B," Declarant may use the Common Area to sponsor special events for charitable, philanthropic, political, or marketing purposes, subject to the following conditions:

- (a) the availability of the facilities at the time requested;
- (b) Declarant shall pay all costs and expenses incurred and shall indemnify the Association against any loss or damage resulting from the special event; and
- (c) Declarant shall return the facilities and personal property used in conjunction with the special event to the Association in the same condition as existed prior to the special events.

Declarant shall have the right to assign its rights to charitable organizations or foundations selected by Declarant. Declarant's right to use the Common Area for special events shall be enforceable by injunction, by any other remedy in law or equity, and by the terms of this Declaration.

10.9. Easement to Inspect and Right to Correct.

Declarant reserves for itself and others it may designate the right to inspect, monitor, test, redesign, and correct any structure, improvement, or condition which may exist on any portion of Champion Forest, including Lots, and a nonexclusive easement of access throughout the Community to the extent reasonably necessary to exercise such right. Except in an emergency, entry onto a Lot shall be only after reasonable notice to the Owner and no entry into a dwelling or other structure on a Lot shall be permitted without the Owner's consent, which consent shall not unreasonably be withheld, conditioned, or delayed. The failure or refusal to permit reasonable access to the Lot for the purposes contemplated under this paragraph shall excuse Declarant or its designee from responsibility for repairs or damages relating to defective workmanship or materials. The Person exercising this easement shall promptly repair, and pay for, any resulting damage.

10.10. Right to Notice of Design or Construction Claims.

No Person shall retain an expert for the purpose of inspecting the design or construction of any structures or improvements within Champion Forest in connection with or in anticipation of any potential or pending claim, demand, or litigation involving such design or construction unless Declarant and any Builder involved in the design or construction have been first notified in writing and given an opportunity to meet with the property Owner and conduct an inspection.

10.11. Termination of Rights.

Rights granted under this Article shall terminate upon the earlier of (a) the period specified in the particular Section; (b) 40 years from the date this Declaration is Recorded; or (c) Declarant's Recording of a statement that all sales activity has ceased. Thereafter, Declarant may continue to use the Common Areas for the purposes stated in this Article only pursuant to a rental or lease agreement between Declarant and the Association which provides for rental payments based on the fair market rental value of any such portion of the Common Areas. Notwithstanding the above, Declarant reserves for itself and its Affiliates a perpetual, nonexclusive easement of access to and use of the Common Areas in connection with the marketing and sale of other properties in order to show the Community as an example of Declarant's projects. This Article shall not be amended without Declarant's written consent.

10.12. Exclusion of Declarant's other Properties.

By accepting a deed to a Lot, each Owner, specifically acknowledges that nothing contained in this Declaration shall in any way, either expressly or by implication, restrict, limit, or otherwise affect the use or disposition by Declarant or any Declarant Affiliate of any property either of them owns, whether contained within or contiguous to Champion Forest. Declarant and its Affiliates shall have full, free, and unrestricted use of its other lands, notwithstanding any incompatibility of such use with restrictions this Declaration imposes upon the Lots. By accepting a deed to a Lot, each Owner, specifically and expressly disclaims any reciprocal negative easement in any property Declarant owns.

PART FIVE: PROPERTY RIGHTS WITHIN THE COMMUNITY

The nature of living in a planned community, with its wide array of properties and development types and its ongoing development activity, requires the creation of special property rights and provisions to address the needs and responsibilities of the Owners, Declarant, the Association, and others within or adjacent to the Community.

Article XI Easements

11.1. Easements in Common Area.

Declarant grants to each Owner a right and easement of use, access, and enjoyment in and to the Common Area, subject to:

- (a) The Governing Documents and any other applicable covenants;

- (b) Any restrictions or limitations contained in any deed conveying the property to the Association;
- (c) The Board's right to:

- (i) adopt rules regulating Common Area use, including rules limiting the number of guests who may use the Common Area, and charge use fees for such use;

- (ii) suspend the right of an Owner to use any Common Area amenity (A) for any period during which any assessment or other charge against the Owner's Lot remains delinquent, and (B) for a period not to exceed 30 days for a single violation, or for a longer period in the case of any continuing violation, of the Governing Documents;

- (iii) dedicate or transfer all or any part of the Common Area, subject to any approval requirements set forth in this Declaration;

- (iv) rent any portion of any clubhouse or other Common Area recreational facilities on an exclusive or non-exclusive short-term basis to any Person;

- (v) permit use by the general public, which use may be subject to admission charges, membership fees, or other user fees established in the Board's discretion; and

- (vi) mortgage, pledge, or hypothecate any or all of the Common Area as security for money borrowed or debts incurred subject to the approval requirements set forth in Sections 14.5 and 17.4.

Any Owner may extend his or her right to use the Common Area to the members of his or her family, tenants, and social invitees, as applicable, subject to reasonable Board regulation. An Owner who leases his or her Lot shall be deemed to have assigned all such rights to the tenants of such Lot for the lease term.

11.2. Easements of Encroachment.

Declarant grants easements of encroachment, and for maintenance and use of any permitted encroachment, between each Lot and any adjacent Common Area and between adjacent Lots. A permitted encroachment is a structure or fixture which extends unintentionally on to another's property, a distance of less than three feet, as measured from any point on the common boundary along a line perpendicular to such boundary. An encroachment easement shall not exist if the encroachment results from willful and knowing conduct on the part of, or with the knowledge and consent of, the Person claiming the benefit of such easement.

11.3. Easements for Utilities, Etc.

(a) Installation and Maintenance. Declarant reserves for itself, so long as Declarant or any Declarant Affiliate owns any property described in Exhibit "A" or "B," and reserves the right to grant to the Association and utility providers, perpetual, non-exclusive easements throughout Champion Forest (but not through a structure) to the extent reasonably necessary to:

- (i) install utilities and infrastructure to serve Champion Forest, cable and other systems for sending and receiving data and/or other electronic signals, drainage systems, and security and similar systems;
- (ii) install walkways, pathways and trails, street lights, and signage on property which Declarant or the Association owns or within public rights-of-way or easements reserved for such purpose on a Plat; described above; and
- (iii) inspect, maintain, repair, and replace the utilities, infrastructure, and other improvements described above; and
- (iv) access and read utility meters.

The easements reserved by Declarant are reserved exclusively to Declarant and no utility or service provided shall have any rights hereunder until Declarant expressly grants such rights.

Notwithstanding the above, Declarant reserves the right to deny access to any utility or service provider, to the extent permitted by law, or to condition such access on negotiated terms.

(b) Specific Easements. Declarant also reserves for itself the non-exclusive right and power to grant and Record such specific easements as may be necessary, in Declarant's sole discretion, to develop the property described in Exhibits "A" and "B." The location of the easement shall be subject to the written approval of the burdened property Owner, which approval shall not unreasonably be withheld, delayed, or conditioned.

(c) Minimal Interference. All work associated with the exercise of the easements described in subsections (a) and (b) of this Section shall be performed in such a manner as to minimize interference with the use and enjoyment of the property burdened by the easement. Upon completion of the work, the Person exercising the easement shall restore the property, to the extent reasonably possible, to the condition existing prior to the work. The exercise of these easements shall not extend to permitting entry into the structures on any Lot, nor shall it unreasonably interfere with the use of any Lot and, except in an emergency, entry onto any Lot shall be made only after reasonable notice to the Owner or occupant.

11.4. Easements to Serve Additional Property.

Declarant reserves for itself and its duly authorized agents, successors, assigns, and mortgagees, an easement over the Common Area for enjoyment, use, access, and development of the property described in Exhibit "B," whether or not such property is made subject to this Declaration. This easement includes, but is not limited to, a right of ingress and egress over the Common Area for construction of roads and for connecting and installing utilities.

If the above easement grants permanent access to any property which is not submitted to this Declaration, Declarant, or its successors or assigns, shall enter into a reasonable agreement with the Association to share the cost of maintenance that the Association provides for the benefit of the easement holder. The shared maintenance costs may include maintenance to or along any roadway providing access to the benefited property.

11.5. Easements for Maintenance, Emergency and Enforcement.

Declarant grants to the Association easements over Champion Forest as necessary for the Association to fulfill its maintenance responsibilities under Section 7.2. The Association shall also have the right, but not the obligation, to enter upon any Lot for emergency, security, and safety reasons, to perform maintenance and to inspect for the purpose of ensuring compliance with and enforcing the Governing Documents. Any member of the Board, and its duly authorized agents and assignees, including committee members, and all emergency personnel in the performance of their duties may exercise such right. Except in an emergency situation, entry shall only be during reasonable hours and after notice to the Owner.

Declarant grants to the Association, subject to any required notice, an easement and right to enter a Lot to abate a Governing Document violation and/or to remove any structure, thing, or condition that violates the Governing Documents. Any costs incurred, including reasonable attorneys' fees, shall be assessed against the Lot Owner as a Benefited Assessment.

11.6. ~~INTENTIONALLY DELETED~~

11.7. Easements for Cross-Drainage.

All portions of the Community shall be burdened with easements for natural drainage of stormwater runoff from other portions of the Community; provided, no Person shall alter the natural drainage on any Lot to increase materially the drainage of stormwater onto adjacent portions of the Community without the consent of the Owner(s) of the affected property, the Board, and Declarant as long as it or any Declarant Affiliate owns any property described in Exhibit "A" or "B" to the Declaration.

11.8. Rights to Stormwater Runoff, Effluent, and Water Reclamation.

Declarant reserves for itself and its designees all rights to ground water, surface water, stormwater runoff, and effluent located or produced within the Community, and each Owner agrees, by acceptance of a deed to a Lot, that Declarant shall retain all such rights. Such rights shall include the reservation of an easement over the Community for access, and for installation and maintenance of facilities and equipment to capture and transport such water, runoff, and effluent. This Section may not be amended without Declarant's consent, and the rights created in this Section shall survive termination of this Declaration.

Article XII **Party Walls and Other Shared Structures**

12.1. General Rules of Law to Apply.

Each wall, fence, driveway, or similar structure built as a part of the original construction on the Lots which serves and/or separates any two adjoining Lots shall constitute a party structure. To the extent not inconsistent with the provisions of this Section, the general rules of law regarding party walls and liability for property damage due to negligence or willful acts or omissions shall apply to party structures. Any dispute arising concerning a party structure shall be handled in accordance with the provisions of Article XII.

12.2. Maintenance: Damage and Destruction.

Unless otherwise specifically provided in additional covenants relating to such Lots, the Owners sharing the party structure shall share equally in the cost of necessary or appropriate party structure repairs and maintenance.

If a party structure is destroyed or damaged by fire or other casualty, then to the extent that such damage is not covered by insurance and repaired out of the proceeds of insurance, any Owner sharing the structure may restore it and be entitled to contribution for the restoration cost in equal proportions from other sharing owners. However, such contribution will not prejudice the right to call for a larger contribution from the other users under any rule of law regarding liability for negligent or willful acts or omissions.

The right of any Owner to contribution from any other Owner under this Section shall be appurtenant to the land and shall pass to such Owner's successors-in-title.

PART SIX: RELATIONSHIPS WITHIN AND OUTSIDE THE COMMUNITY

The growth and success of Champion Forest as a community in which people enjoy living, working, and playing requires good faith efforts to resolve disputes amicably, attention to and understanding of relationships within the community and with our neighbors, and protection of the rights of others who have an interest in the community.

Article XIII Dispute Resolution

13.1. Agreement to Encourage Resolution of Disputes Without Litigation.

(a) Declarant, the Association and its officers, directors, and committee members, all Persons subject to this Declaration, and any Person not otherwise subject to this Declaration who agrees to submit to this Article (collectively, "Bound Parties"), agree to attempt to resolve disputes involving Champion Forest without the emotional and financial costs of litigation. Accordingly, each Bound Party agrees not to, directly or indirectly, file a law suit for a Claim described in subsection (b), without first submitting the Claim to the alternative dispute resolution procedures described in Section 13.2.

