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**DECLARATION OF
COVENANTS, RESTRICTIONS AND EASEMENTS
FOR
PINECREST AT BUCKWALTER**

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DECLARATION OF COVENANTS, RESTRICTIONS AND EASEMENTS
FOR
PINECREST AT BUCKWALTER

THIS DECLARATION OF COVENANTS, RESTRICTIONS AND EASEMENTS FOR PINECREST AT BUCKWALTER ("Declaration") is made this 23rd day of July, 2003, by CENTEX HOMES, a Nevada general partnership ("Declarant").

OVERVIEW

Declarant is the owner of all but a small portion of the real property described on Exhibit "A" (the "Project Land"), having conveyed a portion of the Project Land to the other parties signing this Declaration as provided below. Declarant shall convey another portion of the Project Land (the "Golf Land") to a golf course developer. Declarant plans to develop a residential community on the remaining portion of the Project Land (the "Residential Land"). The golf course developer will develop the Golf Land as a golf course and related facilities. Declarant desires to establish covenants, conditions, restrictions and easements for the Project Land to provide for the efficient administration, operation and maintenance of facilities, infrastructure, amenities and services which will benefit the overall project to be developed on the Residential Land and the Golf Land (the "Project"). The owners of that portion of the Project Land not currently owned by Declarant are joining in and consenting to this Declaration or will hereafter join in and consent to evidence their consent to this Declaration and to bind their applicable portions of the Project Land, as provided in the "Joinder and Consent" pages either attached hereto and/or hereafter filed and the Joinders and Consents upon filing shall become a part of this Declaration.

This Declaration also establishes covenants, conditions, and restrictions to provide for the administration, operation and maintenance of the residential community developed on the Residential Land. Accordingly, Declarant has created a South Carolina non-profit corporation known as the Pinecrest Property Owners Association, Inc., to exercise certain rights and obligations in this Declaration with respect to the Residential Land, whose membership shall be comprised of the owners of residential dwellings in the Residential Development.

NOW, THEREFORE, in consideration of the premises and covenants herein contained, Declarant hereby declares that the Project Land shall be owned, held, used, transferred, sold, conveyed, demised and occupied subject to the covenants, restrictions, easements, reservations, regulations, burdens and liens hereinafter set forth, all of which shall run with the Project Land and any part thereof and which shall be binding upon all parties having any right, title or interest in the Project Land or any part thereof.

ARTICLE 1
EXHIBITS

The following exhibits are attached to and made a part of this Declaration:

<u>Exhibit A</u>	Legal Description of the Project Land
<u>Exhibit B</u>	Legal Description of the Golf Land
<u>Exhibit C</u>	Master Plan for the Project
<u>Exhibit D</u>	Master Drainage Plan for the Project

ARTICLE 2
DEFINITIONS

"Additional Residential Land" means any real property which is contiguous to the Residential Land which may be subjected to the terms of this Declaration as provided in Article 13.

"Amendment(s)" mean(s) any and all amendments to this Declaration.

"Articles" mean the Articles of Incorporation of the Association.

"Assessment(s)" means a payment which a Residential Owner is obligated to pay to the Association as permitted or contemplated by the Association Documents.

"Association" means Pinecrest Property Owners Association, Inc., a South Carolina corporation not for profit.

"Association Documents" mean in the aggregate this Declaration, the Articles and Bylaws, and all of the instruments and documents referred to or incorporated therein, as they may be amended from time to time.

"Association Property" means the S&T Facilities, the portions of the Project Drainage System owned by the Association, the Entrance Facility, and any other lands, systems, facilities, personal property, equipment, rights and easements which may be deeded, leased, granted, reserved, assigned or transferred to the Association, as described in this Declaration, together with all improvements thereon and equipment, facilities and rights associated therewith.

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

"Buckwalter PUD" means the Buckwalter Planned Unit Development, the master planned development that includes the Project Land and certain surrounding real property.

"Buckwalter Association" means the Buckwalter Property Owners Association, Inc., a South Carolina not-for-profit corporation, organized to administer the Buckwalter Declaration.

"Buckwalter Declaration" means the Declaration of Covenants, Conditions and Restrictions for Buckwalter Property Owners Association, Inc., recorded in Book 1567, Page 2325, of the Public Records, as may be amended from time to time, which encumbers the Project Land.

"Bylaws" means the Bylaws of the Association.

"Clubhouse Facilities" means the portion of the Golf Facilities comprised of a clubhouse which includes food service, a pro shop, locker rooms, and adequate parking.

"Committee" means the Architectural Control Committee for the Residential Development established and empowered as provided in Article 11 of this Declaration.

"County" means Beaufort County, South Carolina.

"Declarant" means Centex Homes, a Nevada general partnership, and any successor or assign to which Centex Homes specifically assigns all or part of the rights of Declarant by an express written assignment recorded in the Public Records.

"Declaration" means this document, as it may be amended or supplemented from time to time.

"Deficit" means the difference between the Operating Expenses incurred by the Association during a fiscal year of the Association occurring within the Deficit Funding Period, and the applicable Assessments payable by the Residential Owners as provided in Section G of Article 7.

"Deficit Funding Period" means the period during which Declarant shall fund the Deficit, as more particularly described in Section G of Article 7.

"Director" means a member of the Board.

"Entrance Facility" means the Project entrance monument or feature together with all related landscaping, signage, irrigation, and other ancillary improvements constructed as part of the entrance feature.

"Entry Street" means the street that provides access from the Project entrance where the Entrance Facility is constructed into and throughout the Residential Development, and specifically includes the street which provides access to the parking areas for the S&T Facilities and the Golf Facilities.

"Final Plat" means a final record plat approved by the Town for a portion of the Residential Land and recorded in the Public Records.

"Golf Owner" means the owner of the Golf Land and when completed, the Golf Facilities.

"Golf Facilities" means the golf course and the related facilities to be constructed on the Golf Land.

"Golf Operation" means the operation of the Golf Facilities on the Golf Land as an ongoing private golf club.

"Governmental Authorities" means the federal government, the State of South Carolina, the County of Beaufort, the Town of Bluffton, and any agency or instrumentality of them having jurisdiction over the Project Land or any portion thereof.

"Improvement" means any structure or improvement which is constructed, made, installed, attached, placed or developed within or upon any portion of the Residential Land, including but not limited to any building, fence, wall, patio area, driveway, walkway, antenna, satellite dish, sign, mailbox, pool, tennis court, deck, or any change, alteration, addition or removal of any such structure or improvement.

"Institutional Mortgagee" means any lending institution holding an interest in a Living Unit or Lot pursuant to a first mortgage covering a Living Unit or Lot. Institutional Mortgagees shall include, but not be limited to (i) the successors and assigns of such lending institutions, (ii) any "secondary mortgage market institution" who typically purchase, insure or guaranty mortgages (such as the Federal National Mortgage Association, the Veterans Administration ("VA"), the Federal Housing Administration ("FHA"), the Department of Housing and Urban Development ("HUD"), and similar entities), (iii) Declarant, if Declarant holds a mortgage on any portion of the Property.

"Interest" means the rate of twelve percent (12%) per annum, provided that Interest shall not be greater than the maximum interest rate allowed by law on the specific debt or payment obligation on which such Interest accrues.

"Lagoon" means a portion of the Project Land shown on the Master Plan or a Final Plat as a delineated parcel of real property that contains all or any portion of a lake, pond, lagoon, retention or detention area, or similar body of water.

"Legal Fees" mean reasonable fees for attorney and paralegal services and court costs incurred in connection with any pending or active litigation, claims or other forms of legal action, including the collection of past due Assessments.

"Living Unit" means each individual residential dwelling unit in the Project, which may be either a single-family attached or detached dwelling unit, and includes the Lot upon which a Living Unit is constructed.

"Lot" means a portion of the Residential Land shown on a Final Plat as a delineated parcel of land upon which a single-family attached or detached Living Unit is permitted to be erected, and includes any Living Unit which may be constructed thereon.

"Master Plan" means the site development plan for the Project approved by the appropriate Governmental Authorities, as such may be supplemented or amended from time to time, the current version of which is attached to this Declaration as Exhibit C.

"Member" means a member of the Association.

"Neighborhood" means any portion of the Residential Land developed as a separate neighborhood within the Residential Development, as established by a Final Plat or Plats for such property, for which separate "Sub Association Covenants" may be imposed.

"Neighborhood Assessments" means any Assessments for which only the Residential Owners in a particular Neighborhood are obligated to pay to the Association as provided in Article 7.

"Neighborhood Expenses" means any applicable Operating Expenses for which the Residential Owners in a particular Neighborhood may be liable to the Association for any costs and expenses incurred by the Association for the maintenance and repair of any portion of the Living Units or Lots in the applicable Neighborhoods, or the provision of services exclusive to the Living Units in the applicable Neighborhood.

"Operating Expenses" mean the expenses for which Residential Owners are liable to the Association as described in Article 7 and the Association Documents.

"Original Residential Owner" means the first Residential Owner of a Living Unit.

"Owner" means the owner of fee simple title to a Lot or a Living Unit, including Declarant.

"Person" means a natural individual or any other entity with the legal right to hold title to real property.

"Project" means the real estate development to be constructed upon the Project Land.

"Project Drainage System" means the integrated system of storm water drainage for the Project, as depicted by the Master Drainage Plan, consisting of Lagoons, detention areas, surface swales or ditches, underground piping, catch basins, and other related facilities to achieve proper drainage for the Project.

"Project Land" means the real property more particularly described on Exhibit A. The term "Project Land" shall also include any Additional Residential Land made subject to this Declaration as permitted herein.

"Public Records" means the RMC Office of Beaufort County, South Carolina, or such other authorized County office in which deeds and other land records and documents are filed for public notice.

"Residential Development" means the residential community developed on the Residential Land.

"Residential Owner" means the owner of fee simple title to a Living Unit or Lot (but does not include Declarant or any builder exercising Declarant rights with regard to Assessments payable to the Association during the Deficit Funding Period.

"Residential Land" means that portion of the Project Land described on Exhibit A, that is not comprised of the Golf Land and is to be developed for residential use.

"S&T Facilities" means the swim and tennis facilities which will be constructed by Declarant and conveyed to and operated by the Association.

"Sub Association" means any residential owners association organized for the benefit of the Residential Owners within a particular Neighborhood.

"Sub Association Covenants" means a declaration of covenants, conditions, restrictions and other provisions recorded in the Public Records for the purposes of providing for the maintenance and operation of any Sub Association Property within the Neighborhood.

"Sub Association Property" means any real property, together with any Improvements thereon, located within a Neighborhood and owned by a Sub Association, whether in fee, by easement or otherwise, which is limited for the use and enjoyment by the members of the Sub Association.

"Total Planned Units" means the total number of Living Units planned for the Residential Development by the Master Plan as may be modified from time to time with the approval of the Town, which is currently 453 Living Units.

"Town" means the Town of Bluffton, Beaufort County, South Carolina.

"Turnover Date" means the earlier of (i) the date when ninety percent (90%) of the Total Planned Units have been conveyed to a Residential Owner, or (ii) the date on which Declarant records in the Public Records a document relinquishing its control of the Association to the Members.

ARTICLE 3 PLAN OF DEVELOPMENT OF THE PROJECT

A. Buckwalter PUD. Buckwalter PUD is being developed by various parties as a multiple use community comprised of residential and commercial property in accordance with a development agreement with the Town, and the various plans and approvals related thereto. The Project is located within the Buckwalter PUD and will be developed in a manner consistent with the plan of development for the Buckwalter PUD. Pursuant to the Buckwalter Declaration, the Association shall be a member of the Buckwalter Association. The Buckwalter Declaration also imposes various rights and obligations on the Association and the Members, including but not limited to, the obligation to pay assessments for maintenance of certain facilities and areas maintained by the Buckwalter Association.

B. The Residential Development. Declarant plans to develop the Residential Land in multiple stages. Currently, Declarant plans to develop a total of 453 Living Units on the Residential Land, which number is subject to change as development of the Residential Land progresses. Declarant may add and develop Additional Residential Land as part of the Residential Development in accordance with Article 13.

Declarant's general plan of development contemplates the construction of Living Units thereon and, further, that various Improvements will be constructed on other portions of the Residential Land which will enhance the Project and benefit the Residential Owners, however there is no obligation imposed by this Declaration on the Declarant to build a Living Unit on any particular Lot or portion of the Residential Land. Declarant's general plan of development further contemplates that such Living Units shall be whatever types of structures Declarant may choose (subject to the applicable zoning and density requirements of the applicable Governmental Authorities). Declarant's general plan of the Residential Development is reflected by the Master Plan and may also include whatever facilities and amenities Declarant considers in its sole judgment to be appropriate to the Project. Declarant reserves the right to increase or decrease the number of Lots or Living Units reflected and/or permitted by the Master Plan as approved by the Town in accordance with applicable law, and such change shall not require an amendment to this Declaration.

C. Golf Development. The Golf Facilities planned for construction on the Golf Land are an 18-hole golf course with a driving range and other usual practice facilities, a clubhouse which includes food service, a pro-shop, locker rooms and adequate parking, a cart storage and maintenance facility, an irrigation system, a drainage system, cart paths and other similar related facilities as are normally constructed as part of a golf course development. The Golf Owner shall not be a Member of the Association and only Article 5 and any other provisions that expressly grant a specific right or expressly impose a specific obligation on the part of the Golf Owner or as to the Golf Land or Golf Facilities, shall bind Golf Owner and the Golf Land. The provisions of this Declaration related to the rights and obligations associated with membership in the Association and ownership of a Living Unit, Lot or any portion of the Residential Land do not apply to Golf Owner, the Golf Members, the Golf Land, or the Golf Facilities. Declarant intends that the Golf Land and Golf Facilities shall be separately owned, apart from the Association Property and the Residential Development on the Residential Land. The Golf Facilities shall not be part of the Association Property and neither the Association nor any Residential Owner shall have any right in and to the Golf Facilities, including the right to enter upon or use the Golf Facilities, except for such rights granted to the general public and those rights specifically identified in this Declaration. While Declarant has made reasonable efforts to ensure that the Golf Facilities will be constructed upon the Golf Land and shall be owned and operated in the manner described herein, Declarant is not under any obligation to a Residential Owner or to the Association to develop a golf course, and makes no guarantee to any Person that a golf course and related golf facilities will continue to be operated on the Golf Land.

ARTICLE 4 ASSOCIATION PROPERTY

A. Association Property. The Association Property is for the use, enjoyment, and benefit of the Association and the Residential Owners, the residents of the Residential Development, and their respective guests and invitees, tenants, and subject to the ordinances of the Town and other applicable Governmental Authorities, and any other Person authorized to use the Association Property or any portion thereof by Declarant or the Association.

B. S&T Facilities. The S&T Facilities shall be part of the Association Property and shall be used for recreational purposes by the Association, Declarant, the Residential Owners and their family members, guests, invitees and lessees, any Golf Members permitted to use the S&T Facilities in accordance with Section C of Article 5, and other Persons who are permitted by Declarant to use the S&T Facilities as provided in Section F of Article 16. Such portion, if any, of the S&T Facilities upon which Declarant has constructed, or hereinafter constructs, Improvements shall be kept and maintained for use in a manner consistent with the nature of such Improvements located or to be located thereon. The S&T Facilities shall be used for recreational purposes and such proper ancillary uses as may be determined by Declarant (who shall have the right to determine such uses until the Association assumes such right after the Turnover Date). All remaining portions of the S&T Facilities shown on the Master Plan, including, but not limited to, the swimming pool, shall always be kept and maintained by the Association for recreational uses or beautification and attendant uses and shall be used for such purposes

and not for residential, commercial or industrial construction of any kind. The S&T Facilities shall be maintained, administered and ultimately owned by the Association. The Board may adopt specific rules and regulations regarding the use of the S&T Facilities as provided in Section J below.

During the period following the completion of the S&T Facilities and the conveyance thereof to the Association and ending on the Turnover Date, Declarant shall have and hereby reserves the right, but shall not be obligated, to construct additional recreational facilities upon the S&T Facilities. Until the Turnover Date, the decision as to whether to construct additional recreational facilities and the construction thereof shall be in the sole discretion of Declarant.

NEITHER DECLARANT NOR THE ASSOCIATION SHALL BE OBLIGATED TO PROVIDE SUPERVISORY PERSONNEL FOR THE S&T FACILITIES, INCLUDING, BUT NOT LIMITED TO, LIFEGUARDS. ANY INDIVIDUAL USING THE S&T FACILITIES SHALL DO SO AT HIS OWN RISK AND HEREBY HOLDS DECLARANT AND THE ASSOCIATION HARMLESS FROM AND AGAINST ANY CLAIM OR LOSS ARISING FROM SUCH USE.

Parking facilities for the S&T Facilities shall be provided within a parking area for the S&T Facilities. This Declaration establishes easement rights benefiting the Golf Land that allow the Golf Members to utilize the parking area for the S&T Facilities, in exchange for easement rights benefiting the Residential Land that allow the Residential Owners the right to utilize the parking area for the Clubhouse Facilities, as more particularly set forth in Article 5.

