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This instrument prepared by Kimberly R. Coward, Attorney at Law, Cashiers, NC 28717.

**AMENDED AND RESTATED DECLARATION
 OF
 PROTECTIVE COVENANTS
 FOR
 SAPPHIRE LAKES**

THIS AMENDED AND RESTATED DECLARATION is made this the 11th day of May, 2006, by **SAPPHIRE LAKES GROUP, LLC**, a North Carolina limited liability company, hereinafter referred to as "Declarant", and **SAPPHIRE LAKES PROPERTY OWNERS ASSOCIATION, INC.**, a North Carolina non-profit corporation, hereinafter referred to as "Association".

THAT, WHEREAS, SAPPHIRE LAKES, INC., the developer of the planned community commonly known as "SAPPHIRE LAKES, as "Grantor" caused to be recorded in Book 261, Page 98, Transylvania County Registry, a "Declaration of Restrictions" (the "Declaration") subjecting certain property described therein to the provisions of said Declaration; and

WHEREAS, by Supplemental Declarations recorded in said Registry, additional lots have been added to said planned community and subjected to the provisions of the Declaration; and

WHEREAS, SAPPHIRE LAKES, INC., by an instrument captioned "Assignment of Declarant Rights," recorded in Book 328, Page 533, of said Registry, assigned all of its rights as Developer of Sapphire Lakes to SAPPHIRE LAKES GROUP, LLC; and

WHEREAS, SAPPHIRE LAKES GROUP, LLC, and the SAPPHIRE LAKES PROPERTY OWNERS ASSOCIATION, INC., whose members are the owners of lots in SAPPHIRE LAKES, desire to amend the Declaration to adopt the provisions of Chapter 44F of the North Carolina General Statutes and to make certain changes in the provisions of the Declaration, as set forth herein; and

WHEREAS, pursuant to the provisions of N.C.G.S. §47F-1-102(d), and as set forth in the Certificate attached as "Exhibit A," hereto and incorporated herein by reference, the owners of more than 67% of the lots in Sapphire Lakes have voted to adopt this Amended and Restated Declaration of Restrictions; and

WHEREAS, the Declarant and the Association desire to place on public record this Amended and Restated Declaration which provides that Chapter 47F of the North Carolina General Statutes shall apply to SAPPHIRE LAKES, and which sets forth said approved covenants.

NOW, THEREFORE, the Declarant, joined by the Association, hereby declares that all of the Lots and parcels in the planned community known as SAPPHIRE LAKES, situated in Hogback Township, Transylvania County, North Carolina, are held and shall be held, conveyed, hypothecated, encumbered, leased, rented, used, occupied and improved subject to the provisions of Chapter 47F of the North Carolina General Statutes and the provisions of this Declaration, in furtherance of a plan of development established for the purpose of enhancing and protecting the value, desirability and attractiveness of said planned community.

The provisions of this Declaration are intended to create mutual and equitable servitudes upon each of said Lots and parcels in favor of all other said Lots and parcels; to create reciprocal rights between their respective Owners of all such Lots and parcels; to create privity of contract and estate between the Grantors of such Lots, their heirs, successors and assigns; and to operate as covenants running with the land, among and for the benefit of all Lots and parcels in the planned community and their respective Owners, present and future.

I. DEFINITIONS

For the purpose of this Declaration the following definitions shall control:

Section 1. "Articles of Incorporation" means the Articles of Incorporation of **SAPPHIRE LAKES PROPERTY OWNERS ASSOCIATION, INC., a North Carolina non-profit corporation.**

Section 2. "Assessment" means all fees, charges, late charges, fines, interest, and other charges levied by the Association.

Section 3. "Association" means **SAPPHIRE LAKES PROPERTY OWNERS ASSOCIATION, INC.**

Section 4. "Board" means the Board of Directors of the Association.

Section 5. "Bylaws" means the Bylaws of the Association as amended from time to time.

Section 6. "Committee" means the Architectural Review Committee of the Association.

Section 7. "Common Areas" means the roads and all other real property interests designated by the Declarant on Plats as being for the common use and enjoyment of the Members of the Association.

Section 8. "Declarant Control Period" means the time period during which the Declarant appoints the Board of Directors of the Association (See Article V, Section 6) and appoints the members of the Architectural Control Committee (See Article VIII, Section 10).

Section 9. "Declaration" means the instrument recorded in Book 261, Page 98, this Registry, as hereby amended and restated, together with the exhibits attached hereto and made a part hereof, and shall include such amendments, if any, as may be adopted from time to time pursuant to the terms hereof.

Section 10. "Developer" and/or "Declarant" means **Sapphire Lakes Group, LLC.**

Section 11. "Lot" means any numbered Lot designated on any plat of the Property.

Section 12. "Member" means the individual designated by an Owner to be a Member of the Association.

Section 13. "Owner" means any person, corporation or legal entity that owns fee simple title to any Lot.

Section 14. "Person" means an individual or individuals, firm, corporation or other legal entity.

Section 15. "Plat" means any map of the Declaration Property or portions thereof, which is on record in the Transylvania County Registry.

Section 16. "Property" or "Declaration Property" means that certain real property described in Exhibit "B," attached hereto and incorporated herein by reference, together

with any real property annexed by Declarant pursuant to the provisions of this Declaration.

Section 17. "Residence" means the single-family dwelling located on a Lot.

Section 18. "Single-family dwelling" means a residential dwelling for one or more persons, each related to the other by blood, marriage, or legal adoption or, alternately, a group of not more than four (4) persons not so related who shall maintain a common household in such dwelling.

Section 19. "Supplemental Declaration" means that document made and executed by Declarant, which annexes any additional lands as Declaration Property and subjects said lands to the terms and provisions of this Declaration.

II. PROPERTY SUBJECT TO THIS DECLARATION; ANNEXATION

Section 1. Property Subject to This Declaration.