(b) As used in this Article, the term "Claim" shall refer to any claim, grievance, or dispute arising out of or relating to

- (i) the interpretation, application, or enforcement of the Governing Documents;
- (ii) the rights, obligations, and duties of any Bound Party under the Governing Documents;
- (iii) the design or construction of improvements within the Community, other than matters of aesthetic judgment under Article IV, which shall not be subject to review; or
- (iv) trespass, nuisance, property damage, or enforcement of laws, codes, or ordinances within Champion Forest.

except that the following shall not be considered "Claims" unless all parties to the matter otherwise agree to submit the matter to the procedures set forth in Section 13.2:

- (i) any Association action to collect assessments or other amounts due from any Owner,
- (ii) any Association action to obtain a temporary restraining order (or emergency equitable relief) and such ancillary relief as the court may deem necessary in order to maintain the status quo and preserve the Association's ability to enforce the provisions of Part Two of this Declaration (relating to creation and maintenance of community standards);
- (iii) any suit between Owners, which does not include Declarant or the Association as a party, if such suit asserts a Claim which would constitute a cause of action independent of the Governing Documents;
- (iv) any suit in which any indispensable party is not a Bound Party; and
- (v) any suit as to which the applicable statute of limitations would expire within 180 days of giving the Notice required by Section 13.2(a), unless the party or parties against whom the Claim is made agree to toll, or extend, the Claim's statute of limitations to comply with this Article.

13.2. Dispute Resolution Procedures.

(a) Notice. The Bound Party asserting a Claim ("Claimant") against another Bound Party ("Respondent") shall give written notice ("Notice") by mail or personal delivery to each Respondent, and to the Board, stating plainly and concisely:

- (i) the nature of the Claim, including the Persons involved and Respondent's role in the Claim;
- (ii) the legal basis of the Claim (i.e., the specific authority out of which the Claim arises);
- (iii) the Claimant's proposed resolution or remedy; and
- (iv) the Claimant's desire to meet with the Respondent to discuss in good faith ways to resolve the Claim.

(b) Negotiation. The Claimant and Respondent shall make every reasonable effort to meet in person and confer for the purpose of resolving the Claim by good faith negotiation. If requested in writing, accompanied by a copy of the Notice, the Board may appoint a representative to assist the parties in negotiating a resolution of the Claim.

(c) Mediation. If the Bound Parties have not resolved the Claim through negotiation within 30 days of the date of the Notice (or within such other agreed upon period), the Claimant shall have 30 additional days to submit the Claim to mediation with an entity designated by the Association (if the Association is not a party to the Claim) or to an independent agency providing dispute resolution services in the Union County area. Each Bound Party shall present the mediator with a written summary of the Claim.

If the Claimant does not submit the Claim to mediation within such time, or does not appear for and participate in good faith in the mediation when scheduled, the Claimant shall be deemed to have waived the Claim, and the Respondent shall be relieved of any and all liability to the Claimant (but not third parties) on account of such Claim.

If the Bound Parties do not settle the Claim within 30 days after submitting the matter to mediation, or within such time as determined reasonable by the mediator, the mediator shall issue a notice of termination of the mediation proceedings indicating that the Parties are at an impasse and the date that mediation was terminated. The Claimant shall thereafter be entitled to file suit or to initiate administrative proceedings on the Claim, as appropriate.

Each Bound Party shall bear its own costs of the mediation, including attorneys' fees, and each Party shall share equally all fees charged by the mediator.

(d) Settlement. Any settlement of the Claim through negotiation or mediation shall be documented in writing and signed by the Bound Parties. If any Bound Party thereafter fails to abide by the terms of such agreement, then any other Bound Party may file suit or initiate administrative proceedings to enforce such agreement without the need to again comply with the procedures set forth in this Section. In such event, the Bound Party taking action to enforce the agreement shall, upon prevailing, be entitled to recover from the non-complying Bound Party (or each one in equal proportions) all costs incurred in enforcing such agreement, including, without limitation, attorneys' fees and court costs.

13.3. Initiation of Litigation by Association.

After the class "B" Control Period, the Association shall not initiate any judicial or administrative proceeding which is reasonably expected to cost at least \$100,000.00 in legal fees to prosecute to completion unless first approved by the Board upon the specific recommendation of the Dispute Resolution Committee (which shall be created as provided in the By-Laws). The Dispute Resolution Committee's recommendation must be in writing and must be accompanied by a feasibility analysis *including an* explanation of the issues, a budget for legal and related expenses, the amount in controversy, the expectation of success, and a copy of bids from a minimum of three qualified law firms.

Article XIV Mortgage Provisions

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

14.1. Notices of Action.

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

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

(b) Any delinquency in the payment of assessments or charges owed by a Lot subject to the Mortgage of such Eligible Holder, where such delinquency has continued for a period of 60 days, or any other violation of the Governing Documents relating to such Lot or the Owner or occupant which is not cured within 60 days;

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

(d) Any proposed action which would require the consent of a specified percentage of Eligible Holders; or

(e) If the U.S. Department of Housing and Urban Development is insuring or the U.S. Department of Veterans Affairs is guaranteeing the Mortgage on any Lot, material amendment to the Governing Documents or extraordinary action of the Association, as defined under VA Pamphlet 26-7.

14.2. No Priority

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

14.3. Notice to Association.

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

14.4. Failure of Mortgagee to Respond.

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

14.5. HUD/VA Approval.

As long as there is a Class "B" membership, the following actions shall require the prior approval of the U.S. Department of Housing and Urban Development ("HUD") or the U.S. Department of Veterans Affairs ("VA"), if either such agency is insuring or guaranteeing the Mortgage on any Lot: merger, consolidation, or dissolution of the Association; annexation of additional property other than that described in Exhibit "B"; dedication, conveyance (other than to correct errors on property descriptions or other inconsequential or immaterial conveyances), or mortgaging of Common Area; or material amendment of this Declaration or the By-Laws. The granting of easements for utilities or other similar purposes consistent with the intended use of the Common Area shall not be deemed a conveyance within the meaning of this Section.

Article XV Disclosures and Waivers.**15.1. No Liability For Third Party Acts.**

Owners and occupants of Lots, and their respective guests and invitees, are responsible for their own personal safety and for their property in Champion Forest. The Association but neither is obligated to, maintain or support certain activities within the Community which promote or enhance safety or security within the Community. However, the Association, and Declarant shall not in any way be considered insurers or guarantors of safety or security within the Community, nor shay they be held liable for any loss or damage by reason of failure to provide adequate security or ineffectiveness of security measures undertaken.

No representation or warranty is made that any systems or measures, including fire protection, burglar alarm, or other security monitoring systems, or any mechanism or system for limiting access to the Community, cannot be compromised or circumvented, nor that any such systems or measures undertaken will in all cases prevent loss or provide the detection or protection for which the system is designed or intended. Each Owner acknowledges, understands, and shall be responsible for informing its tenants and all occupants of its Lot that the Association, the Board and its committees, and Declarant are not insurers or guarantors of security or safety and that each Person within Champion Forest assumes all risks of personal injury and loss or damage to property, including Lots and the contents of Lots, resulting from acts of third parties.

15.2. View Impairment.

Neither Declarant nor the Association guarantee or represent that any view over and across the Lots, any open space within the Community will be preserved without impairment. Neither Declarant nor the Association shall be obligated to relocate, prune, or thin trees or other landscaping except to maintain the Community-Wide Standard or as otherwise required under a separate covenant or agreement. The Association (with respect to the Common Area) has the right to add trees and other landscaping from time to time subject to applicable law. Any express or implied easements for view purposes or for the passage of light and air are hereby expressly disclaimed.

15.3. Notices and Disclaimers as to Community Systems.

In recognition of the fact that interruptions in cable television and other Community Systems services (as defined in Section 10.6) will occur from time to time, neither Declarant nor any of Declarant's successors or assigns shall in any manner be liable for, and no Community System user shall be entitled to refund, rebate, discount, or offset in applicable fees, for any interruption in Community Systems services, regardless of whether or not such interruption is caused by reasons within the service provider's control.

15.4. Blasting and Other Activities.

All Owners, occupants, and users of Lots are hereby placed on notice that Declarant, any Declarant Affiliate, and/or their agents, contractors, subcontractors, licensees, and other designees,

successors, or assigns, may, from time to time, conduct blasting, excavation, construction, and other activities within Champion Forest. By the acceptance of a deed or other conveyance or mortgage, leasehold, license, or other interest, and by using any portion of a Lot or Champion Forest generally, the Owners and all occupants and users of Lots acknowledge, stipulate, and agree (a) such activities shall not be deemed nuisances, or noxious or offensive activities, under any applicable covenants or at law generally; (b) not to enter upon, or allow their children or other Persons under their control or direction to enter upon (regardless of whether such entry is a trespass or otherwise) any property within or in proximity to the Lot where such activities are being conducted (even if not being actively conducted at the time of entry, such as at night or otherwise during non-working hours); (c) that Declarant, any Declarant Affiliate, and all of their agents, contractors, subcontractors, licensees, and other designees, successors, and assigns, shall not be liable but, rather, shall be held harmless for any and all losses, damages (compensatory, consequential, punitive, or otherwise), injuries, or deaths arising from or relating to the aforesaid activities; (d) that any purchase or use of any portion of a Lot has been and will be trade with full knowledge of the foregoing; and (e) this acknowledgment and agreement is a material inducement to Declarant or its Affiliates to sell, convey, lease, and/or allow the use of Lots within Champion Forest.

15.5. Liability for Association Operations.

The Association shall, to the fullest extent permitted by law, indemnify, defend, and hold harmless Declarant (including its Affiliates, successors, and assigns) from and against any and all losses, claims, demands, damages, costs, and expenses of whatever kind or nature (including, without limitation, reasonable attorneys' fees and costs at all tribunal levels and whether or not suit is instituted, including those incurred in establishing the right to be indemnified, defended, and held harmless pursuant hereto), which relate to or arise out of Association management and operations, including, without limitation, improvement, maintenance, and operation of amenities and other portions of the Common Maintenance Areas and the collection of assessments.

PART SEVEN: CHANGES IN THE COMMUNITY

Communities such as Champion Forest are dynamic and constantly evolving as circumstances, technology, needs and desires, and laws change, as the residents age and change over time, and as the surrounding community changes. Champion Forest and its Governing Documents must be able to adapt to these changes while protecting the things that make Champion Forest unique.

Article XVI Changes in Ownership of Lots

Any Owner, other than Declarant or any Declarant Affiliate, desiring to sell or otherwise transfer title to his or her Lot shall give the Board at least 14 days' prior written notice of the name and address of the purchaser or transferee, the date of such transfer of title, and such other information as the Board may reasonably require. The transferor shall continue to be jointly and severally responsible with the transferee for all obligations of the Lot Owner, including assessment obligations, until the date upon which the Board, notwithstanding the transfer of title, receives such notice.

Article XVII Changes in Common Area**17.1. Condemnation.**

Whenever any part of the Common Area is taken or conveyed under threat of condemnation by any authority having the power of eminent domain, the Board shall determine, in the exercise of its business judgment, whether each Owner is entitled to notice.

The award made for such taking shall be payable to the Association as trustee for all Owners to be disbursed as follows:

If the taking involves a portion of the Common Area on which improvements have been constructed, the Association shall restore or replace such improvements on the remaining land included in the Common Area to the extent practicable, unless, within 60 days after such taking, Declarant, so long as Declarant owns any property described in Exhibit "A" or "B" of this Declaration, and at least 75% of the total Class "A" votes in the Association shall otherwise agree. Any such construction shall be in accordance with plans the Board approves. The provisions of Section 7.3 regarding funds for the repair of damage or destruction shall apply.

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

17.2. Partition.

Except as permitted in this Declaration, the Common Area shall remain undivided, and no Person shall bring any action for partition of any portion of the Common Area without the written consent of all Owners and Mortgagees. This Section shall not prohibit the Board from acquiring and disposing of tangible personal property nor from acquiring and disposing of real property which may or may not be subject to this Declaration.

17.3. Transfer or Dedication of Common Area.

The Association may convey, dedicate, or otherwise transfer portions of the Common Area to Mecklenburg County, the City of Huntersville, or to any other local, state, or federal governmental or quasi-governmental entity, subject to such approval as may be required by Sections 14.5 and 17.4.

17.4. Actions Requiring Owner Approval.

If either HUD or the VA insures or guarantees the Mortgage on any Lot, then the following actions shall require the prior approval of at least two-thirds (2/3) of the Class "A" Members and the consent of the Class "B" Member, if such exists: merger, consolidation, or dissolution of the Association; annexation of additional property other than that described in Exhibit "B"; and dedication, conveyance (other than to correct errors in property descriptions or other inconsequential or immaterial conveyances), or mortgaging of Common Area. Notwithstanding anything to the contrary in Section 17.1 or this Section, the Association, acting through the Board, may grant easements over the Common Area for installation and maintenance of utilities and drainage facilities and for other purposes not inconsistent with the intended use of the Common Area, without the approval of the membership.