C. Entrance Facility. The Entrance Facility shall contain a sign which uses the name "Pinecrest" as the name for the Project. Neither Declarant nor the Association shall change the name for the Project without the approval of Golf Owner. Except for any sign exclusively advertising the Golf Operation, the Association shall maintain, at the Association's sole cost, the Entrance Facility, including repair and replacement if any such Improvements are damaged or destroyed. The Association shall maintain such Improvements in a state of good repair and in conformity with the standards maintained in developments of a similar nature and quality as the Project. Notwithstanding the foregoing, the Association shall have the right, at any time, to modify the Entrance Facility by reducing the amount of landscaping material to be maintained or by changing the type or density of any such landscaping material.

D. Residential Streets. The Association shall keep and maintain, as part of the Association Property, any portion of the Residential Land shown on a Final Plat as a right of way for vehicular access, and all Improvements thereon (the "Residential Streets") substantially in the same condition and fashion as constructed by Declarant and in accordance with governmental standards, excluding those Residential Streets (or portions thereof) which are dedicated to a Governmental Authority for use by the public, if any. The Residential Streets shall provide a means of ingress and egress to and from all portions of the Residential Land for the use of the Association, Declarant, the Residential Owners, and their guests, licensees, lessees and invitees. There is hereby reserved, and granted to the Golf Owner and the Golf Members a non-exclusive easement across the Entry Street for the perpetual right of ingress, egress, and access over the Entry Street as is reasonably necessary for access to and from the Golf Facilities, and for the installation, maintenance, operation and repair of utilities servicing the Golf Facilities. There is also hereby reserved and granted to the Governmental Authorities, a non-exclusive easement across such Residential Streets for all governmental purposes including, but not limited to: police and fire protection, garbage collection, mail delivery, building inspection, and all other available public services. Declarant may, without the consent of the Association, Residential Owners or any other party, dedicate all or any portion of the Residential Streets to the County or other applicable Governmental Authority for use by the public. In the event all or a portion of the Residential Streets are conveyed or dedicated to a Governmental Authority and such Governmental Authority is willing or obligated to maintain such portion of the Residential Streets, the Association shall have no responsibility for

the maintenance thereof, but shall have the right and not the obligation, to provide supplemental maintenance together with the Governmental Authority, as the Board may determine in its sole discretion.

E. Project Drainage System. The Master Drainage Plan indicates the portion of the Project Drainage System that will be constructed by Golf Owner as part of its development of the Golf Facilities, and the portion that will be constructed by Declarant as part of its development of the Residential Development. The Association shall own and maintain the portion of the Project Drainage System indicated on the Master Plan to be maintained by the Association in good working order and in accordance with all applicable governmental requirements and regulations, so that the Project Drainage System continues to function properly in controlling storm water runoff and drainage from the Project. The Golf Owner shall own and maintain the portion of the Project Drainage System indicated on the Master Plan to be maintained by the Golf Owner in good working order and in accordance with all applicable governmental requirements and regulations, so that the Project Drainage System continues to function properly in controlling storm water runoff and drainage from the Project. Additional provisions on the operation, maintenance and repair of the Project Drainage System are set forth in Article 5.

F. Right to Add Additional Improvements. Such portions of the Association Property upon which Declarant has constructed, or hereinafter constructs, Improvements shall be kept and maintained for use in a manner consistent with the nature of such Improvements located, or to be located thereon. Until the Turnover Date, Declarant reserves the right, but shall not be obligated, to construct additional facilities upon the Association Property. Until the Turnover Date, the decision as to whether to construct additional facilities and the construction thereof shall be in the sole discretion of Declarant.

G. Private Use. Except as may otherwise be expressly provided for herein, for the term of this Declaration, the Association Property is not for the use and enjoyment of the public, but is expressly reserved for the private use and enjoyment of Declarant, the Association, and the Residential Owners, their family members, guests, invitees and lessees, and any other Person authorized to use the Association Property or any portion thereof by Declarant or the Association but only in accordance with this Declaration and the laws of the Town and the applicable Governmental Authorities.

H. Declarant's Rights to Use Association Property. Declarant, hereby expressly reserves the right to use the Association Property, the Lots and the unsold Living Units in connection with the sale and marketing by Declarant of Living Units or Lots in the Residential Development, including, but not limited to, the holding of sales and marketing meetings, sales promotions and related activities.

I. Conveyance of Association Property. The Association Property shall be conveyed to the Association for ownership. All real property designated as Association Property on a Final Plat or otherwise identified herein or by Declarant as Association Property, will be conveyed to the Association by deed or by easement. All personal property or interests in personal property shall be conveyed to the Association by bill of sale or by delivery of possession to the Association. Declarant shall have the right to convey Association Property to the Association at any time following Declarant's completion of any Improvements to be constructed or installed upon such Association Property. Upon completion of any Improvements thereon or thereto by the Declarant, the Association will immediately become responsible for all maintenance, repair and replacements therefore, the operation thereof and such additional construction of Improvements as may be authorized by the Board. It is the intent of this provision to provide that the Association will be responsible for all maintenance of Association Property when Improvements thereto have been completed, notwithstanding that Declarant has not conveyed such properties to the Association but continues to hold title thereto. Any such conveyance by the Declarant will be conveyed subject to all restrictive covenants filed in the Public Records at the time of conveyance, and the following:

1. The right of access of the Declarant, its successors and assigns, over and across such property; and

2. The right of the Declarant, the Committee, and the Association, as applicable, to approve all structures, construction, repairs, changes in elevation and topography and the location of any object (including vegetation) within the Association Property prior to the commencement of such activities or location of any object therein;
3. All utilities and drainage easements; and
4. All reserved rights set forth in this Declaration.

The Declarant will not be required to so convey the Association Property where such conveyance would be prohibited under agreements to which the Declarant is a party on the date of establishment of such Association Property, but, in such case, Declarant will be allowed to postpone such conveyance, without a penalty, until such time as said prohibition terminates, is released or is nullified.

In consideration of the benefits accruing to the Association and to the Members under this Declaration and in consideration of the covenants and agreements of the Declarant hereunder, the Association hereby agrees to accept title to any property, or to any interest in property, now or hereafter conveyed to it pursuant to the terms and conditions of this Declaration. Upon the due recording of a deed, easement, lease or other instrument or memorandum of conveyance to the Association filed in the Public Records, title or such other interest in property conveyed will vest in and to the Association without the necessity of any further act, deed or approval of any person, including the grantor, lessor and/or Association.

J. Rules and Regulations. The Association shall be entitled to adopt and enforce reasonable rules and regulations related to the use and operation of the Association Property. All users of the Association Property shall be subject to comply with such rules and regulations, provided any such rules and regulations are not applied or enforced in a discriminatory manner. Enforcement of such rules and regulations can include the right to prohibit use, deny access to facilities, and suspend voting rights of Members for material violations. The rules and regulations so promulgated shall, in all respects, be consistent with the provisions of the Association Documents.

ARTICLE 5 COVENANTS AFFECTING THE GOLF LAND

A. Effect of Declaration on Golf Land. This Declaration burdens the Golf Land in order to address the various rights and obligations among Golf Owner, the Association and Declarant that will benefit the Project as a whole. The provisions of this Article address certain covenants, restrictions and other obligations that burden the Golf Land, as well as certain affirmative rights and interests that benefit the Golf Land. The provisions of this Article cannot be amended except in accordance with the requirements of Section E of Article 15.

B. Project Drainage System. The Project Drainage System benefits the entire Project and is intended to function as one cohesive system integrated among the Residential Land and the Golf Land.

1. Construction. The Golf Owner, at the Golf owner's sole cost and expense, shall construct and install that portion of the Project Drainage System indicated on the Master Plan as the responsibility of Golf Owner to construct. Declarant, at the Declarant's sole cost and expense, shall install and construct that portion of the Project Drainage System indicated on the Master Plan as the responsibility of Declarant to construct.

2. Maintenance. The Golf Owner, at Golf Owner's sole cost and expense, shall repair and maintain that portion of the Project Drainage System indicated on the Master Plan as the responsibility of the Golf Owner to maintain. The Association, at the Association's sole cost and expense, shall repair and maintain that portion of the

Project Drainage System indicated on the Master Plan as the responsibility of the Association (or Declarant) to maintain. Each party shall maintain and operate the applicable portion of the Project Drainage System in good condition to effectively control and manage the flow of storm water from and into the Project. The Association and the Golf Owner will cooperate in the maintenance of the entire Project Drainage System in order to allow the Project Drainage System to function effectively as one cohesive system for the Project. Neither Golf Owner, nor the Association shall do any act that may interfere with the performance of the other party in their maintenance of the Project Drainage System or the applicable portions thereof. Golf Owner has the right to draw and use water from the Project Drainage System for irrigation of the Golf Land and for other uses in the Golf Operation, provided that Golf Owner shall be prohibited from removing water from the Project Drainage System which would have the effect of lowering the water level to a level which is lower than two feet (2') below the usual and customary water level maintained in the system, except during drought conditions. If a drought condition exists, Golf Owner shall provide notice to the Association prior to reducing the water level below two feet (2') below the usual level, and shall use diligent and good faith efforts to supply its water needs from other sources if reasonably available.

3. Lagoons. The Lagoons shall always be kept and maintained as an area for water retention, drainage and water management purposes in compliance with applicable governmental and water management district requirements. Notwithstanding the requirements set forth in subparagraph B.2 above, the waterfront embankment of any portion of a Lagoon that abuts a Lot shall be maintained by the Residential Owner of the Lot in accordance with Section B.3 of Article 10. Use of the Lagoons by the Residential Owners is restricted as provided in Section U of Article 12.

4. Self-Help. If the Golf Owner or the Association fails to maintain the applicable portion of the Project Drainage System for which each is responsible in accordance with this Declaration, the other party (i.e. the Association or Golf Owner, as the case may be) shall have the right, upon thirty (30) days' written notice to the non-performing party, to perform the maintenance and/or repairs described in such notice to the non-performing party. The non-performing party shall reimburse the party performing any such maintenance and/or repairs for the expenses incurred by such party in performing such work, such payment to be made within 30 days following the non-performing party's receipt of a statement for the costs of such performance together with reasonable documentation substantiating such cost. If the non-performing party fails to pay such amount within 30 days after the statement is furnished to the non-performing party, then such amount shall be increased by Interest thereon from the date such payment became due until payment is made.

5. Project Drainage Easement. An easement is hereby established over, under, across and upon the Residential Land for the benefit of the Golf Land, and over the Golf Land for the benefit of the Residential Land (the "Project Drainage Easement"). The Project Drainage Easement shall be for the purpose of installing, constructing, maintaining, using, operating, repairing and replacing so much of the Project Drainage System as may be within the burdened property as reflected by the Master Drainage Plan and as may be required to provide storm water control for the benefited property in accordance with the Master Drainage Plan. The Project Drainage Easement shall burden and benefit the Residential Land and the Golf Land and be appurtenant to the Residential Land and the Golf Land. Prior to the time any portion of the Project Land is submitted to a Final Plat, the location of the Project Drainage Easement shall be limited to the locations, facilities and installations shown on the attached copy of the Master Drainage Plan. At such time as such portion of the Project Land is submitted to a Final Plat, then the location of the Project Drainage Easement on such property shall be as reflected on such Final Plat. The record owner of the portion of the Project Land shown on such Final Plat shall be required to specifically delineate on the applicable Final Plat, the portions of the Project Drainage Easement encumbering such property. The Project Drainage Easement also includes reasonable rights to enter upon the burdened property in order to access the locations, facilities, and installations of the Project Drainage System thereon.

C. Shared Recreation Facilities. The Association shall maintain, at the Association's sole cost, the S&T Facilities, including repair and replacement if any such Improvements are damaged or destroyed. Golf Owner shall maintain, at Golf Owner's sole cost, the Clubhouse Facilities, including repair and replacement if any such Improvements are damaged or destroyed. Each party shall maintain such facilities and Improvements in a state of good repair and in conformity with the standards maintained in developments of a similar nature and quality as the Project. The Association shall operate the S&T Facilities for the use and benefit of the Residential Owners. Golf Owner shall operate the Clubhouse Facilities for the use and benefit of its Golf Members. Golf Owner shall have certain limited rights to use the S&T Facilities for its Golf Members and Residential Owners shall have certain limited rights to use the Clubhouse Facilities, all as specifically set forth below.

1. Use of S&T Facilities by Golf Members. Golf Owner shall make a payment to the Association as a contribution toward the cost of maintaining the S&T Facilities (the "S&T Fee"). In exchange for payment of the S&T Fee, each Golf Member shall have use rights and privileges to the S&T Facilities.

i. S&T Fee. The amount of the S&T Fee to be paid by Golf Owner for each fiscal year of the Association shall be fifty percent (50%) of the total cost and expense incurred by the Association in maintaining and operating the S&T Facilities for such fiscal year (the "S&T Cost"). The term "S&T Cost" shall include all items of cost and expense related to operating, maintaining, repairing and replacing the S&T Facilities, including, without limiting the generality of the foregoing definition, all costs of utilities, materials and supplies, repairs and maintenance, real estate and personal property taxes, cleaning and removal of trash and debris, landscaping maintenance, insurance premiums and costs including any deductible expense absorbed by the Association, reserve allocations, security, supervision and management fees, expense for professional services, and other similar costs incurred in operating the S&T Facilities. All such costs shall be reasonable in amount and shall not exceed the usual and customary charges for any such expense for comparable facilities in comparable developments. The portion of any cost which is not solely applicable to the S&T Facilities to be included as S&T Cost shall be a pro rata share of such cost, appropriately allocated using standard and generally accepted accounting practices.

ii. Invoice for S&T Fee. Prior to each fiscal year of the Association, the Association shall prepare and deliver to Golf Owner a proposed budget indicating the projected S&T Cost for that fiscal year. The S&T Fee shall be paid by Golf Owner to the Association in one (1) installment, being due on the first day of the Association's fiscal year. Within ninety (90) days following the end of each fiscal year the Association shall deliver a ~~statement to Golf Owner which shows the actual S&T Cost incurred for such fiscal year. Within fifteen (15) days after~~ Golf Owner receives such statement, Golf Owner shall receive a refund if the projected S&T Fee paid exceeds what the fee should have been based upon actual cost, or shall pay the balance due if the projected fee paid was less than the fee based upon actual cost. Golf Owner shall be entitled to inspect the books and records of the Association related to the S&T Cost at any time, after reasonable prior written notice, and may cause an audit or other review of such records by the appropriate professional.

iii. Non-Discriminatory Use. Golf Members shall have the same use rights and privileges with regard to the S&T Facilities as do the Residential Owners, and shall not be treated any less favorably.

2. Use of Clubhouse Facilities by Residential Owner. The Clubhouse Facilities shall be open to and available for use by any Residential Owner without payment of any membership or special use charge or fee. Each Residential Owner shall pay the normal charge for the services consumed (for example, the stated charges for food, merchandise, etc.) but the Residential Owner shall not pay any additional or increased charge for such purchases and shall be treated and charged no less favorably than the Golf Members. Golf Owner may create a class of membership to include or address the Residential Owners, or include such Residential Owners in a class of membership which

includes other users, and promulgate specific rules and regulations and policies and procedures governing the use of the Clubhouse Facilities by such class of membership (such as, for example, use by guests, short term rental occupants, etc.), provided the membership privileges include or comply with the rights stated above.

3. Reciprocal Easement for Parking. A separate parking area shall be constructed for each of the Clubhouse Facilities and the S&T Facilities (referred to as a "Parking Area"). There is hereby created for the benefit of the Association, its members, and all its permittees, a non-exclusive perpetual easement in and to the Parking Area contained within the Golf Land, for the purpose of vehicular and pedestrian access and the temporary parking of motor vehicles, to provide for use of and access to the Clubhouse Facilities and the S&T Facilities. Likewise, there is hereby created for the benefit of Golf Owner, its Golf Members and all its permittees, a non-exclusive perpetual easement in and to the Parking Area contained within the Residential Land, for the purpose of vehicular and pedestrian access and the temporary parking of motor vehicles, to provide for use of and access to the Clubhouse Facilities and the S&T Facilities. The Association shall maintain, at its sole cost, the whole of the Parking Area on the Residential Land and the associated landscaping originally planted or constructed within or upon the Residential Land, including repair or replacement if any portion of such Improvements is damaged or destroyed. Golf Owner shall maintain, at its sole cost, the whole of the Parking Area on the Golf Land and the associated landscaping originally planted or constructed within or upon the Golf Land, including repair or replacement if any portion of such Improvements is damaged or destroyed. Each party shall maintain such Improvements in a state of good repair and in conformity with the maintenance standards maintained in developments of a similar nature and quality as the Project.

4. Rules and Regulations and Enforcement. Both Golf Owner and the Association shall be entitled to adopt and enforce reasonable rules and regulations related to the use and operation of its facilities. All users of a facility shall be subject to comply with such rules and regulations, provided any such rules and regulations are not applied or enforced in a discriminatory manner based upon a distinction between Golf Members and Residential Owners. Enforcement of such rules and regulations can include the right to prohibit use, deny access to facilities, and terminate membership for material violations.

D. Additional Easements for the benefit of the Golf Land.

1. Construction, Maintenance and Repair of Golf Facilities. There is hereby reserved for the benefit and use of the Golf Owner, the Golf Members, and the Golf Owner's invitees, agents, employees, successors, and assigns, the perpetual, nonexclusive right and ingress, egress, access and construction easement over the Entry Street and over those portions of the other Residential Streets and the Association Property reasonably necessary to perform the construction, operation, maintenance, repair and replacement of the Golf Facilities. Upon the dedication of all or a portion of the Residential Streets for public use, said easement shall terminate as to such dedicated portion of the Residential Streets. Golf Owner will be responsible for any damage to the Association Property caused by the use of this easement by Golf Owner or the Golf Members. The use of such easement(s) shall not unreasonably interfere with the construction of the Residential Streets, the installation of utilities, and the construction of the Improvements on the Residential Land by Declarant.