The Property described in Exhibit "B" is the Property hereby declared to be held, transferred, sold, conveyed, encumbered, leased, used, improved and occupied subject to this Declaration.

Section 2. Additions Thereto.

Declarant shall have the right in its sole discretion from time to time to commit to development and to submit to the terms and conditions of this Declaration additional lands, but nothing contained in this Article or this Declaration shall obligate Declarant to so do. No lands other than the Exhibit "B" Property shall be burdened with the terms and conditions of this Declaration unless and until such lands are formally annexed as Declaration Property and submitted to the terms and conditions hereof in accordance with the provisions of Article III, Section 4, hereinbelow.

III. SPECIAL DECLARANT RIGHTS

1. Declarant shall have the right to retain as to any roads in SAPPHIRE LAKES, such rights thereto including but not limited to the use thereof and the right to improve, modify and maintain said roads as necessary in Declarant's sole opinion, for the possible development and sale of other adjacent lands, and rights-of-way for ingress and egress thereto and use and enjoyment thereof by Declarant, its successors and assigns.

2. Declarant shall have the right to use, maintain, improve, and /or replace the roadways, ditches, slopes, culverts, roadside landscaping and permanent landscape structures, and to install, maintain and replace water lines, septic lines and other public and private utilities within the right-of-way of all roads within Declaration Property, for the benefit of Declaration Property.

3. Declarant shall have the right to use, maintain, and improve the Common Areas, for the benefit of Declaration Property. Specifically, and without limitation, Declarant shall have: a) the right to drill wells and install waterlines within any of said Common Areas for the purpose of providing water to Owners from wells or water sources from a private water system; b) the right to install common septic drainfield and repair areas for designated Members of the Association and to assign individual Members the right to discharge septic waste into a designated septic drainfield and repair area; c) the right to construct a pavilion and walking trails within the Common Areas for the use of the Members.

4. Declarant may from time to time, and in its sole discretion, annex additional land as Declaration Property and submit said land to the terms and conditions of this Declaration. Declarant shall effect such annexation by recording a Plat of the real property to be annexed and by recording a Supplemental Declaration, which shall:

A. Describe the real property being annexed and designate the permissible use thereof;

B. Set forth any new or modified restrictions or covenants, which may be applicable to such, annexed property, including limited or restrictive uses of roads;

C. Declare that such annexed property shall be held, transferred, sold, conveyed, encumbered, leased, used, occupied and improved subject to the provisions of this Declaration. Upon the recording of such Plat and Supplemental Declaration, the annexed area shall become a part of the Declaration Property subject to all provisions of this Declaration as supplemented or modified by said Supplemental Declaration.

5. Notwithstanding any provisions to the contrary, Declarant intends to prepare and record subdivision plats and does hereby reserve unto itself, its successors and assigns, the right to relocate, open, or close access roads shown on said plats, and to revise, recombine, re-subdivide and change the size, shape, dimensions and locations of Lots, prior to their conveyance to third parties. The covenants, conditions, restrictions and reservations hereby imposed shall be applicable to the resulting Lots in lieu of the Lots as originally shown on said plat prior to such revision, relocation or change. However, Lots sold prior to such revision, relocation or change shall not be deprived of that portion of the access roads on which it bounds or of access to such Lot from the access roads in the Development.

IV. OWNER'S RIGHT AND EASEMENT OF ENJOYMENT IN THE ROADS.

The non-exclusive right to use all roadways within the Declaration Property shall be an appurtenance to each Lot within said property, subject to the reserved right of Declarant set forth above, and every Owner shall have a right and easement of enjoyment in and to said roads in common with all other Owners, subject to:

1. All rules and regulations governing the use and enjoyment of the roads by the Association;
2. The right of the Declarant and the Association to establish easements over the roads for service to or in favor of any private or governmental bodies for the installation and maintenance of electrical and telephone conduit and lines, gas pipes, sewers, sewer lines, water lines and pipes, cable television lines or hook-ups or any other utility services serving any Lots within the Declaration Property;
3. All provisions of this Declaration not enumerated above, and all restrictions and provisions contained on the plats of the Property.

V. THE ASSOCIATION; ADMINISTRATION, MAINTENANCE AND IMPROVING OF ROADS AND COMMON AREAS; FINANCIAL RESPONSIBILITY OF OWNERS THEREFOR; AGREEMENT FOR ASSESSMENTS AND ENFORCEMENT THEREOF.

Section 1. General. The Association is a North Carolina non-profit corporation organized to further and promote the common interests of Owners. The Association shall have such powers as are set forth in Section 47F-3-102 of the General Statutes and in its Articles and Bylaws.

Section 2. Membership. The Membership to the Association shall consist of Members, as defined in Article I, Section 12. When the Owner is more than one person, a corporation, a partnership, a trust, a limited liability company, or other entity, said Owner shall designate, in writing, one natural person to be the Member, as follows: Multiple Owners shall designate one of the individual Owners; a corporation shall designate either its president or vice president; a partnership shall designate a general partner; the trustee of a trust shall designate a trustor, a trustee or a primary beneficiary; a limited liability company shall designate one of its Members or its manager.

Section 3. Classes of Members. There shall be one class of voting members.

Section 4. Associate Members. The immediate family of the Member, designated in accordance with the provisions of this Section 2, above, shall be considered "Associate Members", and shall have the right to use amenities and to hold office, but shall not have the right to vote. (For purpose of this Paragraph B, a family Member is the spouse of a

Member or a child of a Member who is less than 23 years of age and residing with the Member or at an institution of higher learning).

Section 5. Votes. Each Member shall be entitled to one (1) vote for each Lot it owns.