Article XVIII Amendment of Declaration**18.1. By Declarant.**

In addition to specific amendment rights granted elsewhere in this Declaration, during the Class "B" Control Period, Declarant may unilaterally amend this Declaration for any purpose.

Thereafter, Declarant may unilaterally amend this Declaration if such amendment is necessary (a) to bring any provision into compliance with any applicable governmental statute, rule, regulation, or judicial determination; (b) to enable any reputable title insurance company to issue title insurance coverage on the Lots; (c) to enable any institutional or governmental lender, purchaser, insurer, or guarantor of mortgage loans, including, for example, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, HUD, or VA, to make, purchase, insure, or guarantee mortgage loans on the Lots; or (iv) to satisfy the requirements of any local, state, or federal governmental agency. However, any such amendment shall not adversely affect the title to any Lot unless the Owner shall consent in writing.

18.2. By the Board.

Except as otherwise specifically provided above and elsewhere in this Declaration, this Declaration may be amended only by the affirmative vote or written consent, or any combination thereof, of Members representing at least 75% of the Association's total Class "A" votes. In addition, so long as Declarant or any Declarant Affiliate owns any property subject to this Declaration or which may become subject to this Declaration in accordance with Section 9.1, Declarant's written consent is required for any amendment. The approval requirements set forth in Article XV also 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.

18.3. Validity and Effective Date.

No amendment may remove, revoke, or modify any right or privilege of Declarant or the Class "B" Member without the written consent of Declarant or the Class "B" Member, respectively (or the assignee of such right or privilege).

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

Any amendment shall become effective upon the earliest of (a) actual notice; (b) Recording; or (c) later effective date specified in the amendment. Any procedural challenge to an amendment must be made within one year of its Recording 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 this Declaration.

18.4. Exhibits.

Exhibits "A" and "B" attached to this Declaration are incorporated by this reference and amendment of such exhibits shall be governed by this Article. Exhibit "C" is incorporated by reference and may be amended as provided in Article III or pursuant to Sections 18.1 and 18.2. All other exhibits are attached for informational purposes and may be amended as provided therein or in the provisions of this Declaration which refer to such exhibits.

IN WITNESS WHEREOF, the undersigned Declarant has executed this Declaration the date and year first written above.

DECLARANT:

CHAMPION FOREST, LLC
a North Carolina Limited Liability Company

By: Stephen R. Puckett
Name: Stephen R. Puckett
Its: Manager

State of North Carolina)
) ss
County of Mecklenburg)

The foregoing instrument was acknowledged before me this 28 day of September, 2001, by Stephen R. Puckett manager (or agent) on behalf of Champion Forest, LLC, a North Carolina limited liability company. He/She is personally known to me or has produced _____ as identification.

Elizabeth C. Chandler
Signature of Notary Public

July 16, 2002

My Commission Expires _____

[SEAL]

NORTH CAROLINA - UNION COUNTY
The foregoing certificate(s) of
Elizabeth C. Chandler
Notary Public
is/are certified
to be correct. Filed for record this 30th day
of Oct 2001 at 1:40pm
JUDY G. PRICE, REGISTER OF DEEDS
BY: Elizabeth Chandler
Asst./Deputy

EXHIBIT A

TRACT 1:

BEGINNING at a stone located at the common rear corner of Lots 46 and 47 of FAIRFAX FARM, Map 2, Section 1, as shown on map recorded in Plat Cabinet B, File No. 352-A, in the Union County, North Carolina, Public Registry, and running thence from said Beginning Point S. 10-33-12 E. 1691.76 feet to an iron pin located at the southeasterly corner of Lot 83 of CHAMPION FOREST, Map 3, as shown on map recorded in Plat Cabinet G, File No. 154, in the Union County Public Registry; thence S. 83-01-45 W. 177.84 feet to an iron pin located in the easterly margin of the 60-foot right of way of Waynewood Drive; thence crossing Waynewood Drive S. 81-09-51 W. 60.00 feet to an iron located in the westerly margin of the 60-foot right of way of Waynewood Drive; thence with said margin of Waynewood Drive N. 08-50-09 W. 49.39 feet to an iron pin located at the easternmost corner of Lot 104 of CHAMPION FOREST; thence with the southeasterly side lot line of said Lot 104 S. 81-02-58 W. 181.28 feet to an iron pin; thence S. 08-40-55 E. 242.82 feet to an iron pin located in the northerly margin of the 40-foot right of way of Whitaker Place; thence with said margin of Whitaker Place S. 81-07-49 W. 18.00 feet to an iron pin, a corner of Lot 133 of CHAMPION FOREST, Map 4; thence with the northeasterly side lot line of said Lot 133 N. 08-40-55 W. 204.28 feet to a concrete monument; thence S. 81-10-41 W. 216.62 feet to a concrete monument located at the common rear corner of Lots 134 and 135 of CHAMPION FOREST, Map 4; thence N. 18-09-41 W. 175.45 feet to an iron pin; thence N. 20-31-23 E. 89.27 feet to an iron pin; thence N. 28-01-49 E. 127.57 feet to an iron pin; thence N. 37-08-35 W. 173.09 feet to an iron; thence N. 62-47-22 W. 95.89 feet to an iron; thence N. 80-39-39 W. 120.10 feet to an iron; thence N. 63-39-16 W. 170.31 feet to an iron; thence N. 62-57-19 W. 209.37 feet to an iron pin located in the easterly margin of the Bauer Place cul-de-sac; thence with the arc of a circular curve to the right, said arc having a radius of 31.00 feet, an arc distance of 14.84 feet, said arc having a chord bearing of N. 13-58-33 E. and a chord distance of 14.69 feet; thence continuing with the easterly margin of the 40-foot right of way of Bauer Place and with the arc of a circular curve to the left, said arc having a radius of 170.00 feet, an arc distance of 62.97 feet, said arc having a chord bearing of N. 17-04-31 E. and a chord distance of 62.61 feet to an iron pin located at the southernmost corner of Lot 118 of CHAMPION FOREST, Map 2; thence with the southerly side lot line of said Lot 118 S. 86-29-17 E. 200.23 to an iron pin; thence N. 01-31-10 E. 221.58 feet to an iron pin located in the southerly margin of the 60-foot right of way of Waynewood Drive; thence with said margin of Waynewood Drive and with the arc of a circular curve to the left, said arc having a radius of 809 feet, an arc distance of 123.48 feet, said arc having a chord bearing of N. 82-41-12 W. and a chord distance of 123.36 feet; thence crossing Waynewood Drive N. 02-56-27 E. 60 feet to an iron pin located in the northerly margin of the 60-foot right of way of Waynewood Drive, said pin also being located at the southwesterly front corner of Lot 72 of CHAMPION FOREST, Map 3; thence with the westerly side lot line of said Lot 72 N. 03-16-58 E. 192.01 feet to an iron pin; thence N. 89-48-52 W. 124.59 feet to an iron pin; thence N. 15-25-30 W. 189.35 feet to an iron pin located in the line of the property conveyed to Harold P. Obermiller and wife, Maxine M. Obermiller, by deed recorded in Book 366 at Page 945 in the Union County Public Registry; thence with a line of

Obermiller (now or formerly) and continuing with the line of the property conveyed to Arthur D. Terkhurst, III and wife, Lysa K. Terkhurst, by deed recorded in Book 1017 at Page 810 in the Union County Public Registry N. 74-34-30 E. 844.86 feet to an existing iron rebar; thence N. 74-09-11 E. 198.16 feet to the POINT AND PLACE OF BEGINNING, and being all of the Lots 72 through 83, inclusive, and Lots 104 through 110, inclusive, of CHAMPION FOREST, Map 3, as shown on map recorded in Plat Cabinet G, File No. 154, in the Union County Public Registry, including all property designated as "Common Open Space" on said plat, and the property located within the public right of way of Waynewood Drive as shown on said plat.

TRACT 2:

BEGINNING at an iron pin located in the southwestery margin of the 50-foot right of way of Dobson Drive, said iron being located at the easternmost front corner of Lot 23 of CHAMPION FOREST, Map 2, as shown on map recorded in Plat Cabinet G, File No. 153, in the Union County Public Registry, and running thence from said Beginning Point and with the southeasterly side lot line of said Lot 23 S. 49-01-26 W. 192.90 feet to an iron; thence N. 41-15-27 W. 621.62 feet to a stone located at the common rear corner of Lots 18 and 19 of CHAMPION FOREST, Map 2, as shown on the aforesaid map; thence N. 05-42-47 W. 827.74 feet to a concrete monument located in the rear lot line of Lot 12 of CHAMPION FOREST, Map 2, as shown on the aforesaid map; thence with a line of the Common Open Space of CHAMPION FOREST as shown on the aforesaid map N. 64-54-07 W. 548.42 feet to a concrete monument; thence N. 52-03-58 E. 215.89 feet to an iron, a corner of Lot 50 of CHAMPION FOREST, Map 2, as shown on the aforesaid map; thence S. 45-45-55 E. 96.09 feet to an iron pin; thence N. 74-47-29 E. 305.02 feet to a bent axle; thence N. 31-26-25 W. 214.40 feet to an iron; thence N. 52-03-58 E. 314.32 feet to an iron pin located in the line of the property conveyed to Harold R. Obermiller and wife, Maxine M. Obermiller, by deed recorded in Book 366 at Page 945 in the Union County Public Registry; thence with two lines of Obermiller (now or formerly) as follows: (1) S. 11-32-34 E. 333.43 feet to an iron pin, and (2) N. 74-34-30 E. 506.41 feet to an iron pin; thence S. 15-25-30 E. 189.35 feet to an iron pin located at the common rear corner of Lots 70 and 71 of CHAMPION FOREST, Map 2, as shown on the aforesaid map; thence S. 89-48-52 E. 124.59 feet to an iron; thence S. 03-16-58 W. 192.01 feet to an iron pin located in the northerly margin of the 60-foot right of way of Waynewood Drive, said point being located at the southeasterly front corner of Lot 71 of CHAMPION FOREST, Map 2; thence crossing Waynewood Drive S. 02-56-27 W. 60 feet to an iron pin located in the southerly margin of the 60-foot right of way of Waynewood Drive; thence with said margin of Waynewood Drive and with the arc of a circular curve to the right, said arc having a radius of 809.00 feet, an arc distance of 123.48 feet, said arc having a chord bearing of S. 82-41-12 E. and a chord distance of 123.36 feet; thence S. 01-31-10 W. 221.58 feet to an iron located at the southeasterly rear corner of Lot 118 of CHAMPION FOREST, Map 2; thence with the southerly side lot line of said Lot 118 N. 86-29-17 W. 200.23 feet to an iron located in the easterly margin of the 40-foot right of way of Bauer Place; thence with said margin of Bauer Place in the following two calls: (1) with the arc of a circular curve to the right having a radius of 170.00 feet, an arc distance of 62.97 feet, said arc having a chord bearing of S. 17-04-31 W. and a chord distance of 62.61 feet, and (2) with the arc of a circular curve to the left, said arc having a radius of 31.00 feet, an arc distance of 14.84 feet, said arc having a chord bearing of

S. 13-58-33 W. and a chord distance of 14.69 feet to an iron located at the northwesterly front corner of Lot 117 of CHAMPION FOREST, Map 2; thence with the northerly side lot line of said Lot 117 S. 62-57-19 E. 209.37 feet to point; thence S. 63-39-16 E. 170.31 feet to an iron; thence S. 80-39-39 E. 120.10 feet to an iron pin located at the common rear corner of Lots 125 and 126 of CHAMPION FOREST, Map 2; thence S. 62-47-22 E. 95.89 feet to an iron; thence S. 37-08-35 E. 173.09 feet to an iron; thence S. 28-01-49 W. 127.57 feet to an iron pin located at the common rear corner of Lots 127 and 128 of CHAMPION FOREST, Map 2; thence S. 20-31-23 W. 89.27 feet to an iron; thence S. 66-39-50 W. 139.87 feet to an iron; thence S. 69-42-31 W. 227.96 feet to an iron; thence N. 23-02-25 W. 211.06 feet to an iron located in the southerly margin of the 40-foot right of way of Christolm Court, said point being the westernmost front corner of Lot 130 of CHAMPION FOREST, Map 2, thence with said margin of Christolm Court and with the arc of a circular curve to the left having a radius of 1444.00 feet, an arc distance of 42.68 feet, said arc having a chord bearing of S. 67-04-28 W. and a chord distance of 42.68 feet to an iron located at the northernmost front corner of Lot 131 of CHAMPION FOREST, Map 2; thence with the easterly side lot line of said Lot 131 S. 23-32-59 E. 207.55 feet to an iron; thence S. 65-08-03 W. 92.78 feet to an iron; thence S. 59-49-46 W. 92.98 feet to an iron; thence S. 51-15-24 E. 33.32 feet to an iron; thence S. 50-26-05 W. 199.31 feet to an iron located in the northeasterly margin of the 50-foot right of way of Dobson Drive, said point being the southernmost front corner of Lot 40 of CHAMPION FOREST, Map 2; thence with said margin of Dobson Drive S. 39-54-00 E. 16.00 feet to an iron; thence S. 50-06-00 W. 50.00 to the POINT AND PLACE OF BEGINNING, and being all of Lots 12 through 23, inclusive; Lots 40 through 53, inclusive; Lots 66 through 71, inclusive; and Lots 111 through 132, inclusive, of CHAMPION FOREST, Map 2, as shown on map recorded in Plat Cabinet G, File No. 153, in the Union County Public Registry, including all property designated as "Common Open Space" or "C.O.S." on said plat, and the property located within the public rights of way of Dobson Drive, Waynewood Drive, Bower Place and Christolm Court as shown on said plat.