2. Golf Course Lots. There is hereby reserved for the benefit and use of the Golf Owner, the perpetual, nonexclusive right and easement over and across any Lots that abut the Golf Land for maintenance and landscaping. This reserved right and easement will permit, but will not obligate the Golf Owner and its agents, employees, successors, and assigns, to go upon any Lot which abuts the Golf Land to maintain or landscape the area encumbered by such easement. Such maintenance and landscaping will include planting of grass, watering, application of fertilizer, mowing, and the removal of underbrush, stumps, trash or debris, and trees of less than eight (8) inches in diameter at a level of four (4) feet above the ground. The area encumbered by this easement will be limited to the portion of each

applicable Lot within twenty (20) feet of the common boundary line(s) of the Lot and the Golf Land. A Residential Owner of a Lot subject to this easement, shall be prohibited from constructing, installing or placing any Improvements, either temporary or permanent, including landscaping, on their Lot within the area encumbered by this easement, without the prior written approval of the Golf Owner.

3. Overspray. The Lots are hereby burdened with a nonexclusive easement for overspray of water from the irrigation system serving the Golf Facilities, as well as overspray of herbicides, fungicides and pesticides. Under no circumstances will Declarant, Golf Owner, or the Association be held liable for any damage or injury resulting from such overspray or the exercise of this easement.

4. Retrieval of Golf Balls. The Golf Owner, its employees, agents and contractors, and the Golf Members will have a perpetual, exclusive easement of access over the Residential Land for the purpose of retrieving golf balls from the Lagoons or other portions of the Association Property, lying reasonably within range of golf balls hit from the golf course on the Golf Land. Furthermore, every Lot that shares a boundary with the Golf Land will be subject to the right and easement on the part of Golf Members to enter upon the unimproved portions of a such Lot to remove a ball or to play a ball, subject to the official rules of the golf course, with such entering and playing not being deemed to be a trespass; provided that, after a Living Unit or other permanent structure is constructed thereon, such easement will be limited to the recovery of balls only, and not play. Golf Members will not be entitled to enter a Lot with a golf cart or other vehicle, nor to spend an unreasonable amount of time on any Lot, or in any way commit a nuisance while on any Lot.

5. Cart Path/Irrigation Line. This Declaration hereby creates and establishes for the exclusive benefit of Golf Owner, temporary non-exclusive easements on, under, across and through the applicable portions of the Residential Land, for the maintenance, repair and use of cart paths and irrigation lines between noncontiguous portions of the Golf Land. The location of such easements shall be in the location where such cart paths and irrigation lines are actually constructed on the Residential Land. The Golf Owner may gravel or pave such cart path areas pending installation of the Residential Streets by Declarant. Said easement shall terminate upon dedication of the Residential Streets for public use, which dedication shall establish a permanent easement for the construction, maintenance and use of cart paths and irrigation lines. No Residential Owner shall have the right to use or enter upon the cart paths except as otherwise permitted by Golf Owner. **THE CART PATHS ARE PART OF THE GOLF FACILITIES AND ARE OWNED AND CONTROLLED BY THE GOLF OWNER. THE CART PATHS ARE INTENDED TO BE USED EXCLUSIVELY FOR GOLF PLAY AND OTHER USES INCIDENTAL TO THE GOLF OPERATION AND NOT FOR GENERAL PEDESTRIAN ACCESS OR OTHER USE NOT SPECIFICALLY ASSOCIATED WITH THE GOLF OPERATION, INCLUDING (BUT NOT LIMITED TO) JOGGING, WALKING, BICYCLING, OR OTHER NON-GOLF RECREATIONAL USES OR ACTIVITIES.**

6. Encroachment Easements. If, after the construction of the Golf Facilities is complete, minor encroachments exist of the Golf Facilities onto the Residential Land or of Improvements on the Residential Development onto the Golf Land, Declarant hereby reserves and grants easements which shall allow such encroachments to exist, so long as the encroachments are not expanded in any way. Declarant and Golf Owner shall cooperate with each other to locate and accommodate such minor encroachments.

E. Residential Owners Preferential Rights to Golf Membership. Upon the original sale of a Living Unit to an Original Residential Owner, Declarant (or the first seller of a newly constructed Living Unit, if not Declarant) shall pay Golf Owner the amount of Five Hundred Dollars (\$500.00). Such payment is mandatory and is a covenant running with and burdening title to the Living Units. This payment shall entitle the Original Residential Owner of such Living Unit to elect to become a Golf Member without the payment of any initiation fee or any other fee charged to become a Golf

Member. The Original Residential Owner shall have a period of six (6) months following the closing of its purchase of the Living Unit to make such election and if the Original Residential Owner does not elect to become a Golf Member within such six (6) month period, then the right to become a Golf Member without the payment of an initiation fee shall be waived. Golf Owner shall establish and maintain a maximum quota of 850 Golf Members. During the build out of the Residential Development, in order to achieve an efficient and economically viable use of the Golf Facilities, Golf Owner may structure permanent or temporary membership plans which maximize use of the Golf Facilities, but any such membership structures must provide and allow for Original Residential Owners to become Golf Members when they elect as provided above, without violating membership quotas for any material time period. Any Original Residential Owner which does not elect to become a Golf Member within the six (6) month period, and any Residential Owner which is not the first purchaser of a Living Unit but buys their Living Unit from a previous Residential Owner, shall have preferential rights to become a Golf Member. The preferential rights shall consist of:

1. If there is a waiting list at the time such Residential Owner seeks membership, the obligation of Golf Owner to put such Residential Owner on the waiting list to be selected for membership prior to any other persons on the list which are not Residential Owners.

2. The initiation fee to be paid by such Residential Owner shall be twenty percent (20%) less than the initiation fee then being charged to other new Golf Members who are not Residential Owners.

A Residential Owner who becomes a Golf Member shall not be required to pay any initiation or membership fees or dues until the later of (i) the date an Original Residential Owner elects to become a Golf Member (or the date a Residential Owner other than an Original Residential Owner is selected for membership, as applicable), or (ii) the date the Golf Facilities are completed and open for play.

After a Residential Owner becomes a Golf Member, the Residential Owner shall be responsible for all of the usual and customary charges and fees assessed to members generally, provided that the Residential Owners who become Golf Members shall not be treated any less favorably than the other general members of the Golf Club who are not Residential Owners. Residential Owners who are Golf Members shall be given the opportunity to upgrade to any newly created class of membership which might be implemented by Golf Owner which is more favorable than the class of membership they have.

F. Operating Covenant. For the 20 year period commencing upon completion of the Golf Facilities and the commencement of the Golf Operation, the Golf Owner, its successors and assigns will be obligated to continuously operate the Golf Operation upon the Golf Land. This operating covenant is subject to any interruptions due to repair, alteration, remodeling or reconstruction of the Golf Facilities, provided that the Golf Owner shall use diligent, good faith, and commercially reasonable efforts to complete the work or action which allows the interruption and otherwise take such actions as will minimize any permitted interruption. The initial Golf Operation shall be required to be an operation of the Golf Facilities as an ongoing private golf club similar in quality of design, construction, and operation to other residential golf developments owned and operated by Golf Owner in other locations, but at least equal in quality of design, construction, and operation to the "Eagle's Pointe" golf course development constructed and operated in a community developed by Declarant in the Hilton Head area. Nothing in this Section shall prohibit the Golf Owner from adjusting the ongoing operating standards to permit the Golf Owner to adapt to and implement changes which may occur in the usual and customary operating methods for the golf course industry. Golf Owner shall also have the right to adjust and modify the operating standards for the Golf Operation to conform with the modifications Golf Owner may generally make in the operations of its golf course operations at other locations, if applicable. Subject to the foregoing, Golf Owner shall operate the Golf Operation using substantially all of the Golf Facilities upon substantially the whole of the Golf Land, it being intended that the ongoing operation shall not be materially affected by reducing the size, or magnitude of the amenities

comprising the Golf Facilities. Golf Owner shall operate the Golf Facilities using the name "Canongate at Pinecrest" and under no other name without the prior approval of the Association and prior to the Turnover Date, the approval of Declarant. In conducting the Golf Operation, Golf Owner shall not exceed 850 memberships (counted by family, not individuals) at any given time without the prior approval of the Association (and until Declarant ceases to own any portion of the Residential Land, the Declarant).

G. Indemnification.

1. Golf Owner shall indemnify and hold harmless the Indemnified Parties (as later defined) from and against any and all liabilities, claims, demands, damages, expenses, fees, fines, penalties, suits, proceedings, actions and causes of action of any and every kind and nature arising, growing out of, or in any way connected with Golf Owner's operation of the Golf Facilities and the Golf Operation in the Project, except any such cost or liability arising from the sole negligence of an Indemnified Party. For purposes of this provision, the Indemnified Parties shall be Declarant, its partners, subsidiaries, or parent and affiliated companies, and their officers, directors, shareholders, employees, agents, successors and assigns, and the Association, its Members, officers, directors, employees, management companies, agents, successors and assigns.

2. Association shall indemnify and hold harmless Golf Owner, its subsidiaries, partners, parent and affiliated companies, and their officers, directors, shareholders, employees, agents, successors and assigns (a "Golf Owner Indemnified Party"), from and against any and all liabilities, claims, demands, damages, expenses, fees, fines, penalties, suits, proceedings, actions and causes of action of any and every kind and nature arising, growing out of, or in any way connected with Association's use, occupancy, management or control of the S&T Facilities or Association's other operations within the Project, except any such cost or liability arising from the sole negligence of a Golf Owner Indemnified Party.

H. Insurance. During the term of Golf Owner's operating covenant (set forth by Section F above), Golf Owner shall maintain in full force and effect the following insurance coverages, in standard form generally in use in the State of South Carolina, in the form and with the coverages customarily maintained for a golf course operation:

1. General Liability Insurance. Commercial general liability insurance naming the Association and, until Declarant's ownership of any portion of the Residential Land ceases, Declarant, as additional insureds thereof, providing coverage for bodily injury and property damage in a minimum amount of \$2,000,000.00 for each occurrence limit and \$5,000,000.00 for the general aggregate limit.

2. Workers Compensation. Workers compensation coverage which complies with the applicable laws and limits of the State of South Carolina.

3. Fire and Extended Coverage. A policy of fire and extended coverage insurance naming the Association and, until Declarant's ownership of any portion of the Residential Land ceases, Declarant, as additional insureds thereof, providing coverage for the buildings and other Improvements which comprise the Golf Facilities in an amount of not less than 90% of the replacement cost for such improvements, providing coverage for loss or damage from causes that are generally included as covered risks under standard insurance industry practices within the classification of broad form fire and extended coverage.

4. Fixtures and Equipment. Policies of insurance covering Golf Owner's trade fixtures, furniture, furnishings, equipment, and other personal property used by Golf Owner in the Golf Operation providing coverage of not less than 90% of the replacement cost for such property, providing coverage against all casualties included under

standard insurance industry practices within the classification fire and extended coverage or other comprehensive broad form coverage.

Golf Owner may maintain the required insurance coverage under policies of blanket insurance covering other locations and liabilities in addition to the Golf Operation in the Project. The Association shall be required to maintain the insurance coverages and policies described in Article 8, naming Golf Owner as an additional insured where specified in such Article.

I. Default and Remedies. If the Golf Owner or the Association shall fail to materially comply with any of the terms and provisions of this Article and if any such default is not cured within ten (10) days after written demand from the other party (or if such default is of such a nature that it cannot be cured within such ten (10) day period, if such party fails to commence to cure the default within the ten (10) day period or thereafter fails to diligently proceed to cure the default as soon as is reasonably practicable after the written demand), then the non-defaulting party shall have any and all rights and remedies at law and in equity, including the right to receive any and all damages, or the right to seek injunctions, enforce specific performance or exercise other equitable remedies. If any legal action is commenced by any party to enforce any provision of this Article, the losing party will pay to the prevailing party all actual expenses incurred by the prevailing party in enforcing its rights (including Legal Fees).

J. Actions by the Board. The rights of the Association in this Article 5 may not be exercised by any Person, Residential Owner, Member, or Person, other than the Board, who may only exercise such rights, if at least 75% of the Directors approve taking the recommended action to exercise such rights.

ARTICLE 6 ASSOCIATION MEMBERSHIP AND GOVERNANCE

A. Membership. Every Owner, including Declarant, of a Lot or a Living Unit will be a Member of the Association. Ownership of a Lot or a Living Unit will be the sole qualification for such membership. If fee title to a Lot or Living Unit is transferred or otherwise conveyed, the membership in the Association which is appurtenant thereto will automatically pass to such transferee, notwithstanding any failure of the transferor to endorse to his transferee any certificates or other evidences of such membership. The foregoing is not intended to include any Persons who hold an interest merely as security for the performance of an obligation, and the giving of a security interest will not terminate or otherwise affect an Owner's membership in the Association.

B. Voting Rights. The Association will have two (2) types of voting memberships which are as follows:

1. "Class A Members" will be Owners (including Declarant) of Lots and Living Units. A Class A Member will be entitled to one (1) vote for each Lot or Living Unit owned.

2. "Class B Members" shall be Declarant or its designated assign. The Class B Member will be entitled to three (3) votes for each vote held by Class A Members, plus one (1) vote until the Turnover Date. Thereafter, Declarant will exercise votes only as to its Class A Memberships.

Only those Members in good standing and eligible to vote pursuant to the Bylaws shall be entitled to cast any vote required or permitted hereunder, and only the votes of Members in good standing and eligible to vote shall be considered in any calculation of votes or any required percentage thereof. On the Turnover Date, Class A Members, including Declarant, shall assume control of the Association and elect the Board.

3. Voting By Multiple Owners. When any Lot or Living Unit of a Class A Member is owned in the name of two or more persons, other than husband and wife (either of whose vote will bind both), by an entity, or in any other manner of joint or common ownership, the vote for such Lot or Living Units will be exercised as such co-Owners determine among themselves and advise the Secretary of the Association in writing prior to any meeting; or the vote will be exercised by such co-Owner, or his duly appointed proxy, as will be designated in a writing by all co-Owners filed in the Public Records, a copy of which will be delivered to the Secretary of the Association and will remain effective for all meetings until revoked by the co-Owners in a similar writing or until such designation terminates pursuant to the terms of such writing.

4. Association Governance by Board. The Board shall consist of three (3) or five (5) members who will govern the Association. Initially, prior to the Turnover Date, the Board will consist of three (3) members appointed by the Declarant, and following the Turnover Date, the Board will consist of five (5) members elected as provided in the Bylaws.

5. Meetings and Membership Voting. Except as otherwise provided in this Declaration, rules and procedures of the Association, including, but not limited to, conducting elections, meetings (both regular and special), and for casting of votes by Members, and the number thereof required for quorums and approval or ratification, shall be as set forth in the Bylaws.

ARTICLE 7 ASSESSMENTS AND OPERATING EXPENSES:

A. Affirmative Covenant to Pay Operating Expenses. In order to: (i) fulfill the terms, provisions, covenants and conditions contained in the Association Documents; and (ii) maintain, operate and pre serve the Association Property for the welfare and benefit of the Members and their family members, guests, invitees and lessees, there is hereby imposed upon each Lot and Living Unit and Residential Owner (with the exception of Declarant du ring the Deficit Funding Period) the affirmative covenant and obligation to pay to the Association (in the manner herein set forth) all Assessments, including, but not limited to, the Base Assessments, Special A ssessments, Individual Expense Assessments, Neighborhood Assessments, Working Capital Contributions, and New Buyer Asse ssments. Each Residential Owner (except, if applicable, Declarant) by acceptance of a deed or other instrument of conveyan ce of a Living Unit or Lot from Declarant, whether or not it shall be so expressed in such deed or instrument, shall b e obligated and agrees to pay to the Association all Assessments for Operating Expenses in accordance with the provisions of the Association Documents.

B. Establishment of Liens. Any and all Assessments made by the Association in accordance with the Association Documents with Interest thereon and costs of collection (including, but not limited to, Legal Fees), are declared to be a charge and continuing lien upon each Lot and Living Unit against which each such Assessment is made. Each Assessment against a Lot or Living Unit (together with Interest thereon and costs of collection) shall be the personal obligation of the Residential Owner thereof. Said lien shall be effective only from and after the date a written, acknowledged statement of the Board setting forth the amount due to the Association as of the date the statement is signed, is recorded in the Public Records. Upon full payment of all sums secured by that lien, the party making payment shall be entitled to a satisfaction of the statement of lien in recordable form. Where an Institutional Mortgagee obtains title to a Living Unit or Lot as a result of foreclosure of its first mortgage or deed in lieu of foreclosure, such Institutional Mortgagee shall not be liable for the share of Assessments pertaining to such Living Unit or Lot that became due prior to the acquisition of title by such Mortgagee as a result of the foreclosure or deed in lieu thereof, unless the Assessment is secured by a claim of lien for Assessments recorded prior to the recording of the applicable mortgage.