Section 6. Board of Directors. The affairs of the Association shall be governed by the Board of Directors. Initially, the Board shall be composed of three persons designated by the Declarant, none of whom needs to be the owner of a lot. The directors may be removed and replaced by the Declarant during the Declarant Control Period. The directors appointed by the Declarant shall be replaced by directors elected by the Members, as provided for in the Articles of Incorporation and Bylaws of the Association, but in no event later than either: a) the conveyance of all of the property then subjected to this Declaration (including lots subsequently annexed to the development pursuant to the provisions of this Declaration); or (2) January 1, 2020, whichever shall first occur, or at such earlier time as Declarant in its sole discretion elects.

Section 7. Administration, Maintenance and Improvement.

The Association shall be responsible for the administration, maintenance and improvement of the roads and Common Areas in Sapphire Lakes. Membership in the Association shall consist exclusively of all the Lot Owners in said planned community. The Association shall have the powers enumerated in Section 47F-3-102 of the General Statutes. The management of the Association shall be by a Board of Directors, pursuant to Section 47F-3-103 of the General Statutes.

Section 8. Financial Responsibility of Owners; Assessments by Association.

The Owners are responsible for providing funds necessary to the Association to carry out the above purposes. The Association shall prepare an annual budget, and shall assess each Owner as provided herein for its pro rata share of such expenses.

Section 9. Assessments; Personal Obligations of Owners; Creation of Lien.

The Declarant, for each Lot owned by it within the property, hereby covenants, and each Owner of any Lot by acceptance of a deed therefor whether or not it shall be so expressed in any such deed or other conveyance is deemed to covenant (which covenant shall run with the land and be binding on every Owner) and agree to pay to the Association:

- A. Annual Assessments for administration and maintenance.
- B. Annual Assessments for capital improvements.
- C. Special Assessments for administration, maintenance and capital improvements.
- D. An "impact" Assessment for abnormal road usage during the construction of improvements, to be due and payable at the time a building permit is issued for construction on any Lot.
- E. An Assessment or fine for damage to or destruction of Association property by a Member or guest of a Member, said damage or destruction not to include ordinary wear and tear.
- F. An Assessment or fine levied by the Board for failure by Owner to comply with the rules and regulations of the Association or failure to pay any other Assessment or fine levied by the board.

Section 10. Budget.

The Board of Directors shall adopt a proposed annual budget for the planned community, and, within 30 days thereof shall provide to all Owners a summary of the budget and a notice of the meeting to consider ratification of the budget, including a statement that the budget may be ratified without a quorum. The meeting shall be held not less than 10 nor more than 60 days after mailing of the summary and notice. The budget shall be deemed ratified unless at that meeting a majority of all the Owners rejects the budget.

Section 11. Effect of Non-Payment of Assessments; Remedies of the Association; The Personal Obligation of Owner; The Lien.

A. Any Assessment or fine levied against a Lot remaining unpaid for a period of 30 days or longer shall constitute a lien on that Lot when a claim of lien is filed of record in the office of the clerk of superior court in the manner provided in the North Carolina General Statutes, Section 47F-3-116. The Association may foreclose the claim of lien in like manner as a mortgage on real estate under power of sale under Article 2A of Chapter 45 of the General Statutes. All fees, charges, late charges, fines, interest, and other charges are enforceable as Assessments. The following late fee schedule applies to the collection of delinquent accounts:

1. 30-days late = \$25.00 late fee;
2. 60-days late = \$50.00 late fee;
3. 90+ days late = \$100.00 late fee, plus additional \$100.00 late fees for each additional 30 day period for which the Assessment remains unpaid.

The Association shall have any other remedy available under the law.

B. If any Assessment against a Lot is not paid by the due date, such Assessment shall be delinquent and shall bear interest from the due date at the rate of eighteen per cent (18%) per annum, or the maximum interest rate allowed by law, whichever is lower.

C. If any delinquent Assessment is not paid within (30) days from the date of the notice of Assessment and is placed in the hands of an attorney for collection, there shall be added to the amount due all costs of collection including reasonable attorney's fees.

Section 12. Owner May Not Escape Liability by Non-use of Roads, Water System and/or Common Areas.

No Owner may waive or otherwise escape liability for the Assessments provided for herein by non-use of the roads and/or Common Areas or abandonment of his Lot.

Section 13. Privileges of Members: Members in good standing shall have a license to use the Common Areas subject to the provisions of the Declaration, and subject to such other rules and conditions as may be established by the Board, and shall have the right to cast a vote on Association matters.

Section 14. Suspension of Privileges of Membership: A hearing shall be held before the Board of Directors to determine if any Owner should be fined or if planned community privileges or services should be suspended. The Owner charged shall be given notice of the charge, opportunity to be heard and to present evidence, and notice of the decision. The Board may suspend the license of any Member to use the Common Areas or to vote on Association matters for:

- (i) Any period during which any Association charge on such Member's Lot remains unpaid;
- (ii) The period of any continuing violation by such Member of the provisions of the Declaration after the existence thereof shall have been declared by the Board;
- (iii) A period to be determined by the Board, for repeated violations of the By-Laws or the rules and regulations of the Association.

Section 15. Fines for non-compliance: The Board may levy fines upon any Member, as determined by the Board, for repeated violations of the Bylaws or the rules and regulations of the Association. Said fines, if unpaid by Member, shall constitute a lien on the Member's Lot pursuant to Article V, Section 11, hereinabove.

VI. RESTRICTIONS ON USE

Section 1. Use of Lots Restricted to Residential Purposes.

No Lot or portion thereof shall be used except for one single-family residential dwelling, a guest house for bona fide, non-paying guests, and out buildings approved by the Committee. There shall be no commercial activity on any Lot.

Section 2. Leasing.

Residences on Lots may be leased for residential purposes. All leases shall require, without limitation, that the tenant acknowledge receipt of a copy of the Declaration, Bylaws, use restrictions, and rules and regulations of the Association. The lease shall also obligate the tenant to comply with the foregoing.

Section 3. Site Location.

Residences, or recreational vehicles, if the placement thereof on Declaration property is permitted as set forth in Section 16, hereinbelow, shall be reasonably located on each Lot in a manner which shall not encroach on the privacy of the adjacent Lots or roads and shall comply with the minimum set-backs set forth in Section 4, below.