TRACT 3-I:

BEGINNING at a spike located in the centerline of the 60-foot right of way of Cuthbertson Road, said spike being located N. 55-14-06 W. 85.70 feet from the northwesterly rear corner of Lot 1 of CHAMPION FOREST, Map 1, as shown on map recorded in Plat Cabinet G, File No. 152, in the Union County Public Registry, and running thence from said Beginning Point S. 55-14-06 E. 1446.39 feet to a concrete monument; thence N. 52-03-58 E. 215.89 feet to an iron located in a line of the property conveyed to John M. Cox and wife, Stephanie w. Cox, by deed recorded in Book 633 at Page 20 in the Union County Public Registry; running thence with a line of Cox (now or formerly) N. 45-45-55 E. 1404.74 feet to a spike located in the centerline of Cuthbertson Road; thence with said centerline of Cuthbertson Road S. 50-43-14 W. 454.75 feet to the POINT AND PLACE OF BEGINNING.

TRACT 3-II:

BEGINNING at a 1/2-inch iron rebar located within the 60-foot right of way of Cuthbertson

Road, said point being located N. 10-40-25 W. 112.50 feet from the northeasterly rear corner of Lot 58 of CHAMPION FOREST, Map 1, and running thence from said Beginning Point S. 10-40-25 E. 622.73 feet to an iron rebar located at the common rear corner of Lots 61 and 62 of CHAMPION FOREST, Map 1; thence S. 39-45-59 E. 521.06 feet to an iron rebar; thence S. 11-32-34 E. 296.80 feet to an iron; thence S. 52-03-58 W. 314.32 feet to an iron located in a line of the property conveyed to John M. Cox and wife, Stephanie W. Cox, by deed recorded in Book 633 at Page 20 in the Union County Public Registry; thence with a line of Cox (now or formerly) N. 31-26-25 W. 1420.14 feet to a spike located in the centerline of Cuthbertson Road; thence N. 59-20-45 E. 558.71 feet to the POINT AND PLACE OF BEGINNING.

TRACTS 3-I and 3-II are all of Lots 1 through 11, inclusive, and Lots 54 through 65, inclusive, of CHAMPION FOREST, Map 1, as shown on map recorded in Plat Cabinet G, File No. 152, in the Union County Public Registry, including all property designated as "Common Open Space" on said plat, and the property located within the public rights of way of Waynewood Drive and Dobson Drive as shown on said plat.

TRACT 4:

BEGINNING at an iron located in the westerly margin of the 50-foot right of way of Dobson Drive, said iron being located at the northernmost front corner of Lot 24 of CHAMPION FOREST, Map 4, as shown on map recorded in Plat Cabinet G, File No. 155, in the Union County Public Registry, and running thence from said Beginning Point crossing Dobson Drive N. 50-06-00 E. 50.00 feet to an iron located in the easterly margin of the 50-foot right of way of Dobson Drive; thence with said margin of Dobson Drive N. 39-54-00 W. 16.00 feet to an iron located at the westernmost corner of Lot 39 of CHAMPION FOREST, Map 4; thence with the northwesterly side lot line of said Lot 39 N. 50-26-05 E. 199.31 feet to an iron; thence N. 51-15-24 W. 33.32 feet to an iron; thence N. 59-49-46 E. 92.98 feet to an iron; thence N. 65-08-03 E. 92.78 feet to an iron; thence N. 23-32-59 W. 207.55 feet to an iron located in the southerly margin of the 40-foot right of way of Christolm Court; thence with said margin of Christolm Court and with the arc of a circular curve to the right, having a radius of 1444.00 feet, an arc distance of 42.68 feet, said arc having a chord bearing of N. 67-04-28 E. and a chord distance of 42.68 feet to an iron; thence S. 23-02-25 E. 211.06 feet to an iron located at the southernmost rear corner of Lot 130 of CHAMPION FOREST, Map 2, as shown on map recorded in Plat Cabinet G, File No. 153, in the Union County Public Registry; thence N. 69-42-31 E. 227.96 feet to an iron; thence N. 66-39-50 E. 139.87 feet to an iron; thence S. 18-09-41 E. 175.45 feet to a concrete monument located at the common rear corner of Lots 134 and 135 of CHAMPION FOREST, Map 4; thence N. 81-10-41 E. 216.63 feet to a concrete monument located at the northeasterly rear corner of Lot 133 of CHAMPION FOREST, Map 4; thence with the easterly side lot line of said Lot 133 S. 08-40-55 E. 204.28 feet to an iron located in the northerly margin of the 40-foot right of way of Whitaker Place; thence with said margin of Whitaker Place N. 81-07-49 E. 18.00 feet to an iron located at the southernmost corner of Lot 102 of CHAMPION FOREST, Map 4; thence N. 08-40-55 W. 242.82 feet to an iron pin; thence N. 81-02-58 E. 181.28 feet to an iron located at the northeasterly front corner of Lot 103 of CHAMPION FOREST, Map 4; thence S. 08-50-09 E. 49.39 feet to an iron;

thence N. 81-09-51 E. 60.00 feet to an iron located in the easterly margin of the 60-foot right of way of Waynewood Drive, also being located at the northwesterly front corner of Lot 84 of CHAMPION FOREST, Map 4; thence N. 83-01-45 E. 177.84 feet to an iron; thence S. 10-33-12 E. 1030.20 feet to an iron located at the easternmost corner of Lot 92 of CHAMPION FOREST, Map 4; thence S. 32-00-38 W. 115.42 feet to an iron; thence S. 53-36-00 W. 136.09 feet to a point; thence S. 72-45-57 W. 120.24 feet to a point; thence N. 70-55-51 W. 142.26 feet to a point; thence N. 26-33-23 W. 99.19 feet to a point; thence N. 06-48-23 W. 95.03 feet to a point; thence N. 24-10-26 W. 81.49 feet to a point; thence N. 07-18-39 W. 111.28 feet to an iron located in the southerly margin of the 50-foot right of way of Dobson Drive; thence with said margin of Dobson Drive S. 81-00-06 W. 53.73 feet to an iron located at the northernmost front corner of Lot 29 of CHAMPION FOREST, Map 4; thence with the easterly side lot line of said Lot 29 S. 05-38-02 E. 232.03 feet to an iron located in a line of the property conveyed to Cuthbertson Road Joint Venture by deed recorded in Book 499 at Page 393 in the Union County Public Registry; thence N. 86-54-22 W. 484.23 feet to an iron rebar located at the southernmost rear corner of Lot 26 of CHAMPION FOREST, Map 4; thence S. 47-55-00 W. 158.05 feet to a nail in a stone, a corner of the Cuthbertson Road Joint Venture property (now or formerly); thence with a line of Cuthbertson Road Joint Venture (now or formerly) N. 41-15-27 W. 888.16 feet to an iron located at the westernmost rear corner of Lot 24 of CHAMPION FOREST, Map 4; thence with the northwesterly side lot line of said Lot 24 N. 49-01-26 E. 192.90 feet to the POINT AND PLACE OF BEGINNING, and being all of Lots 24 through 39, inclusive; Lots 84 through 103, inclusive; and Lots 133 through 142, inclusive, of CHAMPION FOREST, Map 4, as shown on map recorded in Plat Cabinet G, File No. 155, in the Union County Public Registry, including all property designated as "Common Open Space" or "C.O.S." on said plat, and the property located within the public rights of way of Dobson Drive, Waynewood Drive and Whitaker Place as shown on said plat.

TRACT 5:

BEGINNING at an iron located in the southerly margin of the 50-foot right of way of Dobson Drive, said iron being located at the westernmost rear corner of Lot 97 of CHAMPION FOREST, Map 5, as shown on map recorded in Plat Cabinet G, File No. 156, in the Union County Public Registry, and running thence from said Beginning Point S. 07-18-39 E. 111.28 feet to an iron; thence S. 24-10-26 E. 81.49 feet to an iron; thence S. 06-48-23 E. 95.03 feet to an iron; thence S. 26-33-23 E. 99.19 feet to a point; thence S. 70-55-51 E. 142.26 feet to an iron; thence N. 72-45-57 E. 120.24 feet to an iron; thence N. 53-36-00 E. 136.09 feet to an iron; thence N. 32-00-38 E. 115.42 feet to an iron; thence S. 10-33-12 E. 101.81 feet to a concrete monument; thence S. 45-51-48 E. 808.35 feet to an iron located in the centerline of Twelve Mile Creek; thence with the centerline of Twelve Mile Creek in the following eighteen calls: (1) S. 49-11-48 W. 209.08 feet; (2) S. 35-30-18 W. 143.94 feet; (3) S. 43-53-42 W. 120.12 feet; (4) S. 17-59-04 W. 309.75 feet; (5) S. 36-12-20 W. 61.85 feet; (6) S. 58-16-57 W. 63.84 feet; (7) N. 85-16-48 W. 40.63 feet; (8) N. 63-41-21 W. 50.07 feet; (9) N. 20-48-18 W. 36.46 feet; (10) N. 02-17-30 E. 50.12 feet; (11) N. 40-27-52 E. 51.76 feet; (12) N. 17-34-21 E. 72.66 feet; (13) N. 15-53-13 W. 78.95 feet; (14) N. 34-53-31 W. 151.38 feet; (15) N. 54-15-06 W. 148.16 feet; (16) N. 48-38-40 W. 115.87 feet; (17) N. 48-26-49 W. 265.88 feet; and (18) N. 66-19-34 W. 71.32 feet; thence leaving Twelve Mile Creek and running thence N. 03-47-17

W. 441.24 feet to an iron; thence N. 28-42-43 E. 128.25 feet to a point; thence N. 86-54-22 W. 52.63 feet to a point; thence N. 05-38-02 W. 232.03 feet to an iron located in the southerly margin of the 50-foot right of way of Dobson Drive; thence with said margin of Dobson Drive N. 81-00-06 E. 53.73 feet to the POINT AND PLACE OF BEGINNING, and being all of the property designated "Common Open Space" of CHAMPION FOREST, Map 5, as shown on map recorded in Plat Cabinet G, File No. 156, in the Union County Public Registry.

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EXHIBIT B

TO LOCATE THE POINT AND PLACE OF BEGINNING of this description, commence at a spike located within the 60 foot right-of-way of Cuthbertson Road said spike being located at the northerly front corner of that certain tract of land conveyed to Kenneth F. Helms and wife Mary Hayden Helms by Deed recorded in Deed Book 1121 at Page 484 in the Union County Public Registry, said spike also being located at the northerly front corner of Lot 1 as shown on a map of the A. L. A. Cuthbertson Estate as the same is shown on a plat recorded in Plat Book 3 at Page 9 in the Union County Public Registry and running thence S 31-26-25 E 550.04 feet to the point and place of beginning of this description and being a point in the line of Champion Forest, LLC; and running thence from said beginning point and with a line of Champion Forest, LLC (now or formerly) S 31-26-25 E 1,084.50 feet to a bent axle, a corner of the property of Champion Forest, LLC (now or formerly); thence with a line of Champion Forest, LLC (now or formerly) S 74-47-29 W 305.02 feet to an iron pipe; a corner of the property of Champion Forest, LLC (now or formerly); thence with another line of the property of Champion Forest, LLC (now or formerly) N 45-45-55 W 924.49 feet to a point; thence N 39-45-29 E 329.11 feet to a point; thence N 59-15-48 E 210.07 feet to the POINT AND PLACE OF BEGINNING, and containing 9.545 acres, more or less, as shown on a survey of Carolina Surveyors, Inc., dated July 15, 1999, revised April 17, 2001.