C. Amount of Base Assessments. The total anticipated Operating Expenses for each calendar year shall be set forth in the budget ("Budget") prepared by the Board as required under the Association Documents. The total anticipated

Operating Expenses (other than those Operating Expenses which are properly the subject of a Special Assessment) shall be apportioned equally among the Lots and Living Units by dividing the total anticipated Operating Expenses as reflected by the Budget, by the total number of Lots and Living Units, with the quotient thus arrived at being the "Base Assessment". Provided, however, the first Budget and all subsequent Budgets prepared during the Deficit Funding Period referred to below, shall be based upon a projection of the total Operating Expenses at full build-out of the Residential Development and the Base Assessment shall be determined by dividing the amount of the total anticipated Operating Expenses at full build-out by a number equal to 75% of the Total Planned Units.

D. Special Assessment. "Special Assessments" include, in addition to other Assessments designated as Special Assessments in the Association Documents, those Assessments which are levied for capital improvements which include the costs of constructing or acquiring Improvements on or for the Association Property or the costs of reconstructing or replacing such Improvements. Special Assessments shall be in addition to, and are not part of, any "Base Assessment". Any such Special Assessments assessed against Lots and Living Units shall be paid by the Residential Owners in addition to any other Assessments. Special Assessments shall be assessed in the same manner as the Base Assessment. Special Assessments shall be paid in such installments or in a lump sum as the Board shall, from time to time, determine. In any fiscal year of the Association after the Turnover Date, the levying of any Special Assessment shall require the affirmative assent of at least two-thirds (2/3) of the votes held by each class of Members represented in person or by proxy at a meeting called and held in accordance with the Bylaws. In any fiscal year of the Association prior to the Turnover Date, the levying of any Special Assessment which exceeds five percent (5%) of the budgeted Operating Expenses of the Association for that fiscal year, shall require the affirmative assent of at least two-thirds (2/3) of all votes held by each class of Members represented in person or by proxy at a meeting called and held in accordance with the Bylaws. Any Special Assessment in an amount equal to 5% or less of the budgeted Operating Expenses of the Association for a fiscal year may be levied by the Board without the approval or consent of the Residential Owners or any other party.

E. Neighborhood Assessments. If the Association provides any services or incurs any expenses that exclusively benefit the Residential Owners within a Neighborhood, the Association may levy Neighborhood Assessments on the Lots and Living Units within the applicable Neighborhood. Neighborhood Assessments for Operating Expenses incurred for the provision of services on behalf of Residential Owners in a Neighborhood shall be determined in the same manner as the Base Assessments. The amount of a regular annual Neighborhood Assessment shall be determined either by dividing the expenses anticipated for a fiscal year by the total number of Lots and Living Units in the Neighborhood, or during the Deficit Funding Period, by dividing the total amount of expenses anticipated for the Neighborhood at full "buildout" by a number equal to 75% of the total number of Living Units planned for the Neighborhood (as reflected by the current Master Plan). The Neighborhood Assessments shall be payable in the same manner as the Base Assessments, in advance in monthly, quarterly, annual or semi-annual installments with the due dates being established by the Board.

F. Individual Expense Assessments. Individual Expense Assessments include any Assessment levied against a Residential Owner as a result of such Residential Owner's use, maintenance, or treatment of the Association Property or such Residential Owner's failure to comply with the Association Documents, including, but not limited to, non-compliance of Living Units and any other Improvements or personal property contained therein with the standards set forth in the Association Documents. The amount of the Individual Expense Assessment(s) shall be equal to the amount of any additional costs and expenses incurred by Declarant or the Association as a result of such Residential Owner's failure or refusal to comply with the Association Documents. The Individual Expense Assessment and any late charges relating thereto shall be assessed and collected and enforced in the same manner as any other Assessments hereunder as provided herein. Individual Expense Assessments shall be in addition to and not part of any other Assessment. For the purposes of this Section the term "Residential Owner" shall also mean any such Residential Owner's family members, guests, or lessees, and such lessee's family members, or guests.

G. Deficit Funding Period. Declarant covenants and agrees with the Association and the Residential Owners that for the period ("Deficit Funding Period") commencing with the date of recordation of this Declaration and ending upon the sooner to occur of the following: (i) the date upon which two hundred (200) Living Units have become certified for occupancy by the applicable Governmental Authorities, or (ii) the date that is four (4) years after the date this Declaration is originally recorded in the Public Records, that (a) the Base Assessment will be determined by spreading the total anticipated Operating Expenses projected at full build-out of the Residential Development as set forth in the Budget, by a number equal to 75% of the Total Planned Units; and (b) Declarant will pay the "Deficit," being the difference, if any, between the Operating Expenses incurred by the Association during the Deficit Funding Period, and the Assessments paid by other Residential Owners. During the Deficit Funding Period, Declarant shall not be obligated to pay any Assessments with respect to any Lots or Living Units owned by Declarant. Declarant hereby reserves the right to extend the Deficit Funding Period to a date ending not later than the Turnover Date at Declarant's sole election by providing written notice to the Association of such election at least thirty (30) days prior to the expiration of the current Deficit Funding Period. After the Deficit Funding Period terminates, Declarant shall pay Base Assessments for any Lots or Living Units owned by Declarant at a rate equal to ten percent (10%) of the full amount of the applicable Base Assessments charged for Lots or Living Units that are not owned by Declarant.

Declarant's obligation to fund the Deficit during the Deficit Funding Period as set forth above is hereby declared to be a charge and continuing lien upon each Lot and Living Unit owned by Declarant. Said lien shall be effective only from and after the time of the recordation in the Public Records of a written, acknowledged statement by the Association setting forth the amount due to the Association as of the date the statement is signed. Upon full payment of all sums secured by that lien, Declarant shall be entitled to a satisfaction of the statement of lien in recordable form.

H. Working Capital Contribution. Each Original Residential Owner who purchases a Living Unit shall pay to the Association at the time title is conveyed to such Residential Owner a "Working Capital Contribution". The Working Capital Contribution shall be an amount equal to a two-month share of the Base Assessment. The purpose of the Working Capital Contribution is to insure that the Association will have cash available for initial start up expenses including, but not limited to Operating Expenses, to meet unforeseen expenditures or to acquire additional equipment and services deemed necessary or desirable by the Board. Working Capital Contributions are not advance payments of Base Assessments and shall have no effect on future Base Assessments. Working Capital Contributions are payable only by an Original Residential Owner and any Residential Owner who is not the first purchaser of a Living Unit, but buys the Living Unit from another Residential Owner shall have no obligation to pay a Working Capital Contribution, but shall instead pay a New Buyer Assessment as provided in Section I below.

I. New Buyer Assessment. When a Residential Owner sells their Lot or Living Unit to a buyer who will become a new Residential Owner, such buyer shall pay an assessment to the Association (a "New Buyer Assessment") equal to one quarter of one percent (.25%) of the total purchase price paid by such buyer for the Lot or Living Unit as reflected by the settlement statement for the purchase. The New Buyer Assessment shall be paid to the Association at the time the new buyer closes its acquisition of title to the Lot or Living Unit. The Association may use the New Buyer Assessments for any expense or purpose deemed desirable by the Association, including the funding of reserves or current Operating Expenses. A New Buyer Assessment shall not be assessed or become due or payable for or with regard to the following conveyances:

1. Conveyances of a Lot or Living Unit by or to the Declarant or any builder with Declarant rights;
2. Conveyances of a Lot or Living Unit to a mortgagee following foreclosure or pursuant to a deed in lieu of foreclosure, but a New Buyer Assessment shall be levied in conjunction with the sale or conveyance of the Lot or Living Unit by a mortgagee to a subsequent Residential Owner for personal use; and

3. Conveyances of a Lot or Living Unit under such circumstance or condition determined by the Board to result in no substantive change of ownership or otherwise determined by the Board to be entitled to a waiver of such Assessment, such determinations to be made at the sole discretion of the Board.

J. Assessments payable to Buckwalter Association. The Buckwalter Declaration requires the Association to pay assessments to the Buckwalter Association on behalf of the Residential Owners in the Project which are used by the Buckwalter Association to maintain certain amenities for the benefit of the residents and occupants of the Buckwalter PUD. The assessments due to the Buckwalter Association will be established as provided in the Buckwalter Declaration and shall be an Operating Expense of the Association. The Buckwalter Association also has lien rights against the Project Land which they may foreclose in the event of the non-payment of any assessment due to the Buckwalter Association. The assessment structure for the Buckwalter Association, the rights and obligations of the Buckwalter Association and its members, and the general management and administration of the Buckwalter Association, are controlled by the Buckwalter Declaration.

K. Collection of Assessments. If any Residential Owner shall fail to pay any Assessment (or installment thereof) charged to such Residential Owner within fifteen (15) days after the same becomes due, then the Association shall have any and all of the following remedies to the extent permitted by law, which remedies are cumulative and which remedies are not in lieu of, but are in addition to, all other remedies available to the Association:

1. To accelerate the entire amount of any Assessments levied on the applicable Living Unit or Lot for the remainder of the calendar year notwithstanding any provisions for the payment thereof in installments.
2. To advance on behalf of the Residential Owner(s) in default funds to accomplish the needs of the Association up to and including the full amount for which such Residential Owner(s) is liable to the Association. The amount of any funds so advanced, together with Interest and all costs of collection thereof (including, but not limited to, Legal Fees), may be collected by the Association and such advance by the Association shall not waive the Residential Owner's default.
3. To file an action in equity to foreclose its lien at any time after the effective date thereof. The lien may be foreclosed by an action in the name of the Association in like manner as a foreclosure of a mortgage on real property.
4. To file an action at law to collect said Assessment plus Interest and Legal Fees, without waiving any lien rights or rights of foreclosure in the Association.
5. To charge Interest on such Assessment from the date it becomes due, as well as a late charge of Twenty-Five Dollars (\$25.00) by the Association to defray additional collection costs.

L. Collection by Declarant. If for any reason the Association shall fail to collect the Assessments, then prior to the Turnover Date, Declarant shall have the right (but not the obligation): (i) to advance such sums as the Association could have advanced as set forth above; and (ii) to collect such Assessments (and if applicable, any such sums advanced by Declarant); using the remedies available to the Association against a Residential Owner as set forth above, all of which remedies are hereby declared to be available to Declarant.

M. Payments by Declarant and Institutional Mortgagees. Declarant and any Institutional Mortgagees shall have the right, but not the obligation, jointly or singly, and at their sole option, to pay any of the Assessments which are in default and which may or have become a charge against any Living Units or Lots. Declarant and any Institutional Mortgagees shall also have the right, but not the obligation, jointly or singly, and, at their sole option, to pay insurance premiums or fidelity bond premiums or other required items of Operating Expenses on behalf of the Association when overdue and when lapses in policies or services may occur. Declarant and any Institutional Mortgagees paying overdue Operating Expenses on behalf of the Association will be entitled to immediate reimbursement from the Association plus

Interest and any costs of collection. The Association shall execute an instrument in recordable form evidencing the Association's obligation to make such immediate reimbursement and deliver the original of such instrument to each party who is so entitled to reimbursement.

N. Rental and Receiver. If a Residential Owner remains in possession of his Living Unit or Lot and the claim of lien of the Association against his Living Unit or Lot is foreclosed, the court, in its discretion, may require the Residential Owner to pay a reasonable rental for the Lot or Living Unit, and the Association is entitled to the appointment of a receiver to collect the rent.

O. Assignment of Claim and Lien Rights. The Association, acting through its Board, shall have the right to assign its claim and lien rights for the recovery of any unpaid Assessments and any other monies owed to the Association, to any third party.

P. Unpaid Assessments Certificate. Within fifteen (15) days after written request by any Residential Owner or any Institutional Mortgagee, the Association shall provide the requesting party a written certificate as to whether or not the Residential Owner of the Living Unit or Lot is in default with respect to the payment of Assessments or with respect to compliance with the terms and provisions of this Declaration. Any person or entity who relies on such certificate in purchasing or in making a mortgage loan encumbering any Living Unit or Lot shall be protected thereby.

Q. Application of Payments. Any payments made to the Association by any Residential Owner shall first be applied towards any sums advanced and paid by the Association for taxes and payment on account of superior mortgages, liens or encumbrances which may have been advanced by the Association in order to preserve and protect its lien, next toward reasonable attorneys' fees incurred by the Association incidental to the collection of Assessments and other moneys owed to the Association by the Residential Owner and/or for the enforcement of its lien; next towards Interest on any Assessments or other moneys due to the Association, as provided herein, and next towards any unpaid Assessments owed to the Association, in the inverse order that such Assessments were due.

R. Assessment Payments. The Base Assessments shall be payable in advance in monthly, quarterly, annual or semi-annual installments with the due dates being established by the Board.

S. Liability of Residential Owners for Individual Assessments. By the acceptance of a deed or other instrument of conveyance of a Living Unit or Lot in the Residential Development, each Residential Owner thereof acknowledges that the Residential Owners are jointly and severally liable for their own Base Assessment and their applicable portion of any Special Assessments as well as for all Individual Expense Assessments for which they are liable (with the exception of Declarant so long as Declarant pays the Deficit). Such Residential Owners further recognize and covenant that they are jointly and severally liable with all Residential Owners (except for Declarant during the Deficit Funding Period) for the payment of Operating Expenses. Each Residential Owner, recognizes and agrees that if other Residential Owners fail or refuse to pay their Assessments or any portion thereof, then the remaining Residential Owners may be responsible for increased Base Assessments or a Special Assessment or other Assessments levied as a result of such nonpayment. Any such increased Base Assessment or Special Assessment or other Assessment can and may be enforced by the Association and Declarant in the same manner as all other Assessments in accordance with the Association Documents.

T. Operating Expenses. The Assessments for Operating Expenses are payable by each Residential Owner to the Association notwithstanding the fact that Declarant may not have yet conveyed title to the Association Property to the Association. Operating Expenses shall include the cost of all items or expenses benefiting the Association, the Association Property, the Residential Development, the Lots and Living Units, and the Residential Owners, as determined to be an

appropriate item of Operating Expense by the Board. Operating Expenses include, but are not limited to, the following expenses, costs, fees and charges:

1. Taxes. Any and all taxes levied or assessed at any and all times by any and all taxing authorities against the Association Property and against any and all personal property and Improvements, which are now or which hereafter may be placed thereon, including any interest, penalties and other charges which may accrue thereon.

2. Utility Charges. All charges levied for utilities providing services for the Association Property whether supplied by a private or public firm, including (but not limited to) all charges for water, gas, electricity, telephone, sewer and any other type of utility or any other type of service charge.

3. Insurance. The premiums on any policy or policies of insurance required to be maintained by the Association under this Declaration and the premiums on any policy or policies the Association determines to maintain even if not required to be maintained by the specific terms of this Declaration.

4. Destruction of Buildings or Improvements on the Association Property. Any sums necessary to repair or replace, construct or reconstruct damages caused by the destruction of any building upon the Association Property by fire, windstorm, flood or other casualty regardless of whether or not the same is covered in whole or in part by insurance shall be Operating Expenses. The sums necessary to pay for the damage or destruction as herein contemplated shall be considered Operating Expenses but shall be raised by the Association under the provisions for Special Assessments and subject to the limitations therein set forth with respect to Special Assessments.

5. Maintenance, Repair and Replacements. All expenses necessary to keep and maintain, repair and replace any and all buildings, other Improvements, personal property and furniture, fixtures and equipment upon the Association Property, including landscaping, lawn and sprinkler service, in a manner consistent with the standards and requirements in the Association Documents and in compliance with the requirements and regulations of all applicable Governmental Authorities having jurisdiction over the Project.

6. Additional or Offsite Maintenance. The expenses of any additional maintenance that the Board elects to provide in order to enhance the overall appearance of the Residential Development or the Project for or on any property or Improvements located within or outside of the Residential Development, if permitted by the owner of such property or the governmental authority responsible for maintaining same.

7. Indemnification. The costs of fulfilling the covenant of indemnification in Section G of Article 16.

8. Administrative and Operational Expenses. The costs of administration of the Association including, but not limited to, any secretaries, bookkeepers and other employees, and the costs of retaining a management company, as necessary to carry out the obligations and covenants of the Association.

9. Compliance with Laws. The cost and expense of the Association's compliance with all applicable laws, statutes, ordinances and regulations of any Governmental Authority, including, without limitation, any regulations regarding zoning requirements, setback requirements, drainage requirements, sanitary conditions, environmental conditions, and fire hazards.

10. Non-Payment of Base Assessments. Funds needed for Operating Expenses due to the failure or refusal of Residential Owners to pay the Assessments levied. Provided, however, that any Assessment for any such sums so needed to make up a deficiency due to the failure of Residential Owners to pay a Special Assessment shall, itself, be deemed to be a Special Assessment.

11. Costs of Reserves. The funds necessary to establish an adequate reserve fund ("Reserve") for periodic maintenance, repair, and replacement of the Association Property and the facilities and Improvements thereupon in amounts determined sufficient and appropriate by the Board from time to time. Reserves shall be deposited in a separate account to

appropriate item of Operating Expense by the Board. Operating Expenses include, but are not limited to, the following expenses, costs, fees and charges:

1. Taxes. Any and all taxes levied or assessed at any and all times by any and all taxing authorities against the Association Property and against any and all personal property and Improvements, which are now or which hereafter may be placed thereon, including any interest, penalties and other charges which may accrue thereon.

2. Utility Charges. All charges levied for utilities providing services for the Association Property whether supplied by a private or public firm, including (but not limited to) all charges for water, gas, electricity, telephone, sewer and any other type of utility or any other type of service charge.