Section 4. Set-backs.

Any and all improvements except fences, landscaping and those specifically authorized by the Committee shall be located at least:

1. Fifty feet (50') from the right-of-way of road providing access;
2. Fifty feet (50') from the rear lot lines; and
3. Twenty-five feet (25') from the side lot lines.

Section 5. Minimum Square Footage Requirement.

No single-family dwelling shall have less than 1,500 square feet of finished, enclosed, heatable living space. In the event that said dwelling shall have more than one story totally above ground level, the first story totally above ground level shall contain at least 1,200 square feet of finished, enclosed heatable living space and no dwelling shall exceed two stories in height above ground level. The minimum dwelling size may be reduced by the Committee under the variance powers provided for herein where it appears that a small size house will be more suitable for a particular lot and not detrimental to adjoining lots.

Section 6. Completion of Construction.

Construction and improvements, once commenced, shall be completed within fifteen (15) months. Improvements not so completed, or construction that has been partially or totally destroyed and not rebuilt or cleaned away so as to leave a neat and tidy appearance, within fifteen (15) months, shall be deemed a nuisance.

Section 7. Maintenance of Lots and Improvements.

All Lots, whether occupied or unoccupied, and all improvements placed thereon shall at all times be maintained in such a manner as to prevent their becoming unsightly, unsanitary, or a hazard to health. If not so maintained, the Association shall have the right to rectify such offensive situations, and the costs of such undertakings shall be a Special Assessment against the Owner and the Lot. Neither the Association nor any of its agents, employees or contractors shall be liable for any damage which may result from its actions to so rectify any offensive situation.

Section 8. Burning or Burying of Garbage, Trash or Rubbish Prohibited.

No Owner shall burn or bury any trash, garbage or refuse or natural materials on Declaration Property.

Section 9. Storage of Garbage, Trash or Rubbish.

No Owner shall accumulate on his Lot any junk vehicles, or any litter or garbage except in receptacles provided by Owner for such purposes. All receptacles for rubbish, garbage, and trash, and all fuel storage tanks shall be buried for concealment or covered in a manner so as not be visible from any roadway or from adjacent property in accordance with the Architectural Review Design Guidelines.

Section 10. Portable Structures Prohibited.

No travel trailer, mobile home, relocatable dwelling, tent, lean-to or other temporary structure may be placed or erected on any Lot except that temporary structures, trailers or the like may be permitted by the Committee when used in the process of erection of improvements to said parcel, or for promotional activities.

Section 11. Re-subdivision of a Lot.

No original Lot may be subdivided or its boundary lines changed except with the prior written approval of the Committee.

Section 12. Access to Lots.

There shall be no access to any Lot within Declaration Property except from designated roads as contained on the plat. There shall be no access from any Lot within the subdivision to any adjacent lands not within Declaration Property. No Owner may grant a right-of-way through his Lot for the purpose of affording access to property not within Declaration Property. This provision shall not apply to the Declarant.

Section 13. Animals and Pets.

No animals, livestock, or poultry of any kind may be raised, bred, kept, or permitted on any Lot, except that dogs, cats, or other usual and common household pets in reasonable number, as determined by the Board, may be kept on a Lot; provided, however, those pets which are permitted to roam free, or, in the sole discretion of the Board endanger the health, make objectionable noise, or constitute a nuisance or inconvenience to the Owners of other Lots or the owner of any property located adjacent to the planned community may be removed by the Board. No pets shall be kept, bred or maintained for any commercial purpose. Dogs which are household pets shall at all times whenever they are outside a Lot be confined on a leash. Without prejudice to the Board's right to remove any such household pets, no household pet that has caused damage or injury may be walked in the planned community.

Section 14. Signs.

No signs other than the Owner's name or identification of the Owner's property shall be permitted on any Lots; provided, however, that the Committee shall have the right to determine the kind, size and location of all permitted signs. This provision shall not apply to Declarant.

Section 15. Overnight Camping Provision.

Overnight camping on any Lot is prohibited.

Section 16. Recreational Vehicles, Boats and Trailers.

No recreational vehicles, boats and/or trailers shall be permitted on Lots, unless the placement thereof on any Lot is expressly approved by the Committee, which shall have the right to approve or disapprove the design and/or appearance of any such vehicle prior to the location of such vehicle on Declaration Property, and which shall have the right to deny a request to place such vehicle on Declaration Property. Any and all permitted recreational vehicles must be screened from view of any road, in the manner required by the Committee.

Section 17. Motorcycles.

No motorcycle, motor bicycle, "dirt bike", "4-Wheeler", "off-road vehicle" or other such vehicle shall be operated on any Lot or roadway in Declaration Property. (Since one of its purposes is to limit noise, this restriction shall be broadly construed to include all such vehicles, notwithstanding the number of wheels.) Motorcycles used only for ingress and egress to Lots are permitted as are motorized golf carts, A.T.V.s, "Mules", and/or "Rangers" when used only for ingress and egress to Common Areas and trails specifically designated for use by such vehicles, and on individual Lots by the Owners of said Lots.

Section 18. Nuisance.

It shall be the responsibility of each Owner to prevent the development of any unclean, unhealthy, unsightly, or unkempt condition on such Owner's Lot. No property within the planned community shall be used, in whole or in part, for the storage of any property or thing that will cause such Lot to appear to be in an unclean or untidy condition or that will be obnoxious to the eye; nor shall any substance, thing, or material be kept that will emit foul or obnoxious odors or that will cause any noise or other conditions that will or might disturb the peace, quiet, safety, comfort, or serenity of the occupants of surrounding property. No noxious or offensive activity shall be carried on within the planned community, nor shall anything be done tending to cause embarrassment, discomfort, annoyance, or nuisance to any Person using any property within the planned community. There shall not be maintained any plants or animals or device or thing of any sort whose activities or existence in any way is noxious, dangerous, unsightly, unpleasant, or of a nature as may diminish or destroy the enjoyment of the planned community. Without limiting the generality of the foregoing, no speaker, horn, whistle, siren, bell, amplifier or other sound device, except such devices as may be used exclusively for security purposes, shall be located, installed or maintained upon the exterior of any Lot unless required by law.