BEING a portion of the property conveyed to Kenneth F. Helms and wife Mary Hayden Helms by Deed recorded in Deed Book 1121 at Page 484 in the Union County Public Registry.

EXHIBIT "C"

Initial Use Restrictions

(a) Animals and Pets. No animals of any kind, including livestock and poultry, shall be raised, bred, or kept on any portion of the Community, except that a reasonable number of usual and common household pets, as determined in the Board's discretion, may be kept on a Lot. Upon the Board's request, an Owner, at his or her expense, shall remove any pet which is permitted to roam free, or, in the Board's sole discretion, endangers health, makes objectionable noise, or constitutes a nuisance or inconvenience to other Owners or residents of any portion of the Community. If the Owner fails to honor such request, the Board may cause the pet to be removed at the Owner's expense. No pets shall be kept, bred, or maintained for any commercial purpose. Dogs shall be kept on a leash or otherwise confined in a manner acceptable to the Board whenever outside a structure.

(b) Wildlife. Capturing, killing, or trapping wildlife is prohibited within the Community, except in circumstances imposing an imminent threat to the safety of Persons or pets.

(c) Firearms; Fireworks. The use and discharge of firearms within the Community is prohibited. The term "firearms" includes "B-B" guns, pellet guns, and other firearms of all types, regardless of size. The use and discharge of fireworks is prohibited except by license granted by the Association.

(d) Nuisances. No Owner shall engage in any activity which constitutes a nuisance (meaning offensive or detrimental activity, as determined by the Board), or which materially disturbs or destroys the vegetation, wildlife, or air quality within the Community, or which results in unreasonable levels of sound or light pollution.

(e) Garages. Garage doors shall remain closed at all times except when entering and exiting the garage.

(f) Exterior Lighting. Excessive exterior lighting on any Lot is prohibited. The Board in its sole discretion shall determine whether any exterior lighting is excessive.

(g) Storage of Goods. Storage (except in approved structures or containers) of furniture, fixtures, appliances, machinery, equipment, or other goods and chattels on the Common Area (except by the Association), or, if not in active use, any portion of a Lot which is visible from outside the Lot is prohibited.

(h) Prohibited Conditions. The following conditions, structures, or activities are prohibited on any Lot:

(i) Dogs runs and animal pens of any kind, unless properly screened and approved in accordance with Article IV;

(ii) Shacks or other structures of a temporary nature on any Lot except as may be authorized by Declarant during the initial construction of improvements within the Community. Temporary structures used during the construction or repair of a dwelling or other improvements shall be removed immediately after the completion of construction or repair;

(iii) Permanent basketball goals, basketball standards, or backboards which are or would be visible from any street or Common Area; provided, portable basketball goals may be used on a Lot without prior approval, but must be stored so as not to be visible from any street or Common Area overnight or otherwise when not in use; and

(iv) Freestanding flagpoles; provided, flags may be displayed using a bracket or other approved device mounted to a dwelling so long as the size of the flag displayed does not exceed a standard size (as set forth in the Architectural Guidelines or determined in the Board's discretion and set forth in a Board rule).

In any event, and notwithstanding the above list of prohibited conditions, as set forth in Article IV, any structure, improvement, or thing proposed for construction, erection, installation, or placement on a Lot requires prior Reviewer approval unless otherwise specifically exempt under the Architectural Guidelines.

(i) Quiet Enjoyment. Nothing shall be done or maintained on any part of a Lot which emits foul or obnoxious odors outside the Lot or creates noise or other conditions which tend to disturb the peace, quiet, safety, comfort, or serenity of the occupants and invitees of other Lots.

No noxious, illegal, or offensive activity shall be carried on upon any portion of the Community which, in the Board's reasonable determination, tends to cause embarrassment, discomfort, annoyance, or nuisance to others.

(j) Signs. No sign shall be erected within the Community, except those required by law, including posters, circulars, and billboards; provided, the following types of signs may be erected on a Lot without the Board's written consent: (i) residential identification signs of a face area of 75 square inches or less for identification of the occupant and its address, in a style designated by the Architectural Guidelines or approved by the Reviewer; and (iii) security signs having a face area of 75 square inches or less, in a style and location designated by the Architectural Guidelines or approved by the Reviewer. This restriction shall not apply to entry, directional, and marketing signs installed by Declarant or a Builder. The Association, with the Board's approval, shall have the right to erect signs on the Common Area.

(k) Holiday Decorations. Owners may display holiday decorations on their Lots if the decorations are of the kinds normally displayed in single family residential neighborhoods, are of reasonable size and scope, and do not disturb other Owners and residents by excessive light or sound emission or by causing an unreasonable amount of spectator traffic. Permitted decorations may be displayed for such periods as are normal and

customary for comparable residential communities, as the Board determines.

(l) Antennas and Satellite Dishes. No antenna, satellite dish, or other device for the transmission or reception of television or radio (including amateur or ham radios) signals is permitted outside the dwelling on a Lot, except those devices whose installation and use is protected under federal law or regulations (generally, certain antennae under one meter in diameter). Notwithstanding such protection, an application for such an antenna or other device must be submitted to the Reviewer for approval and approval will be granted only if:

(i) First, the antenna or other device is designed for minimal visual intrusion (*i.e.*, is located in a manner that minimizes visibility from the street or an adjacent Lot and is consistent with the Community-Wide Standard); and

(ii) Second, the antenna or other device complies to the maximum extent feasible with the Architectural Guidelines within the confines of applicable federal regulations (*i.e.*, without precluding reception of a quality signal or unreasonably increasing the cost of the antenna or device).

The Reviewer shall consider any such application on an expedited basis.

Notwithstanding the above, Declarant and/or the Association may erect an antenna, satellite dish, or other apparatus for a master antenna, cable, or other communication system for the benefit of all or a portion of Champion Forest, should any master system or systems be used by the Association and require such exterior apparatus.

(m) Trash Containers and Collection. No garbage or trash shall be placed or kept on any Lot, except in covered containers of a type, size and style which are pre-approved by the Reviewer or specifically permitted under the Architectural Guidelines, or as required by the applicable governing jurisdiction. Such containers shall be screened from view outside of the Lot except when they are being made available for collection and then only for the shortest time reasonably necessary to effect such collection. Rubbish, trash, and garbage must be removed from the Lots and may not accumulate on any Lot. Outdoor incinerators may not be kept or maintained on any Lot.

(n) Pool Equipment. All pool equipment stored on any Lot shall be screened from view from outside the Lot.

(o) Unightly or Unkempt Conditions. All portions of a Lot outside enclosed structures shall be kept in a clean and tidy condition at all times. No rubbish or debris of any kind shall be placed or permitted to accumulate upon or adjacent to any Lot in a manner which is unsanitary, unsightly, offensive, or detrimental to any other portion of the Community, as the Board may determine.

Woodpiles or other material shall be properly screened and stored in a such a manner so as not to attract rodents, snakes, and other animals and or create a fire hazard, as the Board determines. No activities shall be conducted upon or adjacent to any Lot or within any structure on a Lot which are or might be unsafe or hazardous to any Person or property. Open fires are prohibited within the Community, except in a contained outdoor fireplace or barbecue unit while attended and in use for cooking purposes.

(p) Vehicles and Parking. As used in this Section, the term "vehicles" includes, without limitation, automobiles, trucks, boats, trailers, motorcycles, campers, vans, and recreational vehicles.

No vehicle may be left upon any portion of the Community except in a garage, driveway, or other area designated by the Board. No person shall park any recreational vehicles, mobile homes, trailers, campers, boats or other watercraft, stored vehicles, commercial vehicles (including all vehicles with commercial lettering or logos), and unlicensed vehicles or inoperable vehicles within the Community other than in enclosed garages; provided, boats may be kept or stored on a Lot so long as they are screened from view outside of the Lot. This Section shall not apply to emergency vehicle repairs or to construction, service, and delivery vehicles for periods necessary to perform the services or make a delivery.

Notwithstanding the above, for purposes of cleaning, loading, unloading, and short term parking, recreational vehicles may be parked outside of an enclosed garage for up to 100 hours within each calendar month.

(q) Wetlands, Lakes, and Other Water Bodies. Wetlands, lakes, ponds, and streams within the Community, if any, are part of the Community's Water Management System, and no active use of lakes, ponds, streams, or other bodies of water within the Community is permitted. The Association shall not be responsible for any loss, damage, or injury to any person or property arising out of the authorized or unauthorized use of lakes, ponds, streams, or other bodies of water within or adjacent to the Community.

(r) Solar Equipment. No solar heating equipment or device is permitted outside the Residence except such devices whose installation and use is protected by federal or North Carolina law. Notwithstanding such protection, an application for such equipment or device must be submitted for approval under Article IV prior to installation and approval will be granted only if:

(i) First, such equipment or device is designed for minimal visual intrusion when installed (i.e., is located in a manner which minimizes visibility from the street or an adjacent Lot and is consistent with the Community-Wide Standard); and

(ii) Second, the equipment or device complies to the maximum extent feasible with the Architectural Guidelines within the confines of the applicable governmental regulations.

(s) Dwelling Unit Size. One-story residences must have a minimum of 2200 square feet of enclosed, air-conditioned living area and residences of more than one story must have a minimum of 2500 square feet of enclosed, air-conditioned living area.

EXHIBIT D
THE BYLAWS
OF
CHAMPION FOREST HOMEOWNERS ASSOCIATION, INC.

ARTICLE I
NAME AND LOCATION

The name of the corporation is Champion Forest Homeowners Association, Inc. hereinafter sometimes referred to as the "Association". The principal office of the corporation shall be located in Mecklenburg County, North Carolina, and meetings of members and directors may be held at such places within Union County, North Carolina, as may be designated by the Board of Directors.

ARTICLE II
DEFINITIONS

The Definitions set out in ARTICLE I of the Declaration of Covenants, Conditions and Restrictions for Champion Forest recorded in Book _____ at Page _____ in the Union County, North Carolina Public Registry, as the same may be amended from time to time (the "Declaration") are adopted as part of the Bylaws of the Association and are incorporated herein by reference.

ARTICLE III
ADMINISTRATION OF CHAMPION FOREST

Section 1. Authority and Responsibility. Except as otherwise specifically provided in the Declaration, the Association shall be responsible for administering, operating and managing the Common Areas and the Common Open Spaces.

Section 2. Official Action. Unless specifically required in the Declaration, all actions taken or to be taken by the Association shall be valid when such are approved by the Board of Directors as hereinafter set forth or when taken by the committee, person or entity to whom such authority has been duly delegated by the Board of Directors as set forth in the Declaration or these Bylaws. The Association and its Board of Directors, officers and Members (as defined hereinbelow) shall at all times act in conformity with the North Carolina Nonprofit Corporation Act as set forth in Chapter 55A of the North Carolina General Statutes, the North Carolina Planned Community Act as set forth in Chapter 47F of the North Carolina General Statutes, and the Declaration.

ARTICLE IV

OFFICES - SEAL - FISCAL YEAR

Section 1. Principal Office: Registered Office. The initial principal office and registered office of the

Association shall be located at 10720 Sikes Place, Suite 200, Charlotte, North Carolina 28277 and such principal office is located in Mecklenburg County, North Carolina.

Section 2. Other Offices. The Association may have other offices at such other places within the State of North Carolina as the Board of Directors may from time to time determine or as the affairs of the Association may require.

Section 3. Fiscal Year. The fiscal year of the Association shall be the calendar year.

ARTICLE V

MEMBERSHIP

Membership in the Association ("Membership") shall be limited to the Owners, and every Owner of a Home Site shall automatically be a member (a "Member") of the Association. Membership in the Association shall be appurtenant to and may not be separated from Home Site ownership. Membership in the Association shall inure automatically to Owners upon acquisition of the fee simple title (whether encumbered or not) to any one or more Home Sites. The date of recordation in the Office of the Register of Deeds of Union County of the conveyance of the Home Site in question shall govern and determine the date of ownership of each particular Home Site. However, in the case of death, the transfer of ownership shall occur on the date of death, in the case of intestacy, or the date of probate of the will, in the case or testacy. Until a decedent's will is probated, the Association may rely on the presumption that a deceased Owner died intestate.