3. Insurance. The premiums on any policy or policies of insurance required to be maintained by the Association under this Declaration and the premiums on any policy or policies the Association determines to maintain even if not required to be maintained by the specific terms of this Declaration.

4. Destruction of Buildings or Improvements on the Association Property. Any sums necessary to repair or replace, construct or reconstruct damages caused by the destruction of any building upon the Association Property by fire, windstorm, flood or other casualty regardless of whether or not the same is covered in whole or in part by insurance shall be Operating Expenses. The sums necessary to pay for the damage or destruction as herein contemplated shall be considered Operating Expenses but shall be raised by the Association under the provisions for Special Assessments and subject to the limitations therein set forth with respect to Special Assessments.

5. Maintenance, Repair and Replacements. All expenses necessary to keep and maintain, repair and replace any and all buildings, other Improvements, personal property and furniture, fixtures and equipment upon the Association Property, including landscaping, lawn and sprinkler service, in a manner consistent with the standards and requirements in the Association Documents and in compliance with the requirements and regulations of all applicable Governmental Authorities having jurisdiction over the Project.

6. Additional or Offsite Maintenance. The expenses of any additional maintenance that the Board elects to provide in order to enhance the overall appearance of the Residential Development or the Project for or on any property or Improvements located within or outside of the Residential Development, if permitted by the owner of such property or the governmental authority responsible for maintaining same.

7. Indemnification. The costs of fulfilling the covenant of indemnification in Section G of Article 16.

8. Administrative and Operational Expenses. The costs of administration of the Association including, but not limited to, any secretaries, bookkeepers and other employees, and the costs of retaining a management company, as necessary to carry out the obligations and covenants of the Association.

9. Compliance with Laws. The cost and expense of the Association's compliance with all applicable laws, statutes, ordinances and regulations of any Governmental Authority, including, without limitation, any regulations regarding zoning requirements, setback requirements, drainage requirements, sanitary conditions, environmental conditions, and fire hazards.

10. Non-Payment of Base Assessments. Funds needed for Operating Expenses due to the failure or refusal of Residential Owners to pay the Assessments levied. Provided, however, that any Assessment for any such sums so needed to make up a deficiency due to the failure of Residential Owners to pay a Special Assessment shall, itself, be deemed to be a Special Assessment.

11. Costs of Reserves. The funds necessary to establish an adequate reserve fund ("Reserve") for periodic maintenance, repair, and replacement of the Association Property and the facilities and Improvements thereupon in amounts determined sufficient and appropriate by the Board from time to time. Reserves shall be deposited in a separate account to

provide such funds and reserves. The monies collected by the Association on account of Reserves shall be and shall remain the exclusive property of the Association and no Residential Owner shall have any interest, claim or right to such Reserves.

12. Miscellaneous Expenses. The cost of all items or costs or expenses pertaining to or for the benefit of the Association, the Association Property, the Lots, the Living Units, the Residential Development or any part thereof, not herein specifically enumerated and which is determined to be an appropriate item of Operating Expense by the Board shall be an Operating Expense.

13. Neighborhood Expenses. The costs and expenses related to the Association's provision of services for the benefit of a particular Neighborhood (and not for the benefit of all Residential Owners) shall be an Operating Expense that is the subject of Neighborhood Assessment payable only by the Residential Owners in the applicable Neighborhood benefited by such services.

14. Assessments Payable to the Buckwalter Association. The assessments and other charges payable by the Association to the Buckwalter Association in accordance with the provisions of the Buckwalter Declaration.

15. Legal Action against Declarant. Legal expenses incurred by the Association to begin legal proceedings against Declarant shall be deemed an Operating Expense, which is properly the subject of a Special Assessment and not the subject of a regular Base Assessment.

ARTICLE 8 INSURANCE AND CONDEMNATION

The Association shall purchase and maintain the following insurance coverage subject to the following provisions, and the cost of the premiums therefor shall be a part of the Operating Expenses:

A. Casualty Insurance. Property and casualty insurance naming Golf Owner, and while Declarant owns any portion of the Residential Land, Declarant, as additional insureds thereof, in an amount equal to the then full replacement cost, exclusive of land, foundation, excavation and other items normally excluded from such coverage, of all Improvements and personal property which is owned, or to be owned, by the Association and now or hereafter located upon the Association Property, which insurance shall afford protection against such risks, if any, as shall customarily be covered with respect to areas similar to the Association Property in developments similar to the Residential Development in construction, location and use. If insurance proceeds are payable to the Association as a result of casualty and the Association is obligated or elects to repair or reconstruct the Improvements damaged or destroyed by such casualty, such insurance money shall be paid to the Association who shall open an account with a banking institution doing business in the County, for the purpose of providing a fund for the repair and reconstruction of the damage.

B. Public Liability Insurance. A comprehensive policy of public liability insurance naming Golf Owner and, until Declarant's ownership of any portion of the Residential Land ceases, Declarant, as additional named insureds thereof insuring against any and all claims or demands made by any person or persons whomsoever for injuries received in connection with, or arising from, the operation, maintenance and use of the Association Property and any Improvements located thereon, and for any other risks insured against by such policies with limits of not less than One Million Dollars (\$1,000,000) for damages incurred or claimed by any one person for any one occurrence; not less than One Million Dollars (\$1,000,000) for damages incurred or claimed for any one occurrence; and for not less than Fifty Thousand Dollars (\$50,000) property damage per occurrence with no separate limits stated for the number of claims.

C. Fidelity Coverage. Adequate fidelity coverage to protect against dishonest acts of the officers and employees of the Association and the Directors and all other who handle and are responsible for handling funds of the

Association shall be maintained in the form of fidelity bonds, which requirements shall be reasonably determined by the Board.

D. Other Insurance. Such other forms of insurance and in such coverage amounts as the Association shall determine to be required or beneficial for the protection or preservation of the Association Property and any improvements now or hereafter located thereon or in the best interests of the Association.

E. Cancellation or Modification. All insurance policies purchased by the Association shall provide that they may not be canceled (including for nonpayment of premiums) or substantially modified without at least ten (10) days prior written notice to the Association.

F. Condemnation. In the event the Association receives any award or payment arising from the taking of any Association Property owned in fee or any part thereof as a result of the exercise of the right of condemnation or eminent domain, the net proceeds thereof shall first be applied to the restoration of such taken areas and Improvements thereon to the extent deemed advisable by the Association and the remaining balance thereof, if any, shall be allocated or applied as determined by the Board.

ARTICLE 9 EASEMENTS

A. Recognition of Existing Easements. Each Residential Owner, by acceptance of a deed or other instrument of conveyance, recognizes and consents to the easements reserved and/or granted with respect to the Residential Land under this Declaration.

B. Reservation and Establishments of Easements. In addition to the easements set forth and specifically granted and referred to in other provisions of this Declaration, this Declaration hereby creates and establishes the following perpetual easements over and across the Project Land as covenants running with the Project Land for the benefit of the Residential Owners, the Association, the Golf Owner, Declarant, and other Persons as hereinafter specified for the following purposes:

1. Easements for Utilities. There is hereby reserved for the benefit of Declarant, the Association, and their respective successors and assigns, the alienable, transferable, and perpetual right and easement, as well as the power to grant and accept easements to and from any Governmental Authority or private utility company or other Person, upon, over, under, and across all of the Association Property in accordance with this Declaration; as shown on the Master Plan or a Final Plat; and other such easement areas recited in any Supplement for the purpose of installing, replacing, repairing, maintaining, and using master television antenna and/or cable systems, security and similar systems, and all utilities, including, but not limited to, the Project Drainage System, and electrical, gas, telephone, water, and sewer lines. Such easements may be granted or accepted by Declarant, its successors or assigns, or by the Board, provided, however, that for as long as the Declarant owns any of the Residential Land primarily for the purpose of development and sale, the Board must obtain the written approval of Declarant prior to granting and accepting any such easements. To the extent practical, in Declarant's sole discretion, all utility lines and facilities serving the Residential Development and located therein will be located underground. By virtue of any such easement and facilities, it will be expressly permissible for the providing utility company or other supplier or Person, with respect to the portions of the Residential Land so encumbered, to erect and maintain pipes, lines, manholes, pumps, and other necessary equipment and facilities, to cut and remove any trees, bushes, or shrubbery, to grade, excavate, or fill, or to take any other similar action reasonable necessary to provide economical and safe installation, maintenance, repair, replacement, and use of such utilities and systems.

2. Easement for Encroachment. If (i) any Improvements which are constructed as Association Property or upon Association Property, or (ii) any Improvements which are specifically constructed upon a Lot (subject to the limitation describe below), encroach upon a Lot because of the placement, construction, reconstruction, repair, movement, settling or shifting of such Improvements, and such Improvements have been constructed, reconstructed or repaired in accordance with the provisions of this Declaration, an easement for the encroachment and for its maintenance shall exist so long as the encroachment remains, provided, however, that in no event shall such an easement exist for willful encroachments. This easement shall only apply to Improvements upon a Lot which constitute completed building Improvements which do not encroach more than three (3) feet into or upon an adjacent Lot, and shall not include fences, walls, patios, antennas, driveways, walkways, sign, mailboxes, pools, tennis courts, landscaping or other structures or Improvements which are not a completed building Improvement. If any Lot Improvement of the type described in the foregoing sentence encroaches upon the Association Property as a result of construction, reconstruction, repair, shifting, settlement or movement of the subject Lot Improvements, and such Improvements have been constructed, reconstructed or repaired in accordance with the provisions of this Declaration, an easement for the encroachment and for its maintenance shall exist so long as the encroachment remains, provided, however, that in no event shall such an easement exist for willful encroachments.

3. Easement to Enter Upon Lots. An easement or easements for ingress and egress in favor of Declarant, the Committee, the Association, including the Board or the designee of the Board, to enter upon the Lots for the purposes of inspecting any construction, proposed construction of Improvements, or fulfilling its duties and responsibilities of ownership, maintenance and/or repair in accordance with the Association Documents, including the making of such repairs, maintenance or reconstruction as are necessary for the Association Property or any Living Unit.

4. Easement Over Association Property. An easement of use and enjoyment in favor of all Residential Owners, their family members, guests, invitees and lessees in and to the Association Property which shall be appurtenant to and shall pass with title to every Lot and Living Unit, subject to the following:

- i. the right of the Association to suspend the voting rights and rights to use the Association Property of any Residential Owner for any period during which Assessments against his Living Unit or Lot remain unpaid;
- ii. the right of the Association to grant permits, licenses and easements over the Association Property for utilities and other purposes reasonably necessary or useful for the proper maintenance or operation of the Residential Development;
- iii. all provisions set forth in the Association Documents, including the easements granted and reserved in this Declaration.
- iv. Declarant's right to add Additional Residential Land to this Declaration and the rights to grant easements for the benefit of any such Additional Residential Land added to this Declaration.
- v. The rights of the Golf Owner and the Golf Members referred to in Article 5 and elsewhere in this Declaration.

5. Project Drainage Easement. The Project Drainage Easement referred to in Article 5, which includes reasonable rights of access for persons and equipment to construct, install, maintain, alter, inspect, remove, relocate, replace, and repair the Project Drainage System and to maintain and correct drainage or surface water runoff in order to maintain reasonable standards of health, safety and appearance. Such rights expressly include the right to cut any trees, bushes or shrubbery, make any gradings of the soil or take any other similar action that Declarant, the Association, or Golf Owner deem reasonably necessary or appropriate. After such action has been completed, Declarant, the Association or Golf Owner (as applicable) shall grade and seed the affected property and otherwise restore the affected property to its original condition to the extent practicable, but shall not be required to replace any trees, bushes or shrubbery necessarily removed. Declarant, the Association, and Golf Owner shall give reasonable notice of its intent to take such action to all affected Residential Owners.

6. Easements benefiting the Golf Land. The easements granted to Golf Owner or for the benefit of the Golf Land and the Golf Members are established and reserved as provided in Article 5.

7. Sale and Development Easement. An easement in favor of Declarant over, upon, across and under the Residential Land as may be reasonably required in connection with the development, construction, sale and promotion, or leasing, of any Lot or Living Unit within the Residential Development or within any other property owned by Declarant, provided that no such easement shall be located within or upon any Living Unit and shall not materially adversely impair or diminish any Residential Owner's use or enjoyment of such Residential Owner's Lot or Living Unit.

8. Maintenance Easements. If any Living Unit on a Lot is located closer than five (5) feet from its Lot line, the Residential Owner of said Living Unit shall have a perpetual access easement over the adjoining Lot to repair, maintain, perform, paint or reconstruct his Living Unit. Within said easement area no fence or vegetation shall be located.

9. Additional Easements. Declarant (until the Turnover Date) and the Association, on their behalf and on behalf of all Residential Owners, each shall have the right to (i) grant additional easements over, upon, under and/or across the Association Property in favor of Declarant or any Person, entity, Governmental Authority or utility company, or modify, relocate, abandon or terminate existing easements benefiting or affecting the Residential Land. In connection with the grant, modification, relocation, abandonment or termination of any easement, Declarant reserves the right to relocate roads, parking areas, utility lines, and other Improvements upon or serving the Residential Development. So long as the foregoing will not adversely interfere with the use of Living Units or Lots for dwelling purposes, no consent of any Residential Owner or any mortgagee of any Lot or Living Unit shall be required or only the consent of the Residential Owners and Institutional Mortgagees adversely affected shall be required. To the extent required, all Residential Owners hereby irrevocably appoint Declarant and/or the Association as their attorney-in-fact for the foregoing purposes.

C. Assignments. The easements reserved hereunder may be assigned by Declarant or the Association in whole or in part to any Governmental Authority, or any duly licensed or franchised public utility, or any other designee of Declarant. The Residential Owners hereby authorize Declarant and/or the Association to execute, on their behalf and without further authorization, such grants of easement or other instruments as may from time to time be necessary to grant easements over and upon the Residential Land or portions thereof in accordance with the provisions of this Declaration.

Except as may be expressly provided otherwise, all easement rights reserved or granted to Declarant shall terminate upon Declarant no longer owning any portion or interest in the Residential Land for sale in the ordinary course of business. In addition, the easement rights granted or reserved by Declarant hereunder are not to be construed as creating an affirmative obligation to act on the part of Declarant.

ARTICLE 10 MAINTENANCE AND REPAIR

A. By the Association. Except as otherwise specifically set forth herein, the responsibility of the Association is to inspect, operate, repair, maintain and replace any and all Improvements located on the Association Property commencing with the completion of such Improvements by Declarant. The Improvements shall be maintained in the same condition as originally constructed by Declarant subject to reasonable and customary wear and tear. If any damage or destruction occurs to the Association Property or to the Improvements and facilities located thereon by fire, storms, acts of God, acts of government, acts of third parties or other calamity, the Association shall be required to rebuild such improvements and facilities as quickly as practicable.

In addition to the Association Property specifically set forth in this Declaration, the maintenance responsibility of the Association may include, without limitation, any landscaping on public roadways or other property adjacent to the Residential Development selected by the Board for maintenance and determined by the Board to benefit the Residential

Development with the approval of the owner of such property or the Governmental Authority originally or usually responsible for such maintenance.

The Association shall have the right, but not the obligation, to accept or provide certain items, areas or Improvements on the Lots or Living Units in one or more Neighborhoods (but not all) for maintenance by the Association, including, but not limited to maintaining the grass, plants, shrubs, trees, and landscaping on the applicable Lots as installed by Declarant. The provision of such services will be subject to such terms and conditions, including, but not limited to, the levying of a Neighborhood Assessment, as is set forth in this Declaration and if applicable, as the Association may establish in a separate written instrument.

B. By the Residential Owners.

1. Living Units and Lots. Except for any items to be maintained by the Association or a Sub-Association, if applicable, each Residential Owner shall maintain his Living Unit and all Improvements and personal property upon his Lot in good condition at all times. The exterior of all Living Units including but not limited to roofs, walls, doors, windows, patio areas, pools, screenings, and awnings shall be maintained in good condition and repair and in a neat and attractive manner. All exterior painted areas shall be painted as reasonably necessary, with colors which are harmonious with other Living Units, and no excessive rust deposits on the exterior of any Living Unit, peeling of paint or discoloration of same shall be permitted. No Residential Owner shall change the exterior color of his Living Unit without the consent of the Committee. All sidewalks, driveways and parking areas within the Residential Owner's Lot or serving the Residential Owner's Living Unit shall be cleaned and kept free of debris; and cracks, damaged and/or eroding areas on same shall be repaired, replaced and/or resurfaced as necessary.

2. Street Yard. The Residential Owner of each Lot containing a Living Unit shall be required to maintain the landscaping of his Lot, and on any contiguous property between his Lot and the pavement edge of any abutting road, in accordance with the provisions of this Declaration and the requirements of any controlling Governmental Authority. All such landscaping shall be maintained by the Residential Owner in good condition and appearance and, as reasonably required, mowing, watering, trimming, fertilizing, and weed, insect and disease control shall be performed by the Residential Owner. Underground sprinkler systems may be installed, maintained and used to irrigate all landscaping on the Lot, or any other landscaping which the Residential Owner of the Lot is required to maintain pursuant to this Section. All landscaped areas shall be primarily grass, and shall not be paved or covered with gravel or any artificial surface without the prior written consent of the Committee. All dead or diseased sod, plants, shrubs, trees, or flowers shall be promptly replaced, and excessive weeds, underbrush or unsightly growth shall be promptly removed. No artificial grass, plants, or other artificial vegetation shall be placed or maintained on the exterior of any Lot.

