

DECLARATION OF COVENANTS FOR STONE BROOK MAINTENANCE

This DECLARATION OF COVENANTS (these "Covenants") is made and executed by Governors Club Development Corporation, a North Carolina corporation (the "Declarant"), and is joined by the Governors Club Property Owners Association, Inc. and Stone Brook Maintenance Association, Inc., both of which are North Carolina nonprofit corporations, and is binding upon all parties who hereafter acquire a Stone Brook Lot (as hereinafter defined).

W I T N E S S E T H:

WHEREAS, the Declarant is the owner of lots 957 through 1065 within Phase Sixteen of Governors Club, a subdivision located in Chatham County, North Carolina, as more particularly described on the plat of Phase Sixteen, Governors Club recorded in Plat Slides 94-319 through 94-323 of the Chatham County Registry (the "Property"); and

WHEREAS, the Declarant has subjected the Property and other property in Governors Club to a Declaration of Covenants and Restrictions for Governors Club, recorded in Book 538, Page 505 of the Chatham County Registry and amended in Book 545, Page 311; Book 549, Page 813; Book 553, Page 122; Book 561, Page 181; Book 567, Page 724; Book 571, Page 421; Book 571, Page 883; Book 575, Page 660; Book 589, Page 802; Book 590, Page 650; Book 607, Page 24; Book 607, Page 51; Book 612, Page 481; Book 614, Page 200; Book 614, Page 206; Book 619, Page 958; Book 621, Page 359; Book 637, Page 797; and Book 649, Page 210, of the Chatham County Registry (the "Declaration"); and

WHEREAS, it is in the best interest of the Declarant and to the benefit, interest and advantage of every party hereafter acquiring any of lots 957 through 1065 within Phase Sixteen of Governors Club that certain covenants, conditions, easements, assessments, liens and restrictions governing and regulating the use, occupancy and maintenance of the Property be established, in addition to those imposed by the Declaration, in order to preserve the values, amenities, desirability and attractiveness of the Property.

NOW THEREFORE, in consideration of the premises, the Declarant hereby declares that the Property (as hereafter more particularly defined in Article I) shall be held, transferred, sold, conveyed and occupied, subject to the following covenants, restrictions, easements, reservations, assessments, charges, liens, and other provisions, which shall be construed as covenants running with the Property and shall be binding on all parties acquiring any right, title or interest in any of the Property and which shall inure to the benefit of each owner thereof.

ARTICLE I

DEFINITIONS

The following words, when used in these Covenants, shall have the following meanings, unless clearly indicated otherwise or prohibited by the context:

1.1 "ARB" shall mean the Architectural Review Board, a committee of the Master Association created for the purpose of establishing and enforcing criteria for the construction of improvements within Governors Club.

1.2 "Association" shall mean the Stone Brook Maintenance Association, Inc., a North Carolina nonprofit corporation, its successors and assigns. Any reference in these Covenants to any action or duties required or permitted to be taken by the Association shall refer to action by the Board of Directors of the Association unless it is clearly stated that such action shall be taken by the members of the Association.

1.3 "Common Areas" shall mean all portions of the Property which are owned by the Association, or shown on the plat of Phase Sixteen, Governors Club as "Stone Brook Common Area" and such other property to which the Association may now or subsequently hold title for the common use, benefit and enjoyment of the owners of the Property.

1.4 "Common Assessment" shall mean an assessment levied by the Association against all Owners pursuant to Section 6.1 of these Covenants.

1.5 "Covenants" shall mean this instrument, as the same may be amended from time to time.

1.6 "Declarant" shall mean Governors Club Limited Partnership, a Delaware limited partnership, its successors and assigns.

1.7 "Declaration" shall mean the Declaration of Covenants and Restrictions for Governors Club recorded in Book 538, Page 505 of the Chatham County Registry and amended in Book 545, Page 311; Book 549, Page 813; Book 553, Page 122; Book 561, Page 181; Book 567, Page 724 ; Book 571, Page 421, Book 571, Page 883, Book 575, Page 660; Book 589, Page 802; Book 590, Page 650; Book 607, Page 24; Book 607, Page 51; Book 612, Page 481; Book 614, Page 200; Book 614, Page 206; Book 619, Page 958; Book 621, Page 359; Book 637, Page 797; Book 649, Page 210; Book 652, Page 428; Book 662, Page 291; Book 666, Page 195; Book 674, Page 685; Book 677, Page 681; Book 678, Page 951; Book 687, Page 754; Book 687, Page 782; Book 695, Page 131 and Book 698, Page 332;

1.8 "Governors Club" shall mean the planned development project which is located in Chatham County, North Carolina, and known as Governors Club, as the same is legally described in the zoning applications and approvals thereof, plus any additional property added to that project by the Declarant and made subject to the Declaration or substantially similar covenants and restrictions.