Section 19. Unsightly or Unkempt Conditions.

The pursuit of hobbies or other activities, including specifically, without limiting the generality of the foregoing, the assembly and disassembly of motor vehicles and other mechanical devices, which might tend to cause disorderly, unsightly, or unkempt conditions, shall not be pursued or undertaken in any part of the planned community.

Section 20. Antennas.

Unless reasonably located and screened as approved in writing by the Committee, no satellite dishes or exterior antennas of any kind shall be placed, allowed, or maintained upon any portion of the planned community, including any Lot. In no event shall any such antenna in excess of one meter in size be permitted in the planned community except if installed by the Declarant or the Board as provided in this Section. Notwithstanding the provisions and restrictions set forth above, Declarant and the Board reserve the right to (but shall not be obligated to) erect a master antenna, satellite dish or other similar master system for the benefit of the planned community.

Section 21. Water Impoundment.

No impounding of water on any Lot shall be permitted, unless approved by the Committee.

Section 22. Removal of Trees and Shrubs.

No trees measuring six inches (6") or more in circumference at six inches (6") above ground level may be removed from any Lot without the prior written consent of the Committee nor may any native flowering shrubs and trees such as wild Azalea, Laurel, Dogwood, Rhododendron, Dog Hobble and Sarvis Berry be removed from any Lot or embankment without the prior written consent of the Committee except for (a) trees that are located within ten (10) feet of a drainage area, a septic field, a sidewalk, a residence or a driveway, (b) diseased or dead trees, and (c) trees removed by Declarant. The Committee shall have the power to fine any Owner for removal of any such trees and shrubs as described herein that are removed without the prior written consent of the Committee. Such fines, and the procedure to levy such fines shall be as set forth in the

Architectural Review Design Guidelines. In the event Owner fails to pay said fines within thirty (30) days of notice thereof, the sum shall constitute a lien of the Owner's Lot when a claim of lien is filed of record in the office of the clerk of superior court as set forth in Article V, Section 11 of this Declaration. All trees to be saved must be clearly identified and protected with "tree save" and the tree save shall be placed no closer to the trunks of saved trees than the outer edge of the canopy of the trees.

Section 23. Clearing and Erosion Control.

No work, including clearing, grubbing or grading, shall be commenced on any Lot unless and until all permissions have been granted by the Committee. No activity which may create erosion or siltation problems shall be undertaken on any Lot without the prior written approval from the Committee for plans and specifications for the prevention and control of such erosion or siltation. The Committee may, as a condition of approval of such plans and specifications, require the use of certain means of preventing and controlling such erosion or siltation. Such means may include, by way of example and not limitation, physical devices for controlling the run-off and drainage of water, special precautions in grading and otherwise changing the natural landscape of the Lot, and required landscaping as provided for in the Architectural Review Design Guidelines.

Section 24. Drainage.

Catch basins and drainage areas are for the purpose of natural flow of water only. No obstructions or debris shall be placed in these areas. No Owner may obstruct or re-channel the drainage flows after location and installation of drainage swales, storm sewers, or storm drains. Declarant hereby reserves for the benefit of Declarant and the Association and their respective successors and assigns a perpetual easement across the planned community property for the purpose of altering drainage and water flow. Rights exercised pursuant to such reserved easement shall be exercised with a minimum of interference to the quiet enjoyment of affected property, reasonable steps shall be taken to protect such property, and damage shall be repaired by the Person causing the damage at its sole expense.

Section 25. Sight Distance at Intersections.

All property located at street intersections shall be landscaped so as to permit safe sight across the street corners. No fence, wall, hedge, or shrub planting shall be placed or permitted to remain where it would create a traffic or sight problem.

Section 26. Guns.

The use of firearms in the planned community is prohibited. The term "firearms" includes without limitation "B-B" guns, pellet guns, and small firearms of all types.

Section 27. Fences.

Except as provided herein, no fence or fencing type barrier of any kind shall be placed, erected, allowed, or maintained upon any portion of the planned community, including any Lot, without the prior written consent of the Committee. The Committee may issue guidelines detailing acceptable fence styles or specifications, but in no event may a chain link or barbed wire fence be approved. Notwithstanding the above, fences originally installed by Declarant may not be removed without the prior written consent of the Declarant.

Section 28. Utility Lines.

Except as may be permitted by the Committee, no overhead utility lines, including lines for cable television, shall be permitted within the planned community, except for temporary lines as required during construction and lines installed by or at the request of Declarant.

Section 29. Air-Conditioning Units.

Except as may be permitted by the Committee, no window air conditioning units may be installed.

Section 30. Lighting.

Except as may be permitted by the Committee, exterior lighting visible from the street shall not be permitted except for (a) approved lighting as originally installed on a Lot; (b) one decorative post light; (c) street lights in conformity with an established street lighting program for the Planned Community; (d) seasonal decorative lights; or (e) front house illumination of model homes.

Section 31. Artificial Vegetation, Exterior Sculpture, and Similar Items

No artificial vegetation shall be permitted on the exterior of any property. Exterior sculpture, fountains, flags, and similar items must be approved by the Committee.

Section 32. Energy Conservation Equipment.

No solar energy collector panels or attendant hardware or other energy conservation equipment shall be constructed or installed unless they are an integral and harmonious part of the architectural design of a structure, as determined in the sole discretion of the Committee.

Section 33. Swimming Pools.

No swimming pool shall be constructed, erected or maintained upon any Lot without the prior written consent of the Committee and in no event shall any above-ground swimming pool be permitted.