ARTICLE VI

MEETINGS OF MEMBERS AND VOTING RIGHTS

Section 1. Annual Meetings. A meeting of the Members shall be held at least once each year (an "Annual Meeting"). The first Annual Meeting of the Members shall be held on the date and hour designated by Declarant. Thereafter, the Annual Meeting of the Members shall be held on the second Monday in January of each year at 8:00 p.m., Eastern Standard Time. If the second Monday in January shall be a legal holiday, the Annual Meeting shall be held at the same hour on the first day following which is not a legal holiday. At Annual Meetings, the Board of Directors shall be elected in accordance with these Bylaws and the Members shall transact such other business as may properly come before them.

Section 2. Substitute Annual Meetings. If an Annual Meeting shall not be held on the day designated by these Bylaws, a substitute Annual Meeting (a "Substitute Annual Meeting") may be called in accordance with the provisions of Sections 3 and 4 below. A meeting so called shall be designated and treated for all purposes as the Annual Meeting.

Section 3. Special Meetings. After the first Annual Meeting of the Members, special meetings of the Members ("Special Meetings") may be called at any time by the President of the Association, by a majority vote of the Board of Directors, or upon written request to the corporation's Secretary by the Members entitled to ten percent (10%) of the votes describing the purpose or purposes for which it is to be held. Business to be acted upon at all Special Meetings shall be confined to the subjects stated in the notice of such meetings.

Section 4. Notices of Meetings. Written or printed notice stating the time and place of all Membership meetings, including Annual Meetings and Special Meetings shall be delivered not less than ten (10) nor more than sixty (60) days before the date of any such Membership meeting, either personally or by mail, to the address of each Home Site or to such other mailing address designated in writing by the Owner of the Home Site. It shall be the primary responsibility of the Secretary to give the notice, but notice may be given by any other officer. If mailed, such notice shall be deemed to be effective when deposited in the United States mail with postage thereon prepaid, correctly addressed to the Member's address shown in the Association's current record of Members.

The Notice of a Membership meeting shall specifically state the time and place of the Meeting, and the items on the agenda, including the general nature of any proposed amendment to the Declaration of these Bylaws, any budget changes, and any proposal to remove a Director or officer.

Section 5. Quorum. Except as otherwise provided in these Bylaws, the presence in person or by proxy of Members entitled to cast ten percent (10%) of the votes which may be cast for election of the Board of Directors shall constitute quorum at all meetings of the Members, except as otherwise provided in the Articles of Incorporation, the Declaration or these Bylaws. If a quorum is not present or represented at any meeting, the Members who are present and who are entitled to vote shall have the power to adjourn the meeting from time to time, without notice other than the announcement at the meeting, until a quorum is present or is represented.

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

Section 6. Voting Rights. The voting rights of the Membership shall be apportioned to the ownership of the Home Sites. There shall be two classes of Home Sites with respect to voting rights:

A. Class A Home Sites. Class A Home Sites shall be all Home Sites except Class B Home Sites as the same are hereinafter described. Each Class A Home Site shall entitle the Owner(s) of said Home Site to one (1) vote. In the event that prior to the development and subdivision of one or more portions of the Existing Property, any portion of the Existing Property is conveyed to persons or entities other than Declarant, the number of Class A Home Sites within such portion of the Existing Property shall initially be determined on the basis of a full build out of such property in accordance with the existing zoning of such portion of the Existing Property, and the number of Home Sites shall thereafter be readjusted to the actual number of Home Sites as depicted on recorded subdivision plat(s) for such portion of the Existing Property. When more than one person owns an interest (other than a leasehold or security interest) in any Home Site, all such persons shall be Members and the voting rights appurtenant to said Home Site shall be exercised as they, among themselves, determine, but in no event shall any Site have more than one (1) vote.

B. Class B Home Sites. Class B Home Sites shall be all Home Sites owned by Declarant which have not been converted to Class A Home Sites as provided in paragraphs (1) or (2) below. The Declarant shall be entitled to three (3) votes for each Class B Home Site owned by Declarant.

The Class B Home Sites shall cease to exist and shall be converted to Class A Home Sites upon the occurrence of either of the following:

- (1) When the total number of votes appurtenant to the Class A Home Sites equals the total number of votes appurtenant to the Class B Home Sites; or
- (2) On December 31, 2015.

When the Class B Home Sites cease to exist and are converted to Class A Home Sites, Declarant shall have the same voting rights as other owners of Class A Home Sites. Notwithstanding anything to the contrary set forth herein, so long as Declarant, or any of the present members of Declarant, own any one (1) Home Site, these Bylaws and the Declaration may not be amended without Declarant's written consent.

Section 7. Proxies. Members may vote either in person or by agents duly authorized by written proxy executed by the subject Member or by his duly authorized attorney-in-fact. A proxy is not valid after the earlier of (i) the term stated therein or (ii) the expiration of eleven (11) months from the date of its execution. Unless a proxy otherwise provides, any proxy holder may appoint in writing a substitute to act in his place. In order to be effective, all proxies must be filed with the Secretary of the Association (or duly acting Secretary) either during or prior to the meeting in question. Every proxy shall be revocable and shall automatically cease upon conveyance by the Member of his Home Site. A Member may not revoke a proxy given pursuant to this Section except by written notice of revocation delivered to the person presiding over a meeting of the Association.

Section 8. Majority Vote. The casting of a majority of the votes represented at a meeting at which a quorum is present, in person or by proxy, shall be binding for all purposes except where a different percentage vote is stipulated by these Bylaws, the Declaration, or the Articles of Incorporation of the Association.

Section 9. Actions Without Meeting. Any action which the Members could take at a meeting may be taken without a meeting if one or more written consents, setting forth the action taken, shall be signed, before or after such action, by all the Members who would be entitled to vote upon the action at a meeting. The consent shall be delivered to the Secretary of the Association for inclusion in the minutes or filing with the corporate records. If by law, the Association is required to give its nonvoting Members written notice of the proposed action, it shall do so at least ten (10) days before the action is taken, and such notice must contain or be accompanied by the same material that would have been required by law to be sent to nonvoting Members in a notice of meeting at which the proposed action would have been submitted to the Members for action.

ARTICLE VII

BOARD OF DIRECTORS

Section 1. General Powers. The business and affairs of the Association shall be managed by the Board of Directors or by such committees as the Board of Directors may establish pursuant to these Bylaws, provided, however, that the Board of Directors may not act on behalf of the Association to amend the Declaration, to elect Directors, or to determine the qualifications, powers and duties, or terms of office of the Directors. The Board of Directors may, however, fill vacancies in its Membership for the unexpired portion of any term.

Section 2. Number, Term and Qualifications. The initial Board of Directors shall consist of three (3) individuals appointed by the incorporator named in the Articles of Incorporation of the Association at an initial organizational meeting of the Association, which initial Board of Directors shall then complete the organization

of the Association as provided by law. The initial Board of Directors shall serve until their successors are elected at the first Annual Meeting. At the first and each subsequent Annual Meeting, the Members shall elect three (3) Directors, each to serve for a term of one (1) year or until his death, retirement, removal, disqualification or until his successor is elected and qualified. Directors may succeed themselves in office. At such times as Declarant no longer has the right to appoint or remove Directors as provided in Section 4 of this Article, a majority of the Directors must be Home Site Owners.

Section 3. Election of Board of Directors. The election of Directors shall be by ballot. Persons receiving the highest number of votes shall be elected. Cumulative voting is not permitted.

Section 4. Declarant's Right to Appoint or Remove Directors. Notwithstanding anything set forth herein to the contrary, the Declarant shall have the right to appoint or remove by written notice to the Board of Directors any member or members of the Board of Directors until such time as the first of the following events occurs:

- (a) Class B Home Sites cease to exist and are converted to Class A Home Sites;
- (b) Declarant surrenders the authority to appoint and remove members of the Board of Directors and officers of the Association by an express amendment to this Declaration executed and recorded by the Declarant; or
- (c) December 31, 2015.

Section 5. Removal. Any Director not appointed by the Declarant may be removed from the Board of Directors, with or without cause, by a vote of a majority of the votes entitled to be cast by all Members present and entitled to vote at any meeting of the Membership at which a quorum is present, provided, however, that the notice of the meeting must state that the question of such removal will be acted upon at the meeting. If any Directors are so removed, their successors as Directors may be elected by the Membership at the same meeting to fill the unexpired terms of the Directors so removed.

Section 6. Vacancies. A vacancy occurring in the Board of Directors may be filled by a majority of the remaining Directors, though less than a quorum, or by the sole remaining Director, but a vacancy created by an increase in the authorized number of Directors shall be filled only by election at an Annual Meeting or Substitute Annual Meeting or at a Special Meeting of Members called for that purpose or by unanimous consent of the Members without meeting. The Members may elect a Director at any time to fill any vacancy not filled by the Board of Directors. The Membership shall have the first right to fill any vacancy created by the Membership's removal of a Director.

Section 7. Chairperson. A Director shall be elected as chairperson of the Board of Directors (the "Chairperson") by the Directors at the first meeting of the Board of Directors. The Chairperson shall preside at all meetings of the Board of Directors and perform such other duties as may be directed by the Board of Directors. Prior to election of a Chairperson and/or in the event that the Chairperson is not present at any meeting of the Board of Directors, the President shall preside.

Section 8. Compensation. No member of the Board of Directors shall receive any compensation from the Association for acting as such, provided, however, that each Director shall be reimbursed for reasonable out-of-

pocket expenses incurred and paid by him/her on behalf of the Association, and nothing herein shall prohibit the Board of Directors from compensating a Director on the basis of quantum meruit for unusual and extraordinary services rendered. Furthermore, each Director, by assuming office, waives his right to institute suit against or make claims upon the Association for compensation based upon quantum meruit.

Section 9. Loans to Directors and Officers. No loans shall be made by the Association to its Directors or officers. The Directors who vote for or assent to the making of a loan to a Director or officer of the Association and any officer or officers participating in the making of any such loan shall be jointly and severally liable to the Association for the amount of such loan until the repayment thereof.

Section 10. Liability of Directors. To the extent permitted by the provisions of the North Carolina Nonprofit Corporation Act in effect at the applicable time, each Director may be indemnified by the Association subject to the provisions of Chapter 55A with respect to any liability and expense of litigation arising out of his activities as a Director. Such indemnity shall be subject to approval by the Members only when such approval is required by the North Carolina Nonprofit Corporation Act.

Section 11. Meetings of the Board of Directors.

A. Regular Meetings. Regular meetings of the Board of Directors shall be held, without notice, at such hour and address as may be fixed from time to time by resolution of the Board of Directors. Should any such meeting fall upon a legal holiday, then that meeting shall be held at the same hour and address on the next day which is not a legal holiday.

B. Special Meetings. Special meetings of the Board of Directors shall be held when called by the President of the Association or by any Director, after not less than three (3) or more than thirty (30) days written notice to each Director.

C. Notices of Special Meetings. The notice provided for herein may be waived by written instrument signed by those Directors who do not receive said notice. Except to the extent otherwise required by law, the purpose of a Directors' special meeting need not be stated in the notice. Notices shall be deemed received upon the happening of any one of the following events: (1) one day following deposit of same in the United States mail with proper postage paid and addressed to the Director at his last known address on file with the Association; (2) deposit of same in his Home Site mail box; or (3) personal delivery to the Director. Attendance by a Director at a meeting shall constitute a waiver of notice of such meeting unless the subject Director gives a written statement at the meeting to the person presiding objecting to the transaction of any business because the meeting is not lawfully called and gives such notice prior to the vote on any resolution.

D. Approved Meeting Place. All Board of Directors meetings shall be held in Union County, North Carolina.

E. Quorum. A majority of the Directors then holding office shall constitute a quorum for the transaction of business, and every act or decision done or made by a majority of the Directors present at a duly held meeting at which a quorum is present shall be regarded as the act or decision of the Board of Directors.

Section 12. Action Without Meeting. The Directors shall have the right to take any action in the absence

of a meeting which they could take at a meeting by obtaining the written approval of all the Directors. Any action so approved shall have the same effect as though taken at a meeting of the Board of Directors. Said written approval shall be filed with the minutes of the proceedings of the Board of Directors, whether done before or after the action so taken.