1.9 "Improvements" shall mean and refer to all structures of any kind, including, without limitation, any building, fence, wall, sign, pool, paving, grating, parking and building addition, alteration, screen enclosure, sewer, draining, disposal system, satellite dishes, antennas, electronic and other signalling devices, decorative building, landscaping or landscape device (including existing and planted trees and shrubbery) or object.

1.10 "Individual Assessments" shall mean an assessment levied by the Association against an individual Owner pursuant to Section 6.2 of these Covenants.

1.11 "Institutional Mortgagee" shall mean a bank, bankholding company, trust company or subsidiary thereof, savings and loan association, insurance company, union pension fund, mortgage company approved by Declarant, an agency of the United States government, Federal National Mortgage Association, or Declarant, which holds a first mortgage of public record on a Stone Brook Lot and the holder of any mortgage of public record given or assumed by Declarant, whether a first mortgage or otherwise, and their successors and assigns.

1.12 "Master Association" shall mean Governors Club Property Owners Association, Inc., a North Carolina nonprofit corporation, its successors and assigns.

1.13 "Owner" shall mean the record owner, whether one or more persons or entities, of a fee simple title to any Stone Brook Lot, excluding, however, any mortgagee unless and until such mortgagee has acquired record title pursuant to foreclosure or any proceeding in lieu of foreclosure.

1.14 "Property" shall mean all of the real property described in Section 2.1 of these Covenants and such additional property as may be subjected to these Covenants by amendment pursuant to Section 2.2.

1.15 "Rules" shall mean the rules, regulations and procedures adopted by the Board of Directors of the Association.

1.16 "Stone Brook Lot" shall mean any lot located within the Property, together with the dwelling constructed on the lot, if any.

ARTICLE II

PROPERTY SUBJECT TO THESE COVENANTS

2.1 Existing Property.

The property which shall be held, transferred, sold, conveyed and occupied subject to these Covenants is all of that tract located in Chatham County, North Carolina, containing 44.02 acres, including Lots #957 through #984, Lot #986, Lots #988 through #1065 and the Stone Brook Common Areas as shown on the plat entitled "Phase Sixteen, Governors Club," prepared by McKim & Creed Engineers, P.A., dated June 29, 1994, and recorded in Plat Slides 94-319 through 94-323 of the Chatham County Registry, as modified by the Plat entitled "Plat Revision, Lot 997, Sheet Five, Stone Brook, Phase Sixteen, Governors Club," prepared by McKim & Creed Engineers, P.A., dated February 23, 1995, and recorded in Plat Slide 95-69, and as modified by the Plat entitled "Revised Plat of Lots 984 and 986 and Abolishing Lots 985 and 987, Governors Club, Phase Sixteen, Stone Brook," prepared by McKim & Creed Engineers, P.A., dated July 9, 1996, and recorded in Plat Slide 96-261, Chatham County Registry.

2.2 Additional Property.

Declarant may, at any time and from time to time, subject additional property to these Covenants by recording in the public records of Chatham County an amendment to these Covenants, describing such additional property, provided, however, that all such additional property is shown on the development plans of Governors Club or is adjacent to property shown on the development plans and developed in a manner compatible with the development plans. Such amendments may be made by the Declarant, in its sole discretion, without the approval of any owners or the joinder of any entity or individual.

ARTICLE III

THE ASSOCIATION

3.1 Formation.

At or about the time of the recording of these Covenants, the Declarant has caused the Association to be formed, by filing the Articles of Incorporation thereof in the Office of the Secretary of State of North Carolina. The Association was formed to provide for certain maintenance of Stone Brook Lots, and to have such other rights, obligations, duties and functions as may be set forth in these Covenants, and the Article of Incorporation and Bylaws of the Association, as the same may be amended from time to time.

3.2 Membership.

Each Owner shall automatically become a member of the Association upon the date that the Owner acquires ownership of a Stone Brook Lot, and shall remain a member for so long as the Owner remains an Owner of the Stone Brook Lot. Such membership shall be mandatory and may not be terminated by the Owner.

3.3 Voting.

Each member of the Association shall be entitled to one vote for each Stone Brook Lot owned by the member on all matters on which members may be entitled to vote. If an Owner consists of more than one person or entity, such persons or entities shall be collectively treated as a single member for voting purposes. Votes shall be cast or exercised in such manner as provided by the Bylaws of the Association. Each Owner shall file with the Secretary of the Association a notice designating the name of the individual who shall be authorized to cast the votes for such Owner. In the absence of such designation, the member shall not be entitled to vote on any matter.