3. Lagoon Bank. The outer boundary of the Lagoons will extend beyond the edge of the water line and the top of the bank to the rear or side lot lines of any adjacent Lots. The Residential Owner of a Lot which has a rear or side Lot line which abuts the portion of any Lagoon/ which is immediately adjacent to the edge of the water line (a "Waterfront Lot") shall be required to maintain the adjoining area located between such Residential Owner's Lot and the edge of the water line of the adjacent Lagoon as if said area were a portion of the Lot owned by such Residential Owner. The area between a Waterfront Lot and the edge of the water line of the adjacent Lagoon shall be seeded for grass and/or landscaped by such Residential Owner and any embankment shall be maintained by such Residential Owner so that grass, planting or other lateral support to prevent erosion of the embankment shall not be changed without the prior written consent of the Committee. If the Residential Owner of a Waterfront Lot fails to maintain such embankment area as part of the landscape maintenance obligations as required by this Section, the Association shall have the right, but not the obligation, to enter upon such Lot to perform the required maintenance, all at the expense of the Residential Owner of such Lot. No docks, bulkheads, moorings, pilings, boat shelters or other structure shall be constructed by any Residential Owner on the landscaped area and embankment located between the edge of the water line of a Lagoon and the Residential Owner's

adjoining Waterfront Lot, except for those constructed by Declarant or approved by the Committee. The landscaped area between the water line of a Lagoon and an adjoining Waterfront Lot shall be reserved hereby for the use and enjoyment of the Residential Owner of the subject Lot and all other Residential Owners shall be restricted from entering upon such area, except as a guest or invitee of such Residential Owner, as more specifically set forth in any rules and regulations on the use and enjoyment of the Lagoons. A Residential Owner's use and enjoyment of the waterfront area adjoining such Residential Owner's Lot shall be subject to (i) any existing drainage and related easements affecting such area, including the Project Drainage Easement, (ii) the right of entry by the Association to perform its obligations under this Declaration, (iii) the right of the Association to adopt rules and regulations that further restrict the use of such area in a manner consistent with this Declaration, (iv) the rights, laws, rules and regulations of any Governmental Authority or other entity having jurisdiction over the Lagoons, and (v) the right of Golf Owner to draw water from the Lagoons for irrigating the Golf Land.

4. Association's Right to Perform Maintenance. If a Residential Owner fails to maintain his Lot or Living Unit in accordance with this Declaration, the Association shall have the right, but not the obligation, upon fifteen (15) days' written notice to the Lot Residential Owner, to enter upon the Lot for the purpose of performing the maintenance and/or repairs described in such notice to the Residential Owner, as applicable. Provided, however, if the maintenance or repair is necessitated due to an emergency, the Association shall have the right to perform the maintenance and/or repairs upon 24 hours advance written notice. The cost of performing such maintenance and/or repairs and the expense of collection (including, but not limited to, Legal Fees) shall be assessed by the Association against the Residential Owner as an Individual Expense Assessment.

ARTICLE 11 ARCHITECTURAL CONTROL

A. Establishment. "Committee" shall mean the architectural control committee, which shall be the governing body charged with promoting and maintaining a high level of design, quality, harmony and conformity throughout the Residential Development consistent with this Declaration. Until the Termination of Declarant's Architectural Control (referred to below), Declarant shall constitute the Committee, and may approve Plans and Submissions or take other actions on behalf of the Committee in Declarant's own name or in the name of the Committee. After the Termination of Declarant's Architectural Control, the Committee shall be composed of at least three (3) individuals appointed by the Board, each of whom shall be a Residential Owner. The Committee shall act by simple majority vote. In the event of death, resignation or other removal of any Board appointed member of the Committee, the Board shall appoint a successor member. No member of the Committee shall be entitled to compensation for, or be liable for claims, causes of action or damages arising out of services performed pursuant to this Declaration. Declarant shall cease to control and constitute the Committee on the earlier of: (a) the date on which Declarant records in the Public Records, a document declaring the termination of its control of the Committee, or (b) at such time as Declarant no longer owns a Lot or Living Unit in the Residential Development ("Termination of Declarant's Architectural Control").

B. Purpose. The Committee is established to provide a system of review for the construction or modification of all Improvements within the Residential Development. No Improvement shall be commenced, improved or altered, nor shall any grading, excavation or change of exterior color or other work which in any way alters the exterior appearance of an Improvement be done without the prior written approval of the Committee.

C. Development Standards. The Committee is empowered to publish or modify from time to time, design and development standards for the Residential Development, including, but not limited to, standards for the following ("Standards"): (i) architectural design of Improvements, including, but not limited to, design standards for any Living Unit or other Improvement constructed upon a Lot; (ii) fences, walls and similar structures; (iii) exterior building materials and colors; (iv) exterior appurtenances relating to utility installation; (v) signs and graphics, mailboxes and exterior lighting; (vi) building setbacks, pools and pool decks, side yards and related height, bulk, and design criteria; (vii) pedestrian and

bicycle ways, sidewalks and pathways; and (viii) all buildings, landscaping and Improvements on lands owned or controlled by the Association. After Termination of Declarant's Architectural Control, a copy of any Standards promulgated by the Committee shall be subject to approval by the Board. After the Board's approval, a copy of the Standards will be made available to all Members.

D. Requirement of Committee Approval. No Improvement of any kind shall be erected, placed or maintained on the Residential Land, and no addition, alteration, modification or change to any Improvement on the Residential Land shall be made without the prior written approval of the Committee. For purposes of this Declaration, Declarant Improvements means any Improvement erected, placed, or maintained with the approval of Declarant, including, without limitation, any building, wall, fence, swimming pool, or screened enclosure, constructed, installed or placed by or with the approval of Declarant prior to the Termination of Declarant Control (collectively, "Declarant Improvements"). Declarant Improvements are not subject to the approval of the Committee and are deemed to conform to the plan of development for the Residential Land.

E. Obtaining Committee Approval. In order to obtain the approval of the Committee, a complete set of plans and specifications ("Plans") for proposed Improvement shall be submitted to the Committee for its review. The Plans shall include, as appropriate, the proposed location, grade, elevations, shape, dimensions, exterior color plans, approximate costs, and nature, type and color of materials to be used. The Committee may also require the submission of additional information and materials as may be reasonably necessary for the Committee to evaluate the proposed Improvement or alteration ("Submissions"). The Committee shall have the right to refuse to approve any proposed Plans that, in its sole discretion, are not suitable or desirable. Any and all approvals or disapprovals of the Committee shall be in writing and shall be sent to each respective Residential Owner submitting same. If the Committee fails to approve or to disapprove in writing any Plans and/or Submissions after: (i) submission to the Committee of the last item of the Plans and Submissions requested by the Committee, so that the Committee has a complete package of all Plans and Submissions requested by the Committee; and (ii) sixty (60) days have elapsed since submission and written request for approval or disapproval was delivered to the Committee by the Residential Owner; then said Plans and Submissions shall be deemed to have been approved by the Committee provided, however, that no Improvement shall be erected or shall be allowed to remain which violates any conditions or restrictions contained in this Declaration, or which violates any applicable zoning or building ordinance or regulation. The approval by the Committee relates only to the aesthetics of the Improvements shown on the Plans and Submissions and not to their sufficiency or adequacy. Each Residential Owner shall be responsible for obtaining all necessary technical data and to make application to and obtain the approval of the appropriate Governmental Authorities prior to commencement of any construction.

F. Scope of Review. The Committee shall review and approve or disapprove all Plans and Submissions solely on the basis of aesthetic standards as to the aesthetic quality of materials and workmanship to be used, suitability and harmony of location, structure and external design in relation to surrounding topography and structures and the overall benefit or detriment which would result to the immediate vicinity and to the Residential Development as a whole and any other factors deemed relevant to the review by the Committee in its opinion, reasonably exercised. The Committee shall take into consideration the aesthetic aspects of the architectural design, placement of buildings, color schemes, exterior finishes and materials and similar features, and shall not be responsible for reviewing, nor shall its approval of any Plans be deemed approval of, any design or plan from the standpoint of structural safety or conformance with building or other codes.

G. Variance from Standards. The Committee may authorize, in a reasonable manner so as not to destroy the general scheme or plans of the development of the Residential Land, variances from compliance with any Standards which it has promulgated pursuant to its authority when circumstances such as topography, natural obstructions, hardship, aesthetics or environmental considerations may require. If any such variances are granted, no violation of the restrictions

contained in this Declaration shall be deemed to have occurred with respect to the matter for which the variance was granted. The granting of such a variance shall not operate to waive any of the terms and provisions of this Declaration for any purpose, except as to that particular property and particular provision hereof or Standards promulgated hereby which are covered by the variance. Such variance shall be evidenced in writing.

H. Enforcement. There is specifically reserved unto the Committee the right of entry and inspection upon any Lot or other portion of the Residential Development for the purpose of determination by the Committee whether there exists any Improvement which violates the terms of any approval by the Committee or the terms of this Declaration. Except in emergencies, any exercise of the right of entry and inspection by the Committee hereunder should be made only upon reasonable notice given to the Residential Owner of record at least twenty-four (24) hours in advance of such entry. The Association, acting pursuant to the direction of the Committee, is specifically empowered to enforce the provisions of this Declaration by any legal or equitable remedy, and in the event it becomes necessary to resort to litigation to determine the propriety of any Improvement, or to remove any unapproved Improvements, the prevailing party in such litigation shall be entitled to recover all Legal Fees incurred in connection therewith. The Association shall indemnify and hold harmless any member of the Committee from all costs, expenses and liabilities, including attorneys fees incurred by virtue of any member's service as a member of the Committee, provided such member acted in good faith and without malice.

I. Subcommittees and Delegation of Authority. The Committee may establish subcommittees for the purpose of acting on behalf of the Committee with respect to similar circumstances, situations, or types of Improvements, such as a swimming pool subcommittee or a subcommittee which would deal with modifications of existing Improvements or additional new Improvements ancillary to an existing Living Unit, in contrast to the construction of initial Improvements upon a previously unimproved Lot. All rights and powers of the Committee may be delegated to such subcommittee with regard to the subject matter of the subcommittee. The rights and powers of the Committee may be assigned to a management company, an architect, design professional or other entity, or any portion of such rights and powers applicable to a particular subcommittee or area of similar circumstance.

ARTICLE 12 USE RESTRICTIONS

For purposes of this Article 12, unless the context otherwise requires, Residential Owner shall also include the family, invitees, guests, licensees, lessees and sublessees of any Residential Owner, and any other permitted occupants of a Living Unit. In addition to any other restrictions set forth in this Declaration, all the Lots and Living Units shall be held, used and enjoyed subject to the following limitations and restrictions, subject to the exemption of Declarant as provided in this Article and elsewhere in this Declaration.

A. Residential Use. The Lots and Living Units shall be for residential use only, including attached or detached Living Units. No trade, business, profession or commercial occupation or activity may be carried on in the Residential Development without the consent of the Board except for such occupation or activity permitted to be carried on by Declarant or as is expressly permitted below. In addition, temporary guests are permitted so long as they do not create an unreasonable source of noise or annoyance to the other residents of the Residential Development.

B. Non-Residential Activities or Uses. No trade, business, profession or commercial activity, or any other non residential use shall be conducted on the Residential Development or within any Lot or Living Unit without the consent of the Board except that a Residential Owner or occupant residing in a Living Unit may conduct business activities within the Living Unit so long as: (i) the existence or operation of the business activity is not apparent or detectable by sight, sound, or smell from outside the Living Unit; (ii) the business activity conforms to all zoning requirements for the Residential Land; (iii) the business activity does not involve door-to-door solicitation of residents noticeably greater than that which is

typical of Living Units in which no business activity is being conducted; and (v) the business activity is consistent with the character of the Residential Development, and does not constitute a nuisance, a hazardous or offensive use, or a threat to the security or safety of others, (iv) the business activity does not, in the Board's judgment, generate a level of vehicular or pedestrian traffic or a number of vehicles being parked in the Residential Development which is beyond the level of traffic and vehicular parking that occurs in residential developments similar to the Project, as the Board determines in its sole discretion. The foregoing limitations shall not preclude occasional garage sales, moving sales, rummage sales, or similar activities, provided that such activities may not be held on any one Lot more than once in any three-month period and, when held, may not exceed three consecutive days in duration. The foregoing shall not prohibit a Residential Owner from leasing his Living Unit.

C. Nuisances. No obnoxious or offensive activity shall be carried on about the Lots or in or about any Improvements, Living Units, or on any portion of the Residential Development nor shall anything be done therein which may be or become an unreasonable annoyance or nuisance to any Residential Owner. No use or practice shall be allowed in or around the Living Units and Lots which is a source of annoyance to Residential Owners or occupants of Living Units or which interferes with the peaceful possession or proper use of the Living Units or the surrounding areas. No loud noises or noxious odors shall be permitted in any Improvements, Living Units or Lots.

D. Outside Storage of Personal Property. The personal property of any Residential Owner shall be kept inside the Residential Owner's Living Unit or a fenced-in yard, except for patio furniture and accessories, and other personal property commonly kept outside, which must be kept in the rear of the Lot and must be neat appearing and in good conditions.

E. Parking and Vehicular Restrictions. Only automobiles, vans constructed as private passenger vehicles with permanent rear seats and side windows, and other vehicles manufactured and used as private passenger vehicles, may be parked within the Residential Development overnight without the prior written consent of the Board, unless kept within an enclosed garage. In particular and without limitation, without the prior written consent of the Board, no vehicle containing commercial lettering, signs or equipment, and no truck, recreational vehicle, camper, trailer, boat, aircraft, motorcycle, or vehicle other than a private passenger vehicle as specified above, may be parked or stored outside of a Living Unit overnight. No overnight parking is permitted on any streets, lawns, or areas other than driveways and garages, without the consent of the Board. Provided, however, automobiles owned by governmental law enforcement agencies are expressly permitted. The foregoing restrictions shall not be deemed to prohibit the temporary parking of commercial vehicles while making delivery to or from, or while used in connection with providing services to, the Residential Development. All vehicles parked within the Residential Development must be in good condition and repair, and no vehicle which does not contain a current license plate or which cannot operate on its own power shall be parked within the Residential Development outside of an enclosed garage for more than 24 hours, and no major repair of any vehicle shall be made on the Residential Land. All-terrain vehicles, and the like are not permitted to be operated within the Residential Development or parked overnight outside of an enclosed garage, except with the prior written consent of the Board which may be withdrawn at any time. Any motorcycle or other permitted motorized vehicle must be licensed for street use and equipped with appropriate noise muffling equipment so that the operation of same does not create an unreasonable annoyance to the residents of the Residential Development.

F. No Improper Uses. No improper, offensive, hazardous or unlawful use shall be made of any Living Unit or Lot nor shall anything be done thereon tending to cause embarrassment, discomfort, annoyance or nuisance to any Residential Owner or occupant of the Residential Development. Residential Owners shall observe and obey all valid laws, zoning ordinances and regulations of all Governmental Authorities. Violations of laws, orders, rules, regulations or requirements of any Governmental Authority, relating to any Living Unit or Lot shall be corrected by, and at the sole expense of the Residential Owner of the Living Unit or Lot.

G. Trash and Other Materials. Each Residential Owner shall regularly pick up all garbage, trash, refuse or rubbish on his Lot, and no Residential Owner or resident shall place or dump any garbage, trash, refuse, rubbish or other materials on any other portions of the Residential Development. Garbage, trash, refuse or rubbish that is required to be placed at the front of a Lot in order to be collected may be placed and kept at the front of the Lot after 5:00 p.m. on the day before the scheduled day of collection and any trash facilities must be removed on the collection day. All garbage, trash, refuse or rubbish must be placed in appropriate trash facilities or bags. All containers, dumpsters or garbage facilities shall be stored inside a Living Unit or fenced-in area and screened from view and kept in a clean and sanitary condition. No noxious or offensive odors shall be permitted.

H. Leases. No portion of a Living Unit (other than an entire Living Unit) may be rented. All leases must be in writing and shall provide that the Association shall have the right to terminate the lease upon default by the tenant in observing any of the provisions of this Declaration, the Articles, Bylaws, of applicable rules and regulations, or of any other agreement, document or instrument governing the Lots or Living Units. A copy of the proposed lease must be delivered to the Association prior to occupancy by the tenant. The Residential Owner of a leased Living Unit shall be jointly and severally liable with his tenant to the Association to pay any claim for injury or damage to property caused by the negligence of the tenant. Every lease shall be subordinated to any lien filed by the Association whether before or after such lease was entered into.

I. Temporary Buildings; Accessory Buildings. No tents, trailers, shacks or other temporary buildings or structures shall be constructed or otherwise placed upon the Residential Land except in connection with construction, development, leasing or sales activities permitted by the Committee or performed by Declarant. No temporary structure may be used as a Living Unit. No garden shed, storage shed, out-building, or other permanent structures which are detached from the Living Unit shall be constructed or placed upon the Residential Land unless approved by the Committee.

J. Garages. No garage shall be permanently enclosed so as to make such garage unusable by an automobile, and no portion of a garage originally intended for the parking of an automobile shall be converted into a living space or storage space and no garage opening shall have a screen covering without the consent of the Committee. All garage doors shall remain closed when vehicles or Persons are not entering or leaving the garage.