Section 34. Gardens, Play Equipment and Pools.

No vegetable garden, hammock, statuary, or play equipment (including, without limitation, basketball goals), or pool shall be constructed, erected or maintained upon any Lot unless the type and location thereof has been previously approved by the Architectural Review Committee.

Section 35. Mailboxes.

No mailboxes and appurtenant posts and/or structures shall be erected without the prior approval of the Committee. Generally, the foregoing must be of the same type and color as that originally installed by Declarant or the original home builder.

Section 36. Exteriors

Any change to the exterior color of any improvement located on a Lot, including, without limitation, the dwelling or any fence located on a Lot, must be approved by the Committee.

Section 37. Clotheslines.

No exterior clotheslines of any type shall be permitted upon any Lot.

VII. EASEMENTS

Section 1. Reservations of Easements.

The following easements over each Lot and the right of ingress and egress to the extent reasonably necessary to exercise such easements are reserved to Declarant, its successors and assigns.

(A) Utilities. A ten (10) foot wide strip running along the inside of all Lot lines for the installation, maintenance and operation of underground utilities including, water lines, septic lines, radio and television transmission cables and the accessory right to cut, trim or remove trees and plantings wherever necessary upon such Lots in connection with such installation, maintenance and operation, and for the installation and maintenance of landscaping and permanent landscape structures (“hardscape”);

(B) Roadways. Rights-of-way shall be as shown on recorded plats of the Declaration Property;

(C) Walking Trails. Declarant may reserve walking trails over portions of Declaration Property, which shall be as shown on recorded plats of the Declaration Property and which shall be reserved for the benefit of the Association in the deed of conveyance from the Declarant to the first purchaser of the Lot upon which the walking trail is situated.

(D) Other Easements. Any other easements shown on the plat.

Section 2. Use or Maintenance by Owners.

The areas of any Lots affected by the easements reserved herein shall be maintained continuously by the Owner of such Lot with the exception of the actual roadways, which shall be maintained by the Association. No structures, plantings or other materials shall be placed or permitted to remain or other activities undertaken thereon which may damage or interfere with the use of said easements for the purposes herein set forth. Improvements within such areas shall be maintained by the Owner except those for which a public authority or utility company is responsible.

Section 3. Limitation on Liability for Use of Easement.

No Owner shall have any claim or cause of action against Declarant or its licensees arising out of exercise or non-exercise of any easement reserved hereunder or shown on the plat.

VIII. CONTROL OF IMPROVEMENTS; THE ARCHITECTURAL REVIEW COMMITTEE.

There is hereby created an Architectural Review Committee, which shall perform the duties required of it by its Declaration.

Section 1. Improvements Prohibited Without Approval.

No clearing, grading or grubbing shall be commence (as set forth in Article VI, Section 23, hereinabove), no tree or shrub (as set forth in Article VI, Section 22, hereinabove) and no building, fence, wall, satellite dish antenna or other structure (including recreational vehicles as set forth in Article VI, Section 16, hereinabove) shall be commenced, erected, maintained or placed upon any Lot nor shall any exterior change or alteration to any residence or improvement thereon be made upon any Lot until the plans and specifications showing the nature, kind, shape, height, materials, square footage of finished, enclosed, heat-able living space, and location of the same shall have been submitted to the Committee in the manner and form prescribed by it and approved by it and as set forth in the "Architectural Review Design Guidelines" established by the said Architectural Review Committee. The application shall be accompanied by the number of sets of plans and specifications as set forth in the "Architectural Review Design Guidelines", which shall show all information, including but not limited to the location of all improvements, if any, existing upon said Lot, the location of the improvements proposed to be constructed, the color and composition of all exterior materials to be used, proposed landscaping and any other information which the committee may require. No utility lines other than underground lines shall be placed on or above any Lot.

Section 2. Approvals Other Than for Improvements Required by Committee.

Where the approval of the Committee is required in matters other than the above by this Declaration, requests for such approval shall be submitted in writing to the Committee in the manner and form prescribed by it. The application shall show in sufficient detail those factors necessary for the Committee to render a decision on the request.

Section 3. Grounds for Disapproval.

The Committee may disapprove any applications:

(A) If, in the judgment of a majority of the Committee reasonably exercised, the proposed request fails to meet the criteria set forth in this Declaration.

(B) Because of the reasonable dissatisfaction of the Committee with grading plans, location of the proposed improvements on a Lot, finished ground elevation, color scheme, finish, design proportions, architecture, shape, height, or style of the proposed improvements, the materials used therein, the kind, pitch, or type of roof proposed to be placed thereon;

(C) If, in the judgment of a majority of the Committee reasonably exercised, the proposed improvements would not be harmonious with the improvements erected on other Lots.

Section 4. Rules and Regulations

The Committee shall, from time to time adopt written rules and regulations or general application governing its procedures which shall include, among other things, provisions for the form and content of applications; required number of copies of plats and specifications; provisions for notice of approval or disapproval, including a forty-five (45) day time period after approval becomes automatic by reason of failure to disapprove.

Section 5. Variances.

The Committee may grant reasonable variances or adjustments from the provisions in this Declaration where literal application thereof results in unnecessary hardship and if the granting thereof will not be materially detrimental or injurious to Owners of other Lots. In no way shall the grant of a reasonable variance by the Committee be construed as a waiver of the duty of all other Owners and Members to comply with the terms of this Declaration and the rules and regulations of the Committee.

Section 6. Certification of Compliance.

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

Section 7. Liability.

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

Section 8. Appeals.

Any applicant shall have the right to appeal to the Board of Directors of the Association any decision of the Committee within forty-five (45) days after entry of such decision.

Section 9. Certificate of Completion.

Upon completion of the improvement of a Lot in accordance with the plans and specifications approved by the Committee, and payment of any fines levied by the Committee, the Committee shall issue a Certificate of Completion.

Section 10. Committee Membership.