3.4 Suspension of Membership Rights.

No member of the Association shall have any vested right, interest or privilege in or to the assets, functions or affairs of the Association, or any right, interest or privilege which may be transferable, or which shall continue after the member's membership ceases or while the member is not in good standing. A member shall be considered "not in good standing" during any period of time in which the member is delinquent in the payment of any assessment levied by the Association, the Master Association or by any other association hereafter created by the Declarant, or in violation of any provision of these Covenants, the Declaration, the Rules or any rules or regulations promulgated by the Master Association or by any other association created by the Declarant, or in violation of any provision of any declaration of covenants and restrictions for any other development within Governors Club. All such determinations shall be made by the majority of the Board of Directors of the Association after giving the member notice and an opportunity to respond. A member of the Association shall not be entitled to vote or exercise any other right or privilege of membership of the Association or of the Master Association while not in good standing in either or both associations.

3.5 Administration of the Association.

The affairs of the Association shall be administered by its Board of Directors in accordance with its Articles of Incorporation, its Bylaws, these Covenants and the Declaration, as the same may hereafter be amended from time to time. The Articles of Incorporation and the Bylaws of the Association may be amended in the manner set forth therein; provided, however,

that no such amendment shall conflict with the terms of the Declaration, these Covenants or the Articles of Incorporation of the Association.

3.6 Control by Declarant.

Notwithstanding anything contained herein to the contrary, the Declarant shall have the right to retain control of the Association until eighty (80%) percent of all the Stone Brook Lots are sold and occupied, or at any time prior thereto as determined by the Declarant, in the Declarant's sole discretion. At the time of the turnover of control of the Association, the Association shall record a notice of such change in control in the public records of Chatham County, North Carolina. For so long as the Declarant retains control of the Association, the Declarant shall have the right to appoint all of the members of the Board of Directors of the Association and no action of the members of the Association shall be effective unless and until approved by the Declarant. After the turnover of control of the Association and for so long as Declarant owns any property within Governors Club, the Declarant shall have the right to appoint one member to the Board of the Directors of the Association. Directors appointed by the Declarant need not be an owner of any property within Governors Club. In the event that the Declarant shall enter into any contracts or other agreements for the benefit of the Owners or the Association, the Declarant may at its option, assign its obligations under such agreements to the Association, and in such event, the Association shall be required to accept and assume such obligations.

ARTICLE IV

COMMON AREA PROPERTY RIGHTS

4.1 Every Owner shall have a nonexclusive right and easement of enjoyment in and to the Common Areas in accordance with Rules adopted by the Board of Directors of the Association, which shall be appurtenant to and shall pass with the title for every Stone Brook Lot, subject to the provisions of the Declaration, these Covenants, the Rules, Articles of Incorporation and Bylaws of the Association and the following provisions:

- 4.1.1 The right of the Association to permit the use of and to charge reasonable admission and other fees for the use of any recreational facility situated upon the Common Area;
- 4.1.2 The right of the Association to suspend the voting rights and right to use of the recreational facilities by an Owner for any period during which any assessment against his Lot remains unpaid; and, for a period

not to exceed sixty (60) days, for any infraction of its published rules and regulations;

- 4.1.3 The right of the Association to dedicate or transfer all or any part of the Common Area to the Master Association or to any public agency, authority or utility for such purposes and subject to such conditions as may be agreed to by the Owners;
- 4.1.4 The right of the Association to impose regulations for the use and enjoyment of the Common Area and Improvements thereon, which regulations may further restrict the use of the Common Area;
- 4.1.5 The right of the Declarant and the Association, in accordance with its Articles and Bylaws, to borrow money for the purpose of improving the Common Area and facilities thereon, and, in connection therewith, to mortgage the Common Area;
- 4.1.6 The right of the Association to exchange or convey portions of Common Area with the Declarant, the Developer, or an Owner for the purpose of eliminating unintentional encroachments of houses or other improvements onto portions of the Common Areas or for the purpose of meeting setback requirements;
- 4.1.7 The right of the Association to maintain the Common Area;
- 4.1.8 The restrictions contained on any plat, or other instrument filed separately, with respect to all or any portion of the Property; and
- 4.1.9 All of the provisions of these Covenants, the Declaration, and the Articles of Incorporation and By-laws of the Association and Master Association, and all rules and regulations adopted by the Association and the Master Association.

4.2 Delegation of Use.

Any Owner may delegate, in accordance with the Bylaws, his rights of enjoyment of the Common Area and facilities to the members of his family and other lawful residents of the Lot.