K. Animals and Pets. Only common domesticated household pets may be kept on any Lot or in a Living Unit, but in no event for the purpose of breeding or for any commercial purposes whatsoever. No other animals, livestock, reptiles or poultry of any kind shall be kept, raised, bred or maintained on any portion of the Residential Land. Permitted pets shall only be kept subject to and in accordance with such rules and regulations as shall be promulgated from time to time by the Board. The Board shall have the right to forbid or prohibit certain breeds or types of animals. Any pet must not be an unreasonable nuisance or annoyance to other residents on the Residential Development. The Board may adopt rules and regulations concerning animals which are more restrictive than the provisions of this Declaration including rules requiring that all animals be kept on a leash when on the Association Property or outside a fenced yard and that animals be restricted to designated areas within the Association Property and that Residential Owners are responsible for cleaning up any mess that a pet created within any Lot or the Association Property. The Board may require any pet to be immediately and permanently removed from the Residential Development due to a violation of this Section. Each Residential Owner who keeps or intends to keep a pet agrees to indemnify the Association and Declarant and hold them harmless against any loss or liability of any kind or character whatsoever arising from he or she having any animal on the Residential Land.

L. Additions and Alterations. No Living Unit shall be enlarged by any addition thereto or to any part thereof, and no Residential Owner shall make any improvement, addition, or alteration to the exterior of his Living Unit, including, without limitation, the painting, staining, or varnishing of the exterior of the Living Unit or re-roofing with shingles of a

different color or material, without the prior written approval of the Committee, which approval may be withheld for purely aesthetic reasons.

M. Increase in Insurance Rates. No Residential Owner may engage in any action that may reasonably be expected to result in an increase in the rate of any insurance policy or policies covering or with respect to any portion of the Residential Land not owned by such Residential Owner.

N. Air Conditioning Units. Only central air conditioning units are permitted, and no window, wall, or portable air conditioning units are permitted. No air-conditioning or heating apparatus, unit or equipment shall be installed on the ground in front of, or attached to, any front wall of any Living Unit.

O. Clotheslines and outside Clothes Drying. No clotheslines or clothespoles shall be erected, and no outside clothes-drying is permitted, except where such activity is advised or mandated by Governmental Authorities for energy conservation purposes, in which event the Committee shall have the right to approve the portions of any Lot used for outdoor clothes-drying purposes and the types of devices to be employed, which approval must be in writing.

P. Outside Antennas and Satellite Dishes. No Residential Owner may erect or maintain a television or radio receiving or transmitting antenna, satellite dish or similar apparatus or equipment unless: (i) such apparatus is two (2) feet or less in diameter, (ii) the apparatus is screened from public view and located behind the Living Unit either in the rear yard or affixed to the rear roof, (iii) the apparatus is not visible while standing at any point along the property boundary line in front of the house that abuts or is adjacent to a street, right-of-way or sidewalk, and (iv) the Committee has approved the apparatus, its location and the type of screening.

Q. Flagpoles. No Residential Owner may erect or install a flagpole or decorative banner on any portion of a Lot or Living Unit, including freestanding detached flagpoles or banners, and those that are attached to a Living Unit, without the prior written approval of the Committee.

R. Garbage Containers and Oil, Gas Tanks, Pool Equipment. All garbage and refuse containers, oil tanks, bottled gas tanks, and all permanently affixed swimming pool equipment and housing shall be underground or placed in walled-in or landscaped areas as approved by the Committee so that they shall be substantially concealed or hidden from any eye-level view from any street or adjacent property.

S. Signs. Except for signs placed or constructed by Declarant, no signs shall be placed upon any Lot, and no signs shall be placed in or upon any Living Unit which are visible from the exterior of the Living Unit, without the prior written consent of the Committee.

T. Window Treatments. Window treatments shall consist of drapery, blinds, decorative panels, or other tasteful window covering, and no newspaper, aluminum foil, sheets or other temporary window treatments are permitted, except for periods not exceeding one (1) week after a Residential Owner or tenant first moves into a Living Unit or when permanent window treatments are being cleaned or repaired.

U. Lagoons. The rules and regulations of the Association, as published and amended from time to time, may contain rules, regulations and requirements concerning the use of the Residential Lagoons and any open space or other areas surrounding the Lagoons, which shall be in addition to any provisions of this Declaration. There shall be no swimming, use of personal flotation devices, or boating of any type (whether powered or not) on the Lagoons. No Residential Owner shall construct or install any piers or docks on any portion of the Lagoons, or on any portion of a Lot which abuts a Lagoon, provided, however, that the Declarant or the Association may construct a pier or dock on or adjacent to a Lagoon for the use and enjoyment of the Residential Owners and their family members, guests and invitees. No

Residential Owner shall be permitted to use water from the Lagoons for irrigation or for any other purpose whatsoever. Neither the Declarant nor the Association shall be responsible for any loss, damage or injury to any person or property arising out of the authorized or unauthorized use of the Lagoons.

V. Swimming Pools. No swimming pools, spas, or the like, shall be installed without the consent of the Committee. No above-ground swimming pools shall be permitted in the Residential Development, except that small, inflatable wading pools shall be permitted.

W. Fences and Walls. If any Residential Owner desires to construct a fence on his Lot, the Residential Owner shall submit a plot plan to the Committee showing the proposed location of the fence upon the Lot and the height and type of fence to be installed, which must be approved by the Committee. In any event, no fence may be constructed on the portion of any Lot between the front of the Lot and the front of the Living Unit constructed upon the Lot, and any fence constructed upon a Lot must be located in strict conformance with the plot plan approved by the Committee. All fences must be approved by the Committee.

X. Mailboxes. No mailboxes are permitted without the consent of the Committee, except for mailboxes which are identical to mailboxes originally provided for the Living Units by Declarant.

Y. Surface Water Management. No Residential Owner or any other person shall do anything to adversely affect the Project Drainage System and the general surface water management and drainage of the Project Land, without the prior written approval of the Committee and any controlling Governmental Authority, including, but not limited to, the excavation or filling in of any Lot. Provided, however, the foregoing shall not be deemed to prohibit or restrict the initial construction of Improvements upon the Residential Land by Declarant and upon the Golf Land by the Golf Owner in accordance with permits issued by controlling Governmental Authorities. In particular, no Residential Owner shall install any landscaping or place any fill on the Residential Owner's Lot which would adversely affect the drainage of any contiguous Living Unit or Lot. No structures, trees or shrubs shall be placed on any utility easements or any portion of the Project Drainage System (including drainage easements on the Lots), except by Declarant, without the prior written consent of the Committee and the applicable Governmental Authorities and utility providers.

Z. Wetland Areas. No Residential Owner shall remove native vegetation that becomes established within any wetland areas located on or adjacent to any portion of the Project Land. Removal includes dredging, the application of herbicide, and cutting. No Residential Owner shall add or introduce additional vegetation or other forms of plantlife or landscaping within any wetland areas located on or adjacent to any portion of the Project Land. Residential Owners should address any question regarding authorized activities within any wetland areas to the applicable governmental authorities. No Residential Owner may construct or maintain any building, residence, or structure, or undertake or perform any activity in any wetland areas without the prior approval of the Association and the applicable Governmental Authorities and utility providers.

AA. Building Location. Any Living Unit erected on a Lot other than a corner Lot shall face the street on which the Lot abuts. On corner Lots, a Living Unit may be erected so as to face the intersection of the 2 streets on which the Lot abuts.

BB. Damage and Destruction. If any Improvement contiguous with a Living Unit is damaged or destroyed by casualty or for any other reason, the Residential Owner of the Living Unit shall repair and restore the damaged Improvement as soon as is reasonably practical to the same condition that the Improvement was in prior to such damage or destruction, unless otherwise approved by the Committee.

CC. Subdivision and Partition. No Lot on the Residential Land shall be subdivided without the Committee's prior written consent except by Declarant.

DD. Construction. All construction, landscaping or other work which has been commenced on any Lot shall be continued with reasonable diligence to completion and no partially completed Living Unit or other Improvement shall be permitted to exist on any Lot, except during such reasonable time period as is necessary for completion. The Residential Owner of each Lot shall at all times keep contiguous public streets free from any dirt, mud, garbage, trash or other debris resulting from any such construction on the subject Residential Owner's Lot.

EE. Septic Tanks; Wells. No septic tank shall be installed, used or maintained on any Lot. No well shall be installed, used or maintained on any Lot for human domestic water consumption, nor shall any well be connected in any manner whatsoever to the water mains, laterals and piping serving the Living Unit, which mains furnish domestic water from sources beyond the boundaries of the Lot. No Residential Owner shall be permitted to use water from the Lagoons for irrigation or for any other purpose whatsoever.

FF. Additional Neighborhood Restrictions. Any Sub Association Declaration encumbering a Neighborhood may contain additional restrictions or more stringent restrictions than those set forth in this Declaration. A Sub Association Declaration shall contain restrictions and covenants that are intended to preserve the particular design and character of the Lots and Living Units in the Neighborhood, and may be more but not less, restrictive than the restrictions in this Declaration.

GG. Certain Rights of Declarant. The provisions, restrictions, terms and conditions of this Article 12 shall not apply to Declarant.

ARTICLE 13

ADDITIONAL RESIDENTIAL LAND; WITHDRAWAL; BOUNDARY ADJUSTMENTS

A. Additional Residential Land. Prior to the Turnover Date, Declarant shall have the right, without the approval or joinder of the Association, the Residential Owners or any other Person, to bring under the provisions of this Declaration and thereby add to the Residential Development, any real property owned or acquired by Declarant which is contiguous to the Residential Land or which is contiguous with a public or private street adjacent to the Residential Land ("Additional Residential Land"), provided that the annexation of such Additional Residential Land is for the purposes of reflecting changes or modifications to the Master Plan which have been approved by the Town and other applicable governmental authorities, by recording a supplemental declaration ("Supplement"). The Supplement may contain such complementary additions and modifications to the terms of this Declaration as may be necessary or desirable to reflect the different character, if any, of the Additional Residential Land being subjected to this Declaration and as are not inconsistent with the general scheme of this Declaration, including the right to grant or reserve easements for the benefit of such Additional Residential Land. To the extent that any Additional Residential Land is made part of the Residential Development, reference herein to the Residential Land and to the Project Land shall be deemed to include such Additional Residential Land. Declarant is not obligated to add to the Residential Land, to develop any Additional Residential Land under a common scheme, or be prohibited from changing development plans with respect to future portions of the Residential Development comprised of any Additional Residential Land. All Residential Owners by acceptance of a deed to their Living Units and Lots, consent to any change, rezoning or addition made by Declarant and shall evidence such consent in writing if requested to do so by Declarant at any time without obviating the effect of this provision.

After the Turnover Date, upon the vote or written consent of seventy five percent (75%) of the votes held by the Members of the Association, any real property which is contiguous to the Residential Land or which is contiguous with a public or private street adjacent to the Residential Land may be brought under the provisions of this Declaration and

thereby added to the Residential Development, provided that the annexation of such real property is for the purposes of reflecting changes or modifications to the Master Plan which have been approved by the appropriate Governmental Authorities. To the extent that any contiguous property approved for annexation by the Members after the Turnover Date is thereafter made part of the Residential Development, reference herein to the Residential Land and to the Project Land shall be deemed to include such property.

B. Association Property within Additional Residential Land. If any Additional Residential Land is subjected to this Declaration as permitted by this Declaration, any Association Property located within such newly annexed portion of the Residential Land shall be conveyed to the Association as provided in Article 4.

C. HUD/VA Approval. If prior to the Turnover Date, the Residential Development is subject to any requirements of VA, FHA, the Federal Home Loan Mortgage Corporation or any other governmental or quasi-governmental agency that insures, guaranties, or purchases mortgages, which require that such agency approve the annexation of any Additional Residential Land, then the annexation of any such Additional Residential Land will require the prior approval of such agency, if applicable.

D. Withdrawal. Prior to the Turnover Date, Declarant reserves the right to amend this Declaration at any time, without prior notice and without the consent of any Person (except if applicable, any applicable consent required as provided above) for the purpose of removing certain portions of the Residential Land then owned by Declarant from the provisions of this Declaration to the extent that such real property was included originally in error, or as a result of changes in the plans for the Residential Development or the Project desired by Declarant.

ARTICLE 14

ENFORCEMENT; NON-MONETARY DEFAULTS OF RESIDENTIAL OWNERS; ASSOCIATION REMEDIES

A. Enforcement. The covenants and restrictions herein contained may be enforced by Declarant (so long as Declarant holds an equitable or legal interest in any portion of the Residential Land), the Association, the Golf Owner (with respect to those provisions benefiting or necessary for the protection of the Golf Land or the Golf Operation, or any Residential Owner and any Institutional Mortgagee holding a mortgage on any portion of the Residential Land, in any judicial proceeding seeking any remedy recognizable at law or in equity, including damages, injunction or any other form of relief against any Person violating or attempting to violate any covenant, restriction or provision hereunder. The failure by any party to enforce any such covenant, restriction or provision herein contained shall in no event be deemed a waiver of such covenant, restriction or provision or of the right of such party to thereafter enforce such covenant, restriction or provision. The prevailing party in any such litigation shall be entitled to all costs thereof including, but not limited to, Legal Fees. All rights, remedies and privileges granted to the parties entitled to enforce the covenants, restrictions and provisions of this Declaration, the Articles or the Bylaws, shall be deemed to be cumulative, and the exercise of any one or more shall neither be deemed to constitute an election of remedies, nor shall it preclude a party entitled to enforce the provisions of this Declaration from executing any additional remedies, rights or privileges as may be granted or as it might have by law. Notwithstanding the foregoing, with regard to any enforcement action against the Golf Owner or with regard to the Golf Land or the Golf Operation, such action cannot be taken by any Residential Owner, Member, or Person other than the Board who may only take such action if the action is approved by at least 75% of the Directors.

B. Non-Monetary Defaults of Residential Owners. In the event of a violation by any Residential Owner or any tenant of a Residential Owner, or any person residing with them, or their guests or invitees, (other than the non-payment of any Assessment or other monies) of any of the provisions of this Declaration, the Articles, the Bylaws or the rules and regulations of the Association, the Association shall notify the Residential Owner and any tenant of the Residential Owner of the violation, by written notice. If such violation is not cured as soon as practicable and in any event within seven (7) days after such written notice, or if the violation is not capable of being cured within such seven (7) day

period, if the Residential Owner or tenant fails to commence and diligently proceed to completely cure such violation as soon as practicable within seven (7) days after written notice by the Association or if any similar violation is thereafter repeated, the Association may, at its option:

1. Impose a fine against the Residential Owner or tenant as provided in this Article; and/or
2. Commence an action to enforce the performance on the part of the Residential Owner or tenant, or for such equitable relief as may be necessary under the circumstances, including injunctive relief; and/or
3. Commence an action to recover damages; and/or
4. Take any and all actions reasonably necessary to correct such failure, which action may include, where applicable, but is not limited to, removing any addition, alteration, Improvement or change which has not been approved by the "Committee" or erected in accordance with the Committee's approval (as herein defined), or performing any maintenance required to be performed by this Declaration.

All expenses incurred by the Association in connection with the correction of any failure, plus a service charge of ten percent (10%) of such expenses, and all expenses incurred by the Association in connection with any legal proceedings to enforce this Declaration, including reasonable Legal Fees, shall be assessed against the applicable Residential Owner as an Individual Expense Assessment. The Association shall have a lien for any such Individual Expense Assessment and any associated Interest, costs or expenses, including Legal Fees, and may take such action to collect such Assessment or foreclose said lien in the manner of any other Assessment as provided in this Declaration. Any such lien shall only be effective from and after the recording of a claim of lien in the Public Records or applicable court of jurisdiction.

C. Fines. The amount of any fine shall be determined by the Board, and shall not exceed any amount mandated by applicable law, if any. Prior to imposing any fine, the Residential Owner or tenant shall be afforded an opportunity for a hearing after reasonable notice to the Residential Owner or tenant of not less than fourteen (14) days, which notice shall include (i) a statement of the date, time and place of the hearing, (ii) a statement of the provisions of this Declaration, Bylaws or rules and regulations which have allegedly been violated, and (iii) a short and plain statement of the matters asserted by the Association. The Residential Owner of a leased Living Unit shall have the right to participate in any hearing involving the tenant of such Living Unit, and the Association shall provide notice to the Residential Owner of such Living Unit concurrently with the Association's notice to the tenant of the subject Living Unit. The Residential Owner or tenant shall have an opportunity to respond, to present evidence, and to provide written and oral argument on all issues involved and shall have an opportunity at the hearing to review, challenge and respond to any material considered by the Association. At the hearing, the Board shall conduct a reasonable inquiry to determine whether the alleged violation in fact occurred, and if the Board so determines, it may impose such fine as it deems appropriate by written notice to the Residential Owner or tenant. If the Residential Owner or tenant fails to attend the hearing as set by the Board, the Residential Owner or tenant shall be deemed to have admitted the allegations contained in the notice to the Residential Owner or tenant. Any fine imposed by the Board shall be due and payable within ten (10) days after written notice of the imposition of the fine, or if a hearing is timely requested within ten (10) days after written notice of the Board's decision at the hearing. Any fine levied against a Residential Owner shall be deemed an Individual Expense Assessment, and if not paid when due all of the provisions of this Declaration relating to the late payment of Assessments shall be applicable. If any fine is levied against a tenant and is not paid within ten (10) days after same is due, the Association shall have the right to evict the tenant as hereinafter provided.