The Committee shall be composed of three (3) Members to be appointed by Declarant. Committee Members shall be subject to removal by Declarant. The power to appoint or remove Committee Members shall be transferred to the Association upon the sale of all Lots within Declaration Property or at such time as Declarant in its sole discretion elects.

IX. GENERAL PROVISIONS

Section 1. Covenants, Conditions, Restrictions and Easements Run with Land.

All covenants, conditions, restrictions and easements contained in this Declaration shall constitute covenants running with land.

Section 2. Grantee's Acceptance.

Each Owner of any Lot, by acceptance of title thereto, or by the execution of a contract for the purchase thereof, shall accept such title or contract subject to each and all of the provisions of this Declaration and to the jurisdiction, rights, powers, privileges, and immunities of Declarant and of the Association. Such Owner or contracting party, for himself, his heirs, assigns, and successors, covenants, consents and agrees to and with the Declarant, the Association and the Owner of each other Lot to keep, observe, comply, and perform the covenants, conditions and restrictions contained in this Declaration.

X. REMEDIES

Section 1. Enforcement.

The Declarant, Association and each person to whose benefit this Declaration inures, may proceed at law or in equity to prevent the occurrence, continuance, or violation of any provisions of this Declaration, and the Court in such action may award the successful party reasonable expenses in prosecuting such action, including reasonable attorneys' fees.

Section 2. Cumulative Rights.

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

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

Section 3. Effect of Waiver of Violation.

No waiver of a breach or violation of any of the covenants, conditions, restrictions and easements in this Declaration shall be construed as a waiver of any succeeding breach of the same covenant, conditions, restriction and waiver.

XI. SEVERABILITY

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

XII. TERM AND AMENDMENT

The provisions of this Declaration shall affect and run with the land and shall exist and be binding upon all parties claiming an interest in Declaration Property until January 1, 2020, A.D., after which time they shall be automatically extended for successive periods of ten (10) years unless affirmative vote of a sixty-seven percent (67%) of the voting Members of the Association decides to the contrary.

During the time period that the Declarant appoints the Board of Directors of the Association (Article V, Section 6) and the Architectural Control Committee (Article VIII, Section 10), (hereinafter "Declarant Control Period") this Declaration may be amended by the Declarant without joinder of the owners or the Association except that the Declarant shall amend Article VI, Restrictions on Use, only by affirmative vote or written agreement signed by owners of lots to which at least sixty-seven per cent (67%) of the votes in the Association are allocated. After the termination of the Declarant Control Period, this Declaration may be amended only by affirmative vote or written agreement

signed by owners of lots to which at least sixty-seven per cent (67%) of the votes in the Association are allocated. Every amendment to the Declaration shall be recorded in the county in which the Property is located.

XIII. GENDER

Wherever the context so requires, the use of any gender shall be deemed to include all genders and the use of the singular shall include the plural and the plural shall include the singular.

IN WITNESS WHEREOF, the Declarant has caused these presents to be executed this 10th day of May, 2006.

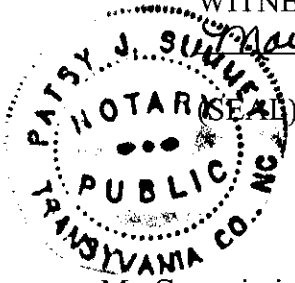
SAPPHIRE LAKES GROUP, LLC,
a North Carolina limited liability
company
By: [Signature]
Mark Meadows, Manager

SAPPHIRE LAKES PROPERTY
OWNERS ASSOCIATION, INC., a
North Carolina non-profit corporation
By: [Signature]
Mark Meadows, President

STATE OF North Carolina
COUNTY OF Jackson

I, a Notary Public of the Transylvania County and State aforesaid, do hereby certify that Mark Meadows, Manager of SAPPHIRE LAKES GROUP, LLC, a North Carolina limited liability company, personally appeared before me this day and acknowledged the due execution of the foregoing instrument on behalf of said limited liability company.

WITNESS my hand and official stamp or seal, this the 10th day of May, 2006.



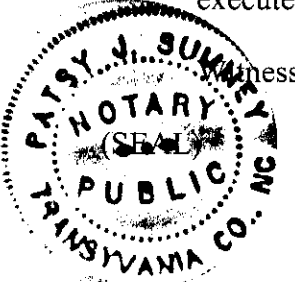
[Signature]
Notary Public
Patsy J. Summey
(Printed Name of Notary)

My Commission Expires: 4/10/2009

STATE OF North Carolina
COUNTY OF Jackson

I, a Notary Public of Transylvania County and State aforesaid, certify that Mark Meadows personally came before me this day and acknowledged that he is president of Sapphire Lakes Property Owners Association Inc., a North Carolina non-profit corporation, and that he, as president, being authorized to do so, executed the foregoing on behalf of the corporation.

Witness my hand and official seal, this the 10th day of May, 2006.



[Signature]
Notary Public
Patsy J. Summey
(Printed Name of Notary)

My Commission Expires: 4/10/2009

EXHIBIT "A" TO AMENDMENT OF DECLARATION

I, the undersigned Secretary of Sapphire Lakes Property Owners Association, Inc. do hereby certify the following to be a resolution adopted by the Board of Directors of said corporation:

WHEREAS, more than 67% of the Owners of all lots in Sapphire Lakes Subdivision entitled to vote have voted affirmatively to adopt the amendment to the Declaration of Protective Covenants for Sapphire Lakes to which this certificate is attached.

THEREFORE, BE IT RESOLVED THAT the appropriate officers of the corporation be, and they hereby are, authorized and directed to present said amendment for recordation on the public record, and to certify to the adoption of said amendment by the requisite number of Owners.