ARTICLE V

ASSOCIATION'S RESPONSIBILITIES

5.1 Maintenance of Grounds of Stone Brook Lots.

The Association may maintain the grounds and landscape of each Stone Brook Lot (other than those owned by the Declarant, if any) as it, in its sole discretion deems necessary to preserve a uniform, well-groomed, first rate appearance of the grounds and landscape. Such maintenance may be performed whether the Stone Brook Lot is occupied, unoccupied, improved or unimproved, and may include, without limitation, mowing, removal of leaves, weeding, trimming of shrubs, sodding and irrigation (using the irrigation system and water provided by the respective Owners for the irrigation of their Stone Brook Lot) and the removal or replacement of trees, shrubs or other vegetation, at such times and in such manner as the Association, in its sole discretion deems necessary.

5.2 Maintenance of Dwelling Exteriors.

The Association may also maintain the appearance of the exteriors of each dwelling located on each Stone Brook Lot (other than dwellings owned by the Declarant, if any), whether occupied or unoccupied, as it in its sole discretion deems necessary to preserve a uniform, neat, attractive and first rate appearance. The maintenance may include, without limitation, the right to clean, paint, repair, or replace, as the case may be, the exterior building surfaces, walks, driveways, parking spaces, decks, roofs, gutters, downspouts, terraces, porches, balconies, outdoor steps, awnings, shutters and windows. Whenever it is necessary to repair or replace joists, rafters, or other structural components in order to best maintain the exterior, the Association may do so.

5.3 Procedure for Performance of Grounds and Exterior Maintenance Pursuant to Sections 5.1 and 5.2.

The Association, prior to performing any maintenance under Sections 5.1 or 5.2, shall give at least seven (7) days prior written notice thereof to the Owner before commencing such maintenance. The Owner shall then have the opportunity to perform such maintenance, provided that such maintenance is completed by the date set forth in such notice, which date shall be determined solely in the discretion of the Board of Directors of the Association. If the Owner fails to complete such maintenance by the date established by the Association, the Association may immediately commence to perform such maintenance.

5.4 Maintenance of Grounds of Stone Brook Lots by Agreement with Owners.

The Association and the Owner of each Stone Brook Lot may, but shall not be required to, agree that the Association shall maintain the grounds and landscape of the Owner's Stone Brook Lot. If the Association elects to provide maintenance services to Owners pursuant to this Section, it shall provide such services as it, in its sole discretion, deems appropriate to preserve a uniform, well-groomed, first rate appearance of the grounds and landscape. To the extent reasonable, maintenance services shall be performed uniformly on all Stone Brook Lots the Owners of which elect to have maintenance services provided by the Association pursuant to this Section.

5.5 No Abrogation of Owner's Duties.

The responsibilities delegated to the Association under these Covenants shall in no way be construed as abrogating or in any way limiting any legal or other obligation that an Owner may have to keep his Stone Brook Lot or dwelling safe or in repair, and the Owner shall not use as a defense or otherwise that the Owner has relied on the Association's performance or proper performance of such duties. The Association shall not be liable to the Owner, the Owner's invitees or licensees, or other party for any personal injury or property damage sustained as a result of the Association's failure to perform or to properly perform any of its duties under Section 5.1, 5.2 or 5.4 of these Covenants. However, the Owner shall not undertake any maintenance for which the Association is responsible unless the Owner has first in writing requested the Association to perform such maintenance and after fifteen (15) days (unless an emergency or unsafe condition exists) the Association has failed to undertake the requested maintenance.

5.6 Maintenance of Lots Owned by Declarant or Club.

The Declarant shall be responsible for maintaining, at its sole expense, the grounds, landscaping and exterior of each Lot owned by it in accordance with these Covenants, and if it fails to so maintain its Stone Brook Lots, the Association shall have the right to perform such maintenance and to assess the Declarant for the cost of such maintenance. Upon request by the Declarant, the Association shall maintain the Stone Brook Lots owned by it and make assessments as for the other Stone Brook Lots.

5.7 Maintenance and Improvement of Common Areas and Sidewalks.

The Association shall maintain the grounds of the Common Areas and any sidewalks constructed within the Property or adjoining road rights of way, as it, in its sole discretion, deems necessary to preserve a well groomed, first rate appearance of the grounds and sidewalks. Such maintenance may include, without limitation, mowing, removal of leaves, weeding, trimming of shrubs, sodding, irrigation (using the irrigation system and water of the

Association), paving, patching and cleaning. The Association shall be responsible for landscaping and beautifying the Common Areas and sidewalks and for the maintenance thereof, and may make, maintain and repair Improvements thereon as it, in its discretion, deems appropriate, subject only to approval of ARB. Without limiting the foregoing, the Association is authorized to construct, maintain, repair and operate recreational facilities on the Common Areas, including pools, tennis courts and related facilities and services as the Association, in its sole discretion, deems appropriate, subject only to approval of ARB.