Section 13. Presumption of Assent. A Director who is present at a meeting of the Board of Directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his contrary vote is recorded or his dissent is otherwise entered in the minutes of the meeting or unless he shall file his written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the Secretary of the Association immediately after the adjournment of the meeting. Such right to dissent shall not apply to a Director who voted in favor of such action.

Section 14. Powers and Duties. The Board of Directors shall have the authority to exercise, in accordance with the provisions of the North Carolina Planned Community Act, all powers and duties of the Association necessary for the administration of the affairs of the Common Areas and Common Open Spaces except such powers and duties as by law or by the Declaration may not be delegated by the Owners to the Board of Directors. The powers and duties to be exercised by the Board of Directors shall include, but shall not be limited to, the following:

- A. Maintaining all trails or paths in the Common Areas and Common Open Spaces in a reasonably passable condition, free from fallen trees, undergrowth, and other obstructions, and to keep dead, diseased or decaying trees, shrubs and bushes removed from such areas and to replace such items with new trees, shrubs and bushes;
- B. Maintaining all Common Areas and Common Open Spaces in accordance with the highest standards for such private facilities;
- C. Keeping all Common Areas and Common Open Spaces, Common Area Access Easements and Landscape and Easement Areas clean and free from refuse and debris and to maintain any other amenities in a clean and orderly condition, and to maintain the landscaping therein in good condition and appearance including any necessary removal and replacement of landscaping;
- D. Paying all ad valorem taxes levied against the Common Areas and Common Open Spaces and any other property owned by the Association;
- E. Paying all taxes and assessments which are or may become liens against any part of Champion Forest, other than a Home Site (for which individual Members shall be responsible), and to assess the same against the Owners in the manner herein provided;
- F. Maintaining and paying the premiums on all insurance required to be carried by the Association by the provisions of the North Carolina Planned Community Act;
- G. Paying legal, management, accounting and other professional fees incurred by the Association in carrying out its duties as set forth herein or in the Declaration;

H. Maintaining the signs and landscaping on any Landscape and Easement Area or Common Areas Access Easement shown on the recorded maps or reserved by Declarant in deeds to Home Sites;

I. Maintaining all Designated Maintenance Items, including, without limitation, any brick or stone wall erected by Declarant on any portion of the Property, any private water/sewer lines located on the Property, and all other Designated Maintenance Items located on Common Areas, Common Area Access Easements, Common Open Spaces or within Landscape and Easement Areas;

J. As more fully provided in the Declaration:

(1) Fixing the amount of the Annual Assessment as defined in the Declaration against each Home Site at least thirty (30) days before January 1 of each year;

(2) Sending written notice of each assessment to every Owner subject thereto at least fifteen (15) days before January 1 of each year;

(3) Foreclosing the lien against any property for which assessments are not paid within thirty (30) days after due date or to bring an action at law against the owner personally obligated to pay the same.

K. Enforcing, on behalf of the Association and in compliance with the provisions of the North Carolina Planned Community Act, the assessments as provided in the Declaration, including, but not limited to, the institution of civil actions to enforce payment of the assessments as provided in the Declaration, the imposition of charges for late payment of assessments, and after notice and an opportunity to be heard, levying reasonable fines for violations of the Declaration and Bylaws not to exceed \$150.00 for each violation and, without further hearing, an amount not to exceed \$150.00 per day for each day that the violation occurs after the decision to levy the fine;

L. Suspending the voting rights of a member and right to use of Common Areas during any period in which such member shall be in default in the payment of any assessment levied by the Association pursuant to the provisions of the Declaration. Such rights may also be suspended after notice and hearing, and in compliance with the provisions of the North Carolina Planned Community Act, for a period not to exceed sixty (60) days for infraction of published rules and regulations;

M. Providing such maintenance in addition to that provided by the applicable governmental authorities with respect to public streets located within the Property as the Association shall deem appropriate, including the clearance of storm drainage inlets to remove debris;

N. Paying for the cost of street light lease charges, if any, for street lights located within public right-of-ways within the Property;

O. Declaring the office of a member of the Board of Directors to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board of Directors without good cause;

P. Adopting and publishing rules and regulations governing the use of the Common Areas and

Common Open Spaces and facilities and the personal conduct of the Members and their guests thereon and to establish penalties for the infraction thereof, in compliance with the provisions of the North Carolina Planned Community Act;

Q. Employment and dismissal of personnel including without limitation, the Independent Manager (as hereinafter defined) necessary for the efficient operation, maintenance, repair and replacement of the Common Areas and Open Spaces;

R. Opening of bank accounts on behalf of the Association and designating the signatories required therefor;

S. Keeping detailed, accurate records of the receipts and expenditures of the Association; obtaining annual audits of the financial records of the Association from the Association's public accountant; furnishing the annual reports; and furnishing current budgets. All books and records shall be kept in accordance with good and accepted accounting practices and the same shall be available for examination by all Owners or their duly authorized agents or attorneys, at convenient hours on working days;

T. Keeping a complete record of the minutes of all meetings of the Board of Directors and the Membership in which minute book shall be inserted actions taken by the Board of Directors and/or Members by consent without meeting;

U. Supervising all officers, agents and employees of the Association and ensuring that their duties are properly performed;

V. Making of repairs, additions, and improvements to or alterations or restoration of the Property, in accordance with the other provisions of these Bylaws and the Declaration, after damage or destruction by fire or other casualty or as a result of a condemnation or eminent domain proceeding;

W. Signing all agreements, contracts, deeds and vouchers for payment of expenditures and other instruments in such manner as from time to time shall be determined by written resolution of the Board of Directors. In the absence of such determination by the Board of Directors, such documents shall be signed by either the Treasurer or the Assistant Treasurer of the Association and countersigned by a Board of Directors member; and

X. Exercising any other powers and duties reserved to the Association exercisable by the Board of Directors in the Declaration, the Articles of Incorporation, Section 47F-3-102 of the Planned Community Act or these Bylaws, excluding, however, those powers specifically denied to the Board of Directors herein.

Section 15. Independent Manager. The Board of Directors may employ or enter into a management contract with any individual, firm or entity it deems appropriate and in the best interest of the Association concerning the routine management of the Common Areas and Common Open Spaces. The Board of Directors may delegate to such person, firm or entity (referred to in these Bylaws as the "Independent Manager") such duties and responsibilities in the management of the Common Areas and Common Open Spaces as the Board of Directors deems appropriate. Provided, however, the Board of Directors may not delegate to the Independent Manager the complete and total responsibilities and duties of the Association in violation of the Nonprofit

Corporation Act of North Carolina or the North Carolina Planned Community Act. The Independent Manager's contract shall be in for a term not to exceed one (1) year, renewable by agreement between the Board of Directors and such Independent Manager for successive terms not to exceed one year each, and shall be terminable by written notice. The Board of Directors shall have authority to fix the reasonable compensation for the Independent Manager. The Independent Manager shall at all times be answerable to the Board of Directors and subject to its direction.

ARTICLE VIII

COMMITTEES

Section 1. Creation. The Board of Directors, by resolutions adopted by a majority of the Directors then holding office, may create such committees as it deems necessary and appropriate in aiding the Board of Directors to carry out its duties and responsibilities with respect to the management of the Common Areas and Common Open Spaces. The Board of Directors shall create the Architectural Review Committee pursuant to the terms and provisions set forth in the Declaration. Each committee so created shall have such authority and responsibilities as the Directors deem appropriate and as set forth in the resolutions creating such committee. The Board of Directors shall elect the members of each such committee. Provided, each committee shall have in its membership at least one (1) Director.

Section 2. Vacancy. Any vacancy occurring on a committee shall be filled by the vote of a majority of the Directors then holding office at a regular or special meeting of the Board of Directors.

Section 3. Removal. Any member of a committee may be removed at any time with or without cause by a majority vote of the Director then holding office.

Section 4. Minutes. Each committee shall keep regular minutes of its proceedings and report the same to the Board of Directors when required.

Section 5. Responsibility of Board of Directors Members. The designation of committees and the delegation thereto of authority shall not operate to relieve the Board of Directors or any member thereof of any responsibility or liability imposed upon it or him by law.

If action taken by a committee is not thereafter formally considered by the Board of Directors, a Director may dissent from such action by filing his written objection with the Secretary of the Association with reasonable promptness after learning of such action.

ARTICLE IX

OFFICERS

Section 1. Enumeration of Officers. The officers of the Association shall consist of a President, a Secretary, a Treasurer and such Vice Presidents, Assistant Secretaries, Assistant Treasurers and other officers as the Board of Directors may from time to time elect. Except for the President, no officer need be a member of the Board of Directors.

Section 2. Election and Term. The officers of the Association shall be elected annually by the Board of Directors. Such elections shall be held at the first meeting of the Board of Directors next following the Annual Meeting or Substitute Annual Meeting of the Members. Each officer shall hold office until his death, resignation, removal or until his successor is elected and qualified.

Section 3. Declarant's Right to Appoint or Remove Officers. Notwithstanding anything set forth herein to the contrary, the Declarant shall have the right to appoint or remove by written notice to the Board of Directors any officer or officers of the Association until such time as the first of the following events occurs:

- (a) Class B Home Sites cease to exist and are converted to Class A Home Sites;
- (b) Declarant surrenders the authority to appoint and remove members of the Board of Directors and officers of the Association by an express amendment to this Declaration executed and recorded by the Declarant; or
- (c) December 31, 2015.

Section 4. Removal. Any officer elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interest of the Association will be served thereby.

Section 5. Vacancy. A vacancy in any office may be filled by the election by the Board of Directors of a successor to such office. Such election may be held at any meeting of the Board of Directors. The officer elected to fill such vacancy shall serve for the remaining term of the officer he replaces.

Section 6. Multiple Offices. The person holding the office of President shall not also hold the office of Secretary or Treasurer at the same time. Any other offices may be simultaneously held by one person. Any officer may also be a member of the Board of Directors.

Section 7. President. The President shall be the chief executive officer of the Association and shall preside at all meetings of the Members. In the absence of an elected Chairperson, he shall also preside at all meetings of the Board of Directors. He shall see that the orders and resolutions of the Board of Directors are carried out; he shall sign all written instruments regarding the Common Areas and Common Open Spaces and co-sign all promissory notes of the Association, if any, together with the Treasurer; he shall prepare, execute, certify and record amendments to the Declaration on behalf of the Association; and he shall have all of the general powers and duties which are incident to the office of president of a corporation organized under Chapter 55A of the North Carolina General Statutes in the supervision and control of the management of the Association.

Section 8. Vice Presidents. The Vice Presidents in the order of their election, unless otherwise determined by the Board of Directors, shall in the absence or disability of the President, perform the duties and exercise the powers of that office. In addition, they shall perform such other duties and have such other powers as the Board of Directors shall prescribe.

Section 9. Secretary. The Secretary shall keep the minutes of all meetings of Members and of the Board of Directors; he shall have charge of such books and papers as the Board of Directors may direct; and he shall, in general, perform all duties incident to the office of secretary of a corporation organized under Chapter 55A of the

North Carolina General Statutes.

Section 10. Treasurer. The Treasurer shall have the responsibility for the Association's funds and securities and shall be responsible for keeping full and accurate financial records and books of account showing all receipts and disbursements and for the preparation of all required financial statements. He shall co-sign promissory notes of the Association, if any, together with the President; he shall prepare a proposed budget (to be approved by the Board of Directors) in accordance with the provisions of the North Carolina Planned Community Act and the other reports to be furnished to the Members as required in the Declaration. He shall perform all duties incident to the office of treasurer of a corporation organized under Chapter SSA of the North Carolina General Statutes.

Section 11. Assistant Secretaries and Assistant Treasurers. The Assistant Secretaries and the Assistant Treasurers shall, in the absence or disability of the Secretary or Treasurer, respectively, perform the duties and exercise the powers of those offices, and they shall, in general, perform such other duties as shall be assigned to them by the Secretary or the Treasurer, respectively, or by the President or the Board of Directors.

Section 12. Compensation. Officers shall not be compensated on a regular basis for the unusual and ordinary services rendered to the Association incident to the offices held by such officers. The Board of Directors may, however, compensate any officer or officers who render unusual and extraordinary services to the Association beyond that called for to be rendered by such person or persons on a regular basis. Each officer, by assuming office, waives his right to institute suit against or make claim upon the Association for compensation based upon quantum meruit.