This the 15th day of April, 2006




Kimberly R. Coward, Assistant Secretary

EXHIBIT "B" to the AMENDED AND RESTATED DECLARATION OF
PROTECTIVE COVENANTS FOR SAPPHIRE LAKES

BEING ALL of those certain parcels of land described in the deeds recorded in Book 260, Page 57 and Book 272, Page 514, Transylvania County Registry, to which reference is specifically made, LESS AND EXCEPT those certain parcels of land described as Parcels 1, 2, 3, 4, 5, 6, 7 and 8 and a portion of Parcel 17, and being Lots 13, 14, 15 and 16, James Creek, as shown on a plat thereof recorded in Plat File 7, Slide 152, Transylvania County Registry, as said parcels are described in that certain deed recorded in Book 328, Page 507 and re-recorded in Book 348, Page 209, Transylvania County Registry, LESS AND EXCEPT all of those certain parcels of land described in the deed recorded in Book 295, Page 42, Transylvania County Registry (the golf course and country club property), and LESS and EXCEPT that certain parcel of land containing 7.74 acres, as shown on a plat thereof recorded in Plat File 11, Slide 726, Transylvania County Registry, to which reference is specifically made and being all of the existing lots and unimproved land within the subdivision known as "Sapphire Lakes".

2007006354


 TRANSYLVANIA CO, NC FEE \$17.00
 PRESENTED & RECORDED:
 08-13-2007 04:45:17 PM
 CINDY M OWNBEY
 REGISTER OF DEEDS
 BY: KARIN SMITH
 DEPUTY REGISTER OF DEEDS
 BK: DOC 422
 PG: 225-226

This instrument prepared by Kimberly R. Coward, Attorney at Law, Cashiers, NC 28717
STATE OF NORTH CAROLINA

COUNTY OF TRANSYLVANIA

SUPPLEMENTAL DECLARATION OF

PROTECTIVE COVENANTS OF SAPPHIRE LAKES

THIS SUPPLEMENTAL DECLARATION is made this 13 day of August, 2007, by SAPPHIRE LAKES GROUP, LLC, a North Carolina limited liability company hereinafter referred to as "Declarant" and SAPPHIRE LAKES PROPERTIES, LLC, a North Carolina limited liability company, hereinafter referred to as "Owner".

Pursuant to the provisions of Article III, Section 4 of the Declaration of Protective Covenants for Sapphire Lakes (the "Declaration"), recorded in Book 348, Page 331, and re-recorded in Book 364, Page 290, Transylvania County Registry, to which reference is specifically made, Sapphire Lakes Group, LLC, as Declarant, joined by the Owner of said property, hereby annexes as Declaration Property the land described as follows:

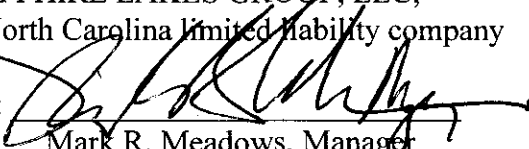
BEING ALL of Lot 11, Burlingame, containing 2.26 acres, as shown on a plat thereof recorded in Plat File 11, Slide 1023, Transylvania County Registry, to which reference is specifically made.

The aforesaid property shall be held, transferred, sold, conveyed, encumbered, leased, occupied and improved subject to the provisions of the above referenced Declaration.

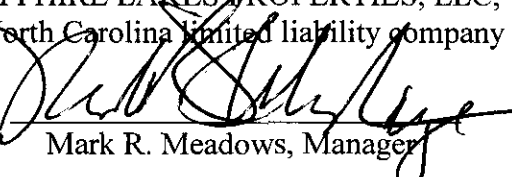
The Owner of the above-described property joins in this Supplemental Declaration for the sole purpose of subjecting said property to all of the terms of the above-referenced Declaration.

IN WITNESS WHEREOF, the Declarant and Owner have caused these presents to be executed by their Managers the day and year first above-written.

SAPPHIRE LAKES GROUP, LLC,
a North Carolina limited liability company

By: 
Mark R. Meadows, Manager

SAPPHIRE LAKES PROPERTIES, LLC,
a North Carolina limited liability company

By: 
Mark R. Meadows, Manager

NOTARY ACKNOWLEDGMENT IS ON FOLLOWING PAGE.

(2)

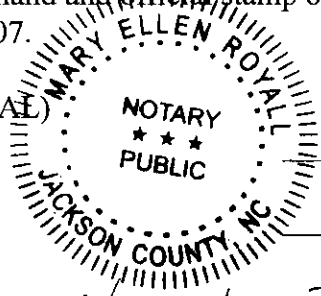
STATE OF NORTH CAROLINA

COUNTY OF Jackson

I, a Notary Public of the County and State aforesaid, do hereby certify that Mark R. Meadows, Manager of SAPPHIRE LAKES GROUP, LLC, a North Carolina limited liability company, personally appeared before me this day and acknowledged the due execution of the foregoing instrument on behalf of said limited liability company.

WITNESS my hand and official stamp or seal, this the 10th day of August, 2007.

(OFFICIAL SEAL)



Mary Ellen Royall
Notary Public
Mary Ellen Royall
(Printed Name of Notary)

My Commission Expires: November 2, 2010

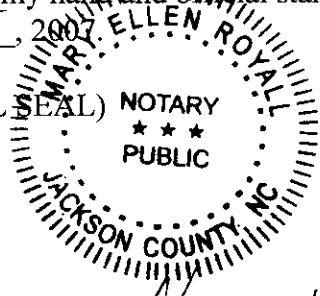
STATE OF NORTH CAROLINA

COUNTY OF Jackson

I, a Notary Public of the County and State aforesaid, do hereby certify that Mark R. Meadows, Manager of SAPPHIRE LAKES PROPERTIES, LLC, a North Carolina limited liability company, personally appeared before me this day and acknowledged the due execution of the foregoing instrument on behalf of said limited liability company.

WITNESS my hand and official stamp or seal, this the 10th day of August, 2007.

(OFFICIAL SEAL)



Mary Ellen Royall
Notary Public
Mary Ellen Royall
(Printed Name of Notary)

My Commission Expires: November 2, 2010

07-9007/mac