5.8 Approval by ARB.

All repairs, maintenance, landscaping, beautification and Improvements which may be made pursuant to the provisions of this Article V shall be in strict accordance with plans and specifications approved by the ARB.

5.9 Insurance.

The Board of Directors of the Association shall obtain and maintain insurance in the name of the Association in such amounts and covering such risks as the Board in its sole discretion deems appropriate to protect the Association or its officers, directors, employees or agents from risks and associated with the performance of its duties under these Covenants or associated with its ownership of the Common Areas.

5.10 Administrative Duties.

The Association shall keep books and records in connection with the monies expended and the assessments made and received by it pursuant to these Covenants, which shall include, but not be limited to, the name and address of each Owner, the amounts and due dates of all assessments, the dates assessments are paid by the respective Owners, and the outstanding balance due from any Owner, if any. In addition, the Association shall record minutes of all meetings and significant actions taken by the Association, and may retain counsel to assist in the preparation of such minutes. The Association shall file any corporate reports or property reports that it may be required to file under North Carolina law and shall pay all taxes, if any, and other expenses incurred in connection therewith, including, but not limited to the reasonable fees of counsel engaged by the Association.

5.11 Rule Making Authority.

The Board of Directors of the Association shall have the power and authority to make or adopt such rules and regulations, as it, in its sole discretion deems necessary or appropriate to govern the use of the Common Areas; the imposition of fines against Owners for violation of Rules; parking; noise control; lighting; window coverings; the maintenance of Stone

Brook Lots and dwellings; and any other rules necessary or appropriate concerning the appearance, maintenance or use of the Stone Brook Lots or the Common Areas, provided, however, that any architectural guidelines shall be approved by the ARB. Notwithstanding the foregoing, the Master Association shall have the right to abolish any Rules that it, in its discretion, finds to adversely affect property values or threatens the general health, safety or welfare of the property owners or residents of Governors Club.

5.12 Failure to Perform Duties.

If the Association fails to perform any of its duties set forth in these Covenants or in any other document, the Master Association shall have the right to perform such duties on behalf of the Association.

5.13 Engagement of Employee or Independent Agents.

The Association shall have the right to engage the services of employees, a real estate management company or any independent agents, to perform any of its duties under these Covenants.

ARTICLE VI

COMMUNITY ASSESSMENTS AND LIENS

6.1 Common Assessments.

The Association shall have the power and authority to levy against and collect from each Owner an assessment for the expenses incurred or to be incurred, by the Association in performing all of its duties set forth in Article V of these Covenants other than its duties set forth in Sections 5.1, 5.2 and 5.4, which shall be assessed individually as provided in Section 6.2 below. The Association shall annually estimate the expense it expects to incur in connection with such duties, including, but not limited to, operating, management and administration fees and costs, and shall equally assess each Owner sufficient monies to meet this estimate. Prior to December 31, 1994, the maximum annual assessment shall not exceed \$600.00. Thereafter, the maximum annual assessment that may be made by the Board of Directors of the Association, without the consent of the Owners, shall increase by ten percent (10%) annually. Any increase that would exceed the maximum annual assessment must be approved by the majority vote of all Association members who are present at a duly convened meeting, in person or by proxy. If the Association, through its Board of Directors, at any time determines that the assessments charged hereunder are not sufficient to pay the expenses, the Board of Directors shall have the authority to levy against and collect from the Owners additional assessments to meet such needs. The

assessments may be levied in advance or in arrears, monthly, quarterly, semi-annually or annually, as determined by the Board of Directors of the Association. The Association may retain, in a capital reserve fund, ten percent (10%) of the assessments paid hereunder for use toward future capital expenditures.

6.2 Individual Assessments.

In addition to the assessments set forth in Section 6.1 above, the Association shall have the power and authority to levy against and collect from an Owner an individual assessment for any expense that may be incurred by the Association in performing any grounds or exterior maintenance of whatsoever kind, pursuant to Sections 5.1, 5.2 and 5.4 hereof, including, but not limited to operating, management, and administrative fees and costs. Nonpayment of such individual assessment shall have the same effect and consequences as the nonpayment of any other assessment as set forth in Section 6.4 hereof.

6.3 Special Assessments.

The Association shall have the power and authority to levy against and collect from the Owners, special assessments upon the approval thereof by the majority vote of the members of the Association. Special assessments shall be made and collected for any purpose which the members of the Association deem necessary or appropriate. Special assessments shall be assessed at a uniform rate for each Stone Brook Lot. If a special assessment shall exceed \$500.00 dollars per Stone Brook Lot, it shall require the affirmative vote of at least sixty percent (60%) of the members present, in person or by proxy, at a duly convened, regular or special meeting, which has been called at least in part to secure such approval. Special assessments shall be collectible in such manner as the Board of Directors of the Association shall determine.