Section 13. Indemnification. To the extent permitted by the provisions of the North Carolina Nonprofit Corporation Act in effect at the applicable times, each officer may be indemnified by the Association with respect to any liability and expense of litigation arising out of his activities as an officer. Such indemnity shall be subject to approval by the Members only when such approval is required by the North Carolina Nonprofit Corporation Act.

ARTICLE X

OPERATION OF THE PROPERTY

Section 1. Maximum Annual Assessments. Until January 1, 2003, the maximum annual assessment for each Home Site shall be \$ * _____.00.

A. From and after January 1, 2003, the maximum annual assessment for each Home Site may be increased or decreased by the Board of Directors effective January 1 of each year, without a vote of the Membership, but subject to the limitation that the percentage of any such increase shall not exceed 10% of the maximum assessment for each Home Site for the previous year without a vote of the Membership. In the event the maximum assessment for each Home Site is not increased for any particular year or years, the amount which it might have been increased for such year shall be added to the maximum amount the assessment could be increased for each succeeding year, to the effect that the maximum increase shall be cumulative for the current year and all prior years.

* To be determined.

B. The Board of Directors may fix the annual assessment at an amount not in excess of the permitted maximum.

C. From and after January 1 of the year immediately following the conveyance of the first Home Site to an Owner, the maximum annual assessment may be increased in excess of the above maximum assessment set forth in paragraph 1A above without limitation if such increase is approved by no less than two-thirds (2/3) of the votes appurtenant to each class of Home Sites (Class A and Class B), cast in person or by proxy, at a meeting duly called for this purpose.

D. Any annual assessment established by the Board of Directors shall continue thereafter from year to year as the annual assessment until changed by said Board.

Section 2. Special Assessments for Capital Improvements and Other Matters. In addition to the annual assessments authorized above, the Association may levy, in any assessment year, special assessment(s) for the purpose of defraying, in whole or in part, the cost of any construction, repair or replacement of a capital improvement upon any Common Area(s) or Common Open Space(s) including fixtures and personal property related thereto, any Designated Maintenance Items or any brick or stone wall erected by Declarant or any private water or sewer or stormwater drainage line owned by Declarant or the Association, repayment of indebtedness and interest thereon, providing funds to pay for unforeseen or unbudgeted expenditures, borrowing the fluids to make the Property comply with zoning ordinance(s), borrowing of money for capital improvement and pledging or mortgaging of Association property as security for loans, provided that any such assessment shall have the same assent of the Members as provided in Section 1 C of this Article, and provided further that the Association shall in no event convey or subject to a security interest any portion of the Common Areas) or Common Open Spaces) except in compliance with Section 47F-3-112 of the North Carolina Planned Community Act.

Section 3. Collection. Annual assessments shall be collected annually or semiannually in two (2) equal installments as determined by the Association (or more frequently by separate agreement with the Owner) and special assessments shall be collected on a semi-annual or yearly basis as billed by the Association.

Section 4. Notice of Quorum for any Action Authorized Under Sections 1 and 2. Written notice of any meeting called for the purpose of taking any action authorized under Section 1 or 2 of this Article shall be sent to all Members not less than ten (10) days nor more than sixty (60) days in advance of the meeting. At the first such meeting called, the presence of Members or of proxies entitled to cast ten percent (10%) of the votes which may be cast for election of the Board of Directors shall constitute a quorum. If the required quorum is not present, subsequent meetings may be called subject to the same notice requirement by the affirmative vote of a majority of those present in person or by proxy, the required quorum at the subsequent meetings shall be one-half (1/2) of the required quorum at the preceding meeting.

Section 5. Date of Commencement of Annual Assessments. Due Date; Certificate of Payment. The annual assessment provided for herein shall commence as to all Home Sites on the earlier of January 1, 200_ or the date the first Home Site is conveyed by Declarant and thereafter shall be assessed as of January 1 of each year. The assessment made as of the earlier of January 1, 200_ or the date the first Home Site is conveyed by Declarant shall not exceed the maximum annual assessment set forth in Section 1 of this Article. From and after January 1, 200_ the maximum annual assessment for each Home Site may be increased or decreased by the Board of Directors as provided in Section 1 of this Article. At least thirty (30) days before January 1 of each year,

the Board of Directors shall fix the amount of the annual assessment against each Home Site and at least fifteen (15) days before January 1 of each year shall send written notice of each assessment to every Owner subject thereto; provided, however, the failure of the Board of Directors to establish such assessment amounts and to give notice thereof by such dates shall not prohibit the establishment of an increase at a later date nor prohibit the Association from collecting such increased assessment. The due dates for the payment of annual and special assessments shall be established by the Board of Directors. The Association shall, upon demand, and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether the assessments on a specified Home Site have been paid.

Section 6. Effect of Nonpayment of Assessments: Remedies of the Association. Any assessment not paid within ten (10) days after the due date shall incur a one-time late charge in the amount of \$10.00 and if not paid within thirty (30) days after the due date shall bear interest from the due date at a maximum rate of eighteen (18%) percent per annum or at the rate established by the Board of Directors at the beginning of the fiscal year of the Association, whichever is less. In accordance with the provisions of the North Carolina Planned Community Act, the Association may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien against the Owner's property, and interest, costs and reasonable attorney's fees of such action or foreclosure shall be added to the amount of such assessment. Any foreclosure of the lien may be in such manner as is prescribed by the laws of the State of North Carolina for foreclosure of deeds of trust under powers of sale or may be in any other manner permitted by applicable law. No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Areas, Common Open Space, or other property of the Association or by abandoning his Home Site.

Section 7. Subordination of the Lien to Mortgages. The liens provided for herein shall be subordinate to the lien of any first mortgage or first deed of trust on a Home Site. Sale or transfer of any Home Site shall not affect any assessment lien. However, the sale or transfer of any Home Site which is subject to any mortgage or deed of trust, pursuant to a foreclosure thereof or any proceeding in lieu of foreclosure thereof, shall extinguish the lien of such assessments as to the payment thereof which became due prior to such sale or transfer. No such sale or transfer shall relieve such Home Site from liability for any assessments thereafter becoming due or from the lien thereof, but the liens provided for herein shall continue to be subordinate to the lien of any first mortgage or deed of trust.

Section 8. Exempt Property. All portions of the Property dedicated to, and accepted by, a local public authority and portions of the Property owned by a charitable or non-profit organization exempt from taxation by the laws of the State of North Carolina shall be exempt from the assessments created herein. All Common Areas shall also be exempt from the assessments created herein. However, no land or improvements devoted to residential dwelling use shall be exempt from said assessments.

Section 9. Adoption and Ratification of Budget. Within thirty (30) days after adoption of any proposed budget for the Association, the Board of Directors shall provide to all Owners a summary of the budget and a notice of a meeting to consider ratification of the budget, including a statement that the budget may be ratified without a quorum. The Board of Directors shall set a date for a meeting of the Owners to consider ratification of the budget, such meeting to be held not less than ten (10) days nor more than sixty (60) days after mailing of the summary and notice. There shall be no requirement that a quorum be present at the meeting. The budget is ratified unless at that meeting a majority of the Owners rejects the budget. In the event the proposed budget is rejected the periodic budget last ratified by the Owners shall be continued until such time as the Owners ratify a

subsequent budget proposed by the Board of Directors.

ARTICLE XI

AMENDMENTS

These Bylaws may be amended or repealed and new bylaws may be adopted by the affirmative vote of a majority of the entire Board of Directors at any annual, regular or special meeting of the Board of Directors; and by a majority of the Members present at any meeting at which a quorum is present, provided that a notice of the meeting shall have been given which states that the purpose or one of the purposes of the meeting is to consider a proposed amendment to the Bylaws and includes a copy or summary of the proposed amendment or states the general nature of the amendment. Such notice may be waived as provided in these Bylaws. Until all Class B Home Sites cease to exist and are converted to Class A Home Sites as provided in Article II of the Declaration, the Department of Housing and Urban Development and the United States Department of Veterans Affairs shall have veto power over any amendment to the Bylaws. A copy of the amendment attested as correct by the Secretary or any Assistant Secretary of the Association shall be recorded in the Office of the Register of Deeds of Union County, North Carolina. Notwithstanding the foregoing, where a larger vote in the Association is required for the Association to take or refrain from taking a specific action, as set forth in the Declaration, no amendment of these Bylaws shall be made unless and until the owners holding such larger percentage of the vote in the Association approve said amendment. All persons or entities who own or hereafter acquire any interest in the Property shall be bound to abide by any amendment to these Bylaws which is duly approved and a copy thereof recorded as provided herein. No amendment to these Bylaws shall be adopted or passed which shall impair or prejudice the rights and priorities of any Mortgagee, without the consent of such Mortgagee. Notwithstanding anything to the contrary set forth herein so long as Declarant, or any of the present members of Declarant, own any one (1) Home Site, these Bylaws and the Declaration may not be amended without its written consent.

ARTICLE XII

MISCELLANEOUS

Section 1. Severability. Invalidation of any covenant, condition, restriction or other provisions of the Declaration or these Bylaws shall not affect the validity of the remaining portions thereof or hereof which shall remain in full force and effect.

Section 2. Successors Bound. The rights, privileges, duties and responsibilities set forth in the Declaration, as amended from time to time, shall run with the ownership of the Property and shall be binding upon all persons who own or hereafter acquire any interest in the Property.

Section 3. Gender, Singular, Plural. Whenever the context so permits, the use of the singular or plural shall be interchangeable in meaning and the use of any gender shall be deemed to include either gender.

Section 4. Conflict. In the case of any conflict between the Articles of Incorporation and these Bylaws, the Articles shall control; in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control; and in the case of any conflict between the provisions of the North Carolina Planned Community

Act and these Bylaws, Chapter 47F of the North Carolina General Statutes, as amended, shall apply.

Section 5. Nonprofit Corporation. No part of the Association's assets or net income shall inure to the benefit of any of the Members, the officers of the Association, the Directors, or any other private individual either during its existence or upon dissolution, except as reasonable compensation paid or distributions made in carrying out its declared nonprofit purposes as set forth in the Articles of Incorporation of the Association and these Bylaws.

Section 6. Fiscal Year. The fiscal year of the Association shall begin on the first day of January and end on the 31 st day of December of every year, except that the first fiscal year shall begin on the date of incorporation.

Section 7. Attorneys' Fees. To the extent permitted by Section 47F-3-120 of the North Carolina Planned Community Act, in any action to enforce the provisions of the Declaration, these Articles, the Bylaws, or the rules and regulations duly adopted by the Association, the court may award reasonable attorneys' fees to the prevailing party.

ARTICLE XIII

INDEMNIFICATION OF OFFICERS AND DIRECTORS

The Association shall indemnify any and all persons who may serve or who have served at any time as directors or officers of the Association against any and all expenses, including amounts paid upon judgments, counsel fees and amounts paid in settlement (before or after suit is commenced), actually and necessarily incurred by such persons in connection with the defense or settlement of any claim, action, suit or proceeding in which they, or any of them, are made parties, or a party, which may be asserted against them or any of them, by reason of being or having been directors or officers or a director or an officer of the Association, except in relation to matters as to which any such director or officer or former director or officer or person shall be adjudged in any action, suit or proceeding guilty of willful and intentional negligence or misconduct in the performance of his or her duties to the Association. Provided, however, that in the event of a settlement, the indemnification herein shall apply only when the Board of Directors approves such settlement and reimbursement as being in the best interest of the Association.

The provisions hereof shall be in addition to and not exclusive of any and all other rights to which any director or officer may otherwise be entitled under any law, these Bylaws, agreement, vote of Members or otherwise. In the event of death of any officer or director, the provisions hereof shall extend to such person's legal heirs, representatives, successors and assigns. The foregoing rights shall be available whether or not such person or persons were in fact directors or officers at the time of incurring or becoming subject to such expenses, and whether or not the proceeding claim, suit or action is based on matters which antedate the adoption of these Bylaws

CERTIFICATION

I, the undersigned, do hereby certify:

THAT I am the duly elected and acting Secretary of the Association, and,

THAT the foregoing Bylaws constitute the original Bylaws of said Champion Forest Homeowners Association, Inc. as duly adopted at a meeting of the Board of Directors thereof, held on the ____ day of ____, 200_.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said Association this ____ day of ____, 200_.

Secretary