6.4 Effect of Nonpayment of Assessments.

The Association shall give written notice to the Owners of the nature and amount of any assessment and the date such assessment is due and payable. If any assessment is not paid on the date when due, the assessment shall then become delinquent, with a late charge of twenty-five dollars (\$25.00) and shall bear interest at the rate of eighteen percent (18%) per annum, from the date when due until paid. The assessment, together with interest thereon and the cost of collection thereof, including, but not limited to, reasonable attorneys' fees, shall be a continuing lien against all property owned by the Owner against whom the assessment is made, and shall also be a continuing personal obligation of such Owner. Any successor in title of any Owner shall be held to constructive notice of the records of the Association to determine the existence of any delinquency in the payment of any assessments by the Owner. The Association may also record a claim of lien in the public records of Chatham County, North Carolina, against all property owned by the delinquent Owner, setting forth the amount of the unpaid assessment(s),

the rate of interest due thereon, and the cost of collection thereof. If any assessment or any installment thereof, shall not be paid within thirty (30) days following the due date, the Association may declare the entire assessment immediately due and payable.

The Association may, at any time thereafter, bring an action to foreclose the lien against the delinquent Owner's property, in the manner in which deeds of trust on real property are foreclosed, under a power of sale under Article 2A of Chapter 45 of the North Carolina General Statutes, and/or may institute a lawsuit on the personal obligation of the Owner. There shall be added to the amount of such assessment, the cost of such actions, including reasonable attorneys' fees, and in the event a judgment is obtained, such judgment shall include interest on the assessment as above provided and attorneys' fees incurred by the Association, together with the cost of the action. Regardless of the date of recordation of any claim of lien, the effective date thereof shall relate back, and it shall take priority, as of the date of the recordation of these Covenants.

6.5 Additional Assessments.

The assessments provided for in this Article VI shall be in addition to any other assessments, charges or taxes which may be levied by the Master Association or any other entity.

6.6 Subordination to Lien of Mortgages.

Regardless of the effective date of the lien of any assessments made by the Association, such assessment lien shall be subordinate and inferior to the lien of the mortgage of any Institutional Mortgagee. The assessment lien shall also be subordinate to the lien of any mortgage of any loan or loans made to the Declarant, whether a first mortgage or otherwise. Such subordination shall, however, apply only to the assessments which have come due and payable prior to a final sale or transfer of the mortgaged Stone Brook Lot pursuant to a decree of foreclosure, or any other proceeding or conveyance in lieu of foreclosure of the mortgage. No sale or other transfer shall relieve any Stone Brook Lot from liability for any assessments becoming due thereafter, nor from the lien of any such subsequent assessment. Any delinquent assessments that are extinguished pursuant to a sale or transfer in connection with the foreclosure of a mortgage or any proceeding or deed in lieu of foreclosure shall be allocated and assessed pro rata to all Association members. The written opinion of the Association that the assessment lien is subordinate to a mortgage lien shall be dispositive of any question of subordination, provided, however, that such opinion shall have no effect upon the priority of a mortgage securing a loan or loans made to the Declarant.

6.7 Certificate of Assessments.

The Association shall prepare a roster of its members and the assessments applicable thereto, which roster shall be kept at the office of the Association and shall be open to inspection by all members of the Association. The Association, upon demand by a member, shall prepare a certificate of assessments signed by an officer of the Association, setting forth whether the assessments of a member of the Association have been paid and/or the amount which is due as of the date of the certificate. As to parties without knowledge of error who rely thereon, such certificate shall be presumptive evidence of payment or partial payment of any assessment therein stated as having been paid or partially paid.

6.8 Provision of Irrigation of Stone Brook Lots.

In addition to the assessments levied by the Association pursuant to this Article VI, each Owner of a Stone Brook Lot, at the time the Owner initially makes any improvement thereto, by way of construction, landscaping or otherwise, shall install and maintain, at the Owner's sole expense, an irrigation system with outside timed controls, as specified and approved by the ARB, and shall supply water to such irrigation system for use by the Association in maintaining such Owner's grounds.

ARTICLE VII

EASEMENTS

7.1 Easement for Maintenance of Stone Brook Lots.

The Declarant reserves for the Association and its successors, assigns, employees and agents, an easement to enter upon each Stone Brook Lot for the purpose of performing the duties set forth in Article V of these Covenants. Any such entrance shall not be deemed a trespass.

7.2 Utility, Drainage and Sidewalk Easements.

The Declarant has reserved and granted easements for the installation and maintenance of utilities and drainage facilities along the front, side and rear lot lines of each Stone Brook Lot as more particularly described in Sections 5.1.1 and 5.1.2 of the Declaration and easements for the construction and maintenance of sidewalks along the lot lines of each Stone Brook Lot adjoining a road right of way as more particularly described in Section 5.1.14 of the Declaration.

ARTICLE VIII

INDEMNIFICATION OF OFFICERS AND DIRECTORS OF THE ASSOCIATION

8.1 Indemnification.

Every officer and director of the Association shall be indemnified by the Association, to the fullest extent permitted by law, against all expenses and liabilities, including reasonable attorney's fees, incurred by or imposed upon him in connection with any proceeding to which he may be a party or in which he may become involved by reason of his being or having been an officer or director of the Association, whether or not he is an officer or director of the Association at such time, provided, however, any claim for reimbursement or indemnification hereunder based upon a settlement by the officer or director of the Association seeking such reimbursement or indemnification, the indemnification herein shall apply only if the Board of Directors approves such settlement and reimbursement as being in the best interests of the Association. The foregoing right of indemnification shall be in addition and not exclusive of all other rights to which such officer or director of the Association may be entitled.

ARTICLE IX

ARCHITECTURAL AND RELATED PROVISIONS

9.1 Architectural Plans.

The ARB has the absolute and sole right to designate the design and site location of all dwellings and other Improvements to be situated on each Stone Brook Lot, including but not limited to the nature, kind, shape, height, materials, basic exterior finishes and colors, floor plans, proposed parking location, front, side and rear elevation, and quality of materials, and no dwelling or other Improvement shall be constructed, reconstructed, remodeled, altered or added to thereafter, unless permitted by the ARB, and then only after the Owner has obtained the prior written approval of the Association and the ARB, in accordance with the procedures established by them.

9.2 Window Coverings. All drapes, window shades, or other window coverings installed in the windows of dwellings which are visible from the exterior of the dwellings, shall comply with the Rules.

9.3 Damage or Destruction to Residences and/or Lots.

If all or any portion of a Stone Brook Lot or dwelling thereon is damaged by fire or other casualty, the Owner shall either (i) restore such lot or dwelling in full compliance with the original plans and specifications thereof approved by the ARB or (ii) remove all damaged Improvements, including foundations and landscaping, as directed by the ARB, and leave the Stone Brook Lot in a clean and safe condition. The Owner must commence such work within thirty (30) days after the damage occurs and must complete the work within six (6) months thereafter.

ARTICLE X

GENERAL PROVISIONS

10.1 Assignment.

Any or all of the rights, powers, obligations, easements and estates reserved by or granted to the Declarant or the Association herein may be assigned by the Declarant or the Association as the case may be. Any such assignment or transfer shall be made by an appropriate instrument in writing in which the assignee or transferee shall join for the purpose of evidencing its consent to such assignment and its acceptance of the rights and duties, powers and obligations herein contained. Such assignee or transferee shall thereupon have the same rights and powers and be subject to the same obligations and duties as are herein given to the Declarant or the Association. After such assignment, the Declarant and/or the Association shall be relieved and released of all obligations with respect to such rights, powers, obligations, easements or estates.

10.2 Amendment.

Prior to the turnover of control of the Association, as defined in Section 3.6 of these Covenants, these Covenants may be amended upon the execution by the Declarant and the Association of an appropriate instrument and the recordation thereof in the public records of Chatham County, North Carolina. After the turnover of control, these Covenants may be amended by an Agreement signed by (i) the Master Association, (ii) the Declarant, if the Declarant is the owner of any lot then subject to these Restrictive Covenants, and (iii) by two-thirds (2/3) of the Owners. Any such amendment shall not become effective until the instrument evidencing such change has been filed in the public records of Chatham County, North Carolina. By way of clarification, this process of amendment does not apply to addition of additional property to these Covenants as described in Section 2.2 of these Covenants.

10.3 Duration.

All of the covenants, restrictions and other provisions of these Covenants shall run with and bind the Property for the initial term of fifty years from the date of the recordation of these Covenants, after which time they shall be automatically extended for successive periods of ten years each, unless an instrument executed by at least seventy-five percent (75%) of the votes of the members of the Association then existing, and by all Institutional Mortgagees, has been recorded, to change or terminate these Covenants.

10.4 Enforcement.

Enforcement of these Covenants, shall be by a proceeding at law or in equity against any party violating or attempting to violate the same and/or against the Property subject thereto to enforce any lien created by these Covenants. In the event that Declarant and/or the Association fail to enforce the terms of these Covenants, then any member of the Association may do so. The failure or refusal of the Declarant or the Association or any members thereof to enforce any of the provisions of these Covenants shall in no event be deemed to constitute a waiver of the right to do so thereafter. The cost of any such litigation shall be borne by the Owner in violation, provided that such proceeding results in a finding that such Owner was in violation of any of these Covenants or Rules adopted pursuant hereto.

10.5 Notices.

Any notice required or permitted to be given under these Covenants shall be given or made in writing by personal delivery or by certified mail return receipt requested, addressed:

If the Declarant, then to: Governors Club Limited Partnership
Post Office Box 2615
Chapel Hill, N.C. 27515

If the Owner, then to: The last known address of the Owner as it
appears on the records of the Association at the
time of such delivery or mailing.

If the Association, then to: Stone Brook Maintenance Assoc., Inc.
Post Office Box 2615
Chapel Hill, N.C. 27515. X

Each party may give notice to each of the other parties of a change of its address for the purpose of giving notice under this Section, which thereafter, until changed by like notices, shall be the

address of such party for all purposes of these Restrictive Covenants. Notices shall be deemed given for all purposes as of the date such notice is personally delivered or mailed.

10.6 Gender and Number.

The use of the singular herein shall include the plural and the use of any gender shall include all genders.

10.7 Severability.

Invalidation of any provision of these Restrictive Covenants by a court of competent jurisdiction shall in no way effect any other provision hereof.

10.8 Captions.

The captions used in these Restrictive Covenants are inserted solely as a matter of convenience and shall not be relied upon or used in construing the text of these Restrictive Covenants.

10.9 Effective Date.

These Covenants shall become effective upon their recordation in the public records of Chatham County, North Carolina.

IN WITNESS WHEREOF, the Declarant and the Association have caused these Covenants to be executed as of the 23rd day of August, 1994.

GOVERNORS CLUB LIMITED PARTNERSHIP

By: GOVERNORS CLUB DEVELOPMENT
CORPORATION,
General Partner

ATTEST:

By: /s/ Kirk J. Bradley
President

/s/ Kevin A. Hine
Secretary

JOINDER

Governors Club Property Owners Association, Inc. and Stone Brook Maintenance Association, Inc. hereby join in these Covenants for the sole purpose of agreeing to perform their obligations as contained herein, as of the 23rd day of August, 1994.

GOVERNORS CLUB PROPERTY OWNERS
ASSOCIATION, INC.

ATTEST:

/s/ Kevin A. Hine
Secretary

By: /s/ Kirk J. Bradley
President

STONE BROOK MAINTENANCE
ASSOCIATION, INC.

ATTEST:

/s/ Kevin A. Hine
Secretary

By: /s/ Kirk J. Bradley
President

SUBORDINATION OF LENDER

BRANCH BANKING AND TRUST COMPANY, owner and holder of the Notes secured by certain Deeds of Trust, which are respectively dated and recorded in the Chatham County Registry as follows: September 19, 1988, Book 532 at Page 864 as modified in Book 567, Page 120; September 19, 1989, Book 548 at Page 61 as modified in Book 567, Page 125; June 11, 1991, Book 575 at Page 200; March 24, 1992, Book 589 at Page 848; May 22, 1992, Book 594 at Page 293; and December 21, 1992, Book 608 at Page 80 as modified in Book 614 at Page 213, and L. ALLEN WHITE, JR., Trustee under said Deeds of Trust, hereby subordinate the liens of the aforesaid Deeds of Trust to all the provisions of the foregoing Declaration of Covenants for Stone Brook Maintenance, except for the third sentence of Section 4.2 of the Declaration (beginning "Declarant will convey title to the Golf Club Property...") recorded in Book 538 at page 505 in the Chatham County Public Registry, to which the liens of the aforesaid Deeds of Trust are not subordinate.

IN WITNESS WHEREOF, the parties hereto have caused this subordination to be executed this 19th day of August, 1994.

BRANCH BANKING AND TRUST COMPANY

ATTEST:

By: /s/ Michael K. Brower
Vice President

/s/ Tim Day
Asst. Secretary

/s/ L. Allen White, Jr. (SEAL)
L. ALLEN WHITE, JR., TRUSTEE

SUBORDINATION OF DANZIGER

ERWIN M. DANZIGER and ELIZABETH H. DANZIGER, owner and holder of the note secured by a certain deed of trust dated May 10, 1988, and recorded in Book 526, at Page 954 in the Chatham County public registry, and JAMES H. JOHNSON, III, Trustee under that deed of trust, hereby subordinate the lien of the deed of trust to all the provisions of the foregoing Declaration of Covenants for Stone Brook Maintenance.

IN WITNESS WHEREOF, the parties hereto have caused this Subordination to be executed this 22nd day of August, 1994.

/s/ Erwin M. Danziger (SEAL)
ERWIN M. DANZIGER

/s/ Elizabeth H. Danziger (SEAL)
ELIZABETH H. DANZIGER

/s/ James H. Johnson, III, Trustee (SEAL)
JAMES H. JOHNSON, III, Trustee

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