D. Negligence. A Residential Owner shall be liable and may be assessed by the Association for the expense of any maintenance, repair or replacement rendered necessary by his act, neglect or carelessness, to the extent otherwise provided by law and to the extent that such expense is not met by the proceeds of insurance carried by the Association.

Such liability shall include any increase in insurance rates occasioned by use, misuse, occupancy or abandonment of a Lot or Living Unit or the Association Property.

E. Responsibility for Occupants, Tenants, Guests, and Invitees. Each Residential Owner shall be responsible for the acts and omissions, whether negligent or willful, of any person residing in his Living Unit, and for all guests and invitees of the Residential Owner or any such resident, and in the event the acts or omissions of any of the foregoing shall result in any damage to the Association Property, or any liability to the Association, the Residential Owner shall be assessed for same as in the case of any other Assessment, limited where applicable to the extent that the expense or liability is not met by the proceeds of insurance carried by the Association. Furthermore, any violation of any of the provisions of this Declaration, the Articles, or the Bylaws, by any resident of any Living Unit, or any guest or invitee of a Residential Owner or any resident of a Living Unit, shall also be deemed a violation by the Residential Owner, and shall subject the Residential Owner to the same liability as if the violation was that of the Residential Owner.

F. Eviction of Tenants, Occupants, Guests and Invitees. To the extent permitted by applicable law, if any tenant or any person present in any Living Unit other than a Residential Owner and the members of his immediate family permanently residing in the Living Unit, shall materially violate any provision of this Declaration, the Articles, or the Bylaws, or shall create a nuisance or an unreasonable and continuous source of annoyance to other residents of the Residential Development, or shall willfully damage or destroy any Association Property or personal property of the Association, then upon written notice by the Association such Person shall be required to immediately leave the Residential Development. If such person does not immediately leave the Residential Development, the Association is authorized to commence an action to evict such tenant or compel the Person to leave the Residential Development and, where necessary, to enjoin such person from returning. The expense of any such action, including Legal Fees, may be assessed against the applicable Residential Owner as an Individual Expense Assessment, and the Association may collect such Assessment and have the same lien rights as for other Assessments provided for herein. The foregoing shall be in addition to any other remedy of the Association. The Association shall provide notice to the Residential Owner of a leased Living Unit concurrently with any notices sent to the tenant of such Living Unit pursuant to this Section, and such Residential Owner shall have the right to participate in any hearings or eviction proceedings involving the tenant of such Residential Owner's Living Unit. The right of eviction provided for in this Section shall be inserted in every lease, but the omissions from the lease agreement of such right shall not affect the right to evict as set forth herein.

G. No Waiver. The failure of the Association to enforce any right, provision, covenant or condition which may be granted by this Declaration, the Articles, or the Bylaws, shall not constitute a waiver of the right of the Association to enforce such right, provision, covenant or condition in the future.

H. Rights Cumulative. All rights, remedies and privileges granted to the Association pursuant to any terms, provisions, covenants or conditions of this Declaration, the Articles or the Bylaws, shall be deemed to be cumulative, and the exercise of any one or more shall neither be deemed to constitute an election of remedies, nor shall it preclude the Association from executing any additional remedies, rights or privileges as may be granted or as it might have by law.

ARTICLE 15 AMENDMENT

Except for any amendment to Article 5 which shall be subject to the provisions thereof, the process of amending or modifying this Declaration shall be as follows:

A. Prior to Turnover Date. Until the Turnover Date and except as specifically provided otherwise in this Article, Declarant may amend this Declaration without the approval of any Member provided the amendment does not materially alter or change any Residential Owner's right to the use and enjoyment of such Residential Owner's Lot or

Living Unit, or of the Association Property as set forth in this Declaration, and the amendment does not adversely affect the title to any Lot. During any such period prior to the Turnover Date, this Declaration may not be amended without the written joinder of Declarant. Except as specifically provided otherwise in this Article, any other amendments of this Declaration prior to the Turnover Date, shall require the vote or written consent of sixty-seven percent (67%) of the votes held by each class of Members of the Association as such classes are set forth in the Association Documents; provided, however, that the percentage of the votes attributable to each class of Members of the Association necessary to amend a specific provision of this Declaration shall not be less than the prescribed percentage (if any) of affirmative votes required for action to be taken under that provision.

B. After the Turnover Date. After the Turnover Date, and except for the annexation of additional property which shall be accomplished pursuant to the provisions of Article 13, and amendment of any provision related to or affecting the Golf Owner, the Golf Land or the Golf Operation as provided below, this Declaration may be amended by: (i) the consent of sixty-seven percent (67%) of the votes held by each class of Members of the Association as such classes are set forth in the Association Documents; together with (ii) the approval or ratification of a majority of the Board. The aforementioned consent of sixty-seven percent (67%) of the votes held by each class of Members of the Association may be evidenced by a writing signed by the required number of Members (in lieu of a meeting) or by the affirmative vote of the required number of Members at any regular or special meeting of the Association called and held in accordance with the Bylaws evidenced by a certificate of the Secretary or an Assistant Secretary of the Association.

C. Scrivener's Errors. Amendments for correction of scrivener's errors or other nonmaterial changes may be made by Declarant alone until the Turnover Date and by the Board thereafter and without the need of consent by the Owners or any other Person.

D. Amendments to Declarant's Rights. No amendment to this Declaration shall be effective which shall impair or prejudice the rights or priorities of Declarant, the Golf Owner, the Association or of any Institutional Mortgagee under the Association Documents without the specific written approval of such party affected thereby. Furthermore, no amendment to this Declaration shall be effective which would prejudice the rights of a then Residential Owner or his family members, guests, invitees and lessees to utilize or enjoy the benefits of the then existing Association Property unless the Residential Owner or Residential Owners so affected consent to such amendment in writing or unless such amendment is adopted in accordance with the procedures required for adoption of an amendment to this Declaration after the Turnover Date. No amendment to this Declaration shall be effective which shall eliminate or modify the provisions of Section F of Article 16 and any such amendment shall be deemed to impair and prejudice the rights of Declarant hereunder.

E. Amendments affecting Golf Owner, Golf Land or Golf Operation. Amendment of any of the provisions of Article 5, or any other provision of this Declaration that affects the rights and obligations of the Golf Owner or the restrictions, covenants, easements or other matters encumbering or appurtenant to the Golf Land or the Golf Operation, may only be made by an instrument in writing executed by Golf Owner and the Board acting on behalf of the Association, and shall not require the approval or consent of any Member, Residential Owner or other Person, other than the approval of at least 75% of the Directors.

F. FHA/VA Approval Prior to Turnover Date. As long as the "Class B" membership exists, and except for amendments permitted to be made by Declarant as provided herein, if the Residential Development is subject to any requirements of the Veteran's Administration ("VA"), The Federal Housing Administration ("FHA"), the Federal Home Loan Mortgage Corporation or any other governmental or quasi-governmental agency which insures, guaranties, or purchases mortgages, that require such agency's approval of any material amendments of this Declaration, a material amendment of this Declaration requires the prior approval of such agency.

G. Certification and Recording of Amendments. A true copy of any amendment to this Declaration shall be sent certified mail by the Association to Declarant and to all Institutional Mortgagees holding a mortgage on any portion of the Residential Land requesting notice. The amendment shall become effective upon the recording of a Certificate of Amendment to this Declaration setting forth the amendment in the Public Records.

H. Amendments to Satisfy Lending Requirements. Declarant may, without the consent of any Residential Owners, file any amendments which may be required by an Institutional Mortgagee for the purpose of satisfying its planned unit development criteria or such other criteria as may be established by such mortgagee's secondary mortgage market purchasers, including, without limitation, the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation; provided, however, any of Declarant's filed amendments must be in accordance with any applicable rules, regulations and other requirements promulgated by HUD.

I. Boundary Adjustments. While Declarant owns any Lot or Living Unit, Declarant reserves the right to amend this Declaration at any time, without prior notice and without the consent of any Person, for the purpose of making minor boundary adjustments between the Golf Land and the Residential Land. Declarant expressly reserves the right to change and realign the boundaries of the Association Property and any Lots or Living Units between such adjacent properties owned by Declarant, provided that any such change or realignment of boundaries will not materially decrease the acreage of the Association Property and will be reflected by a modification of the Master Plan approved by the applicable Governmental Authorities.

ARTICLE 16 GENERAL PROVISIONS

A. Conflict with Other Association Documents. In the event of any conflict between the provisions hereof and the provisions of the Articles, Bylaws, and/or rules and regulations promulgated by the Association, the provisions of this Declaration shall control.

B. Notices. Any notice or other communication required or permitted to be given or delivered hereunder shall be deemed properly given and delivered upon the mailing thereof by United States mail, first class, postage prepaid, to: (i) any Residential Owner, at the address of the person whose name appears as the Residential Owner on the records of the Association at the time of such mailing and, in the absence of any specific address, at the address of the Living Unit owned by such Residential Owner; and (ii) the Association, certified mail, return receipt requested, at 39 Sheridan Park Circle, Suite 3, Bluffton, South Carolina, 29910, or such other address as the Association shall hereinafter notify Declarant and the Residential Owners of in writing; (iii) Declarant, certified mail, return receipt requested, at 39 Sheridan Park Circle, Suite 3, Bluffton, South Carolina, 29910, or such other address or addresses as Declarant shall hereafter notify the Association of in writing, any such notice to the Association of a change in Declarant's address being deemed notice to the Residential Owners, and (iv) Golf Owner, certified mail, return receipt requested, to Patten Seed Company, 3086 Five Chop Road, Orangeburg, South Carolina, 29115.

C. Captions, Headings and Titles. Article and Section captions, headings and titles inserted throughout this Declaration are intended as a matter of convenience only and in no way shall such captions, headings or titles define, limit or in any way affect the subject matter of the terms and provisions thereunder or the terms and provisions of this Declaration.

D. Context. Whenever the context so requires or admits, any pronoun used herein may be deemed to mean the corresponding masculine, feminine or neuter form thereof, and the singular form of any nouns and pronouns herein may be deemed to mean the corresponding plural form thereof and vice versa.

E. Severability. In the event any of the provisions of this Declaration shall be deemed invalid by a court of competent jurisdiction, said judicial determination shall in no way affect any of the other provisions hereof, which shall remain in full force and effect. Any provisions of this Declaration deemed invalid by a court of competent jurisdiction by virtue of the term or scope thereof shall be deemed limited to the maximum term and scope permitted by law. If any court should hereafter determine that any provision of this Declaration is in violation of the rule of property known as the "rule against perpetuities" or any other rule of law because of the duration of a time period, such provision shall not thereby become invalid, but instead the duration of such time period shall be reduced to the maximum period allowed under such rule of law, and in the event the determination of the duration of such time period requires measuring lives, such measuring life shall be that of the incorporator of the Association.

F. Certain Rights of Declarant. Improvements constructed or installed by Declarant shall not be subject to the approval of the Association or the Committee. During the period that Improvements constructed by Declarant are owned by Declarant, Declarant's Improvements shall not be subject to the provisions and requirements of this Declaration. Declarant reserves the right for Declarant and its nominees, to enter into and transact on the Residential Development any business necessary to consummate the sale, lease or encumbrance of Lots and Living Units or real property including, but not limited to, the right to maintain models and a sales and/or leasing office, place signs, employ sales and leasing personnel, use the Association Property and show Living Units. Declarant reserves the right to make repairs to the Association Property and to carry on construction activity for the benefit of the Residential Development, and its nominees may exercise the foregoing rights applicable to each without notifying the Association. Any such models, sales and/or leasing office, signs and any other items pertaining to such sales or leasing efforts shall not be considered a part of the Association Property and shall remain the property of Declarant, or its nominees, as applicable. This Section may not be suspended, superseded or modified in any manner by any amendment to this Declaration unless such amendment is consented to in writing by Declarant. This right of use and transaction of business as set forth herein and the other rights reserved by Declarant in the Association Documents may be assigned in writing by Declarant in whole or in part. For the purposes of this Section, the term "Declarant shall include any "Lender" which has loaned money to Declarant to acquire or construct Improvements upon the Residential Land or its successors and assigns if such Lender, its successors or assigns, acquires title to any portion of the Residential Land as a result of the foreclosure of any mortgage encumbering any portion of the Residential Land securing any such loan to Declarant or acquires title thereto by deed in lieu of foreclosure. Prior to the Turnover Date, Declarant has the right to grant and allow Persons which are not Residential Owners or are not otherwise a resident or occupant of the Residential Development to use the S&T Facilities upon whatever terms and conditions Declarant considers to be appropriate, provided that the use of the S&T Facilities by such Persons does not overburden the S&T Facilities or materially diminish or materially impair the use and enjoyment of the S&T Facilities by the Residential Owners as such would exist at full build out of the Residential Development. The rights and privileges of Declarant as set forth in this Section, which are in addition to, and are no way a limit on, any other rights or privileges of Declarant under any of the Association Documents, shall terminate upon Declarant no longer owning any portion of the Residential Land (and having any equitable or legal interest therein) or upon such earlier date as Declarant shall notify the Association in writing of such party's voluntary election to relinquish the aforesaid rights and privileges.

G. Association's Indemnification. The Association covenants and agrees that it will indemnify and save harmless Declarant, Golf Owner, and the members of the Board from and against any and all claims, suits, actions, damages, and/or causes of action arising from any personal injury, loss of life, and/or damage to property sustained in or about the Residential Land or the appurtenances thereto from and against all costs, Legal Fees, expenses and liabilities incurred in and about any such claim, the investigation thereof or the defense of any action or proceeding brought thereon, and from and against any orders, judgments and/or decrees which may be entered therein. Included in the foregoing provisions of indemnification are any expenses that Declarant may be compelled to incur in bringing suit for the purpose of compelling the specific enforcement of the provisions, conditions and covenants contained in this Declaration to be kept and performed by the Association. The indemnification provisions of this Section shall not apply to any expenses which

may be incurred by Declarant to avoid the performance of any of the obligations to be kept and performed by Declarant, or any liability which may be incurred by a Residential Owner as a result of ownership of a Lot or a Living Unit.

H. Disputes as to Use. In the event there is any dispute as to whether the use of the Residential Land or any portion or portions thereof complies with the covenants, restrictions, easements or other provisions contained in this Declaration, such dispute shall be referred to the Board, and a determination rendered by the Board with respect to such dispute shall be final and binding on all parties concerned therewith. Any use by Declarant of the Residential Land or any parts thereof shall be deemed a use which complies with this Declaration and shall not be subject to a contrary determination by the Board.

I. Residential Owner's Assumption of Risks and Disclaimer. Each Residential Owner acknowledges that its Living Unit may be adjacent to or in close proximity to the Golf Facilities and that the proximity of such Living Unit to the Golf Facilities creates a possibility that golf balls, golfers, or other persons using or maintaining the Golf Facilities will enter upon any Lot on which such Living Unit is located. In addition, each Residential Owner acknowledges that the activities of the Golf Owner and the Golf Members on the Golf Land may cause some inconvenience and disturbance as a result of the proximity of such Living Unit to the Golf Facilities, including (i) damage to property or injury to Persons and animals from errant golf balls; (ii) possible overspray in connection with the irrigation and fertilization of the roughs, fairways, greens and tees of the golf course and odors arising there from; (iii) noise from golf course maintenance and operation equipment; (iv) disturbance and loss of privacy resulting from golf cart traffic and golfers, and (v) activities associated with Lagoon and Lagoon edge maintenance. Each Residential Owner covenants and agrees for itself, its successors and assigns, permittees, lessees, invitees and licensees, to irrevocably waive for itself, its successors and assigns, permittees, invitees and licensees, any and all rights, claims, liabilities, losses, costs and causes of action of every kind and nature whatsoever arising in whole or in part from the existence, design, maintenance, operation and use of the Golf Facilities, and further agrees to release Declarant, the Association, and Golf Owner and their successors, assigns, affiliates, subsidiaries, officers, directors, partners and attorneys from any and all rights, claims, liabilities, losses, costs and causes of action of every kind and nature whatsoever arising in whole or in part from the existence, design, maintenance, operation, repair, and use of the Golf Facilities. These covenants and waivers shall run with each Lot and Living Unit, shall be for the benefit of the Declarant, the Association, and the Golf Owner, and shall be binding upon all successive owners and lessees of the Living Unit or any part thereof. This covenant and agreement shall extend solely to the persons listed and shall not extend to any other persons, including, but not limited to, the Golf Members.

J. Delegation. The Association, pursuant to a resolution duly adopted by the Board, shall have the continuing authority to delegate all or any portion of its responsibilities for maintenance, operation and administration, as provided herein, to any managing agency or entity selected by the Board from time to time and whether or not related to Declarant. The fees or costs of this or any other management company or contractors so retained shall be deemed to be part of the Operating Expenses hereunder. All contracts with management companies shall contain a provision that allows the Association to unilaterally terminate the contract without cause after ninety (90) days notice.

K. Term. This Declaration shall run with and bind the Project Land and inure to the benefit of Declarant, the Association, the Residential Owners, and Golf Owner, and their respective legal representatives, heirs, successors and assigns for a term of twenty-five (25) years from the date this Declaration is recorded in the Public Records, after which

time this Declaration shall be automatically renewed and extended for successive periods of ten (10) years each unless at least one (1) year prior to the termination of any applicable term in effect, an instrument agreeing to terminate this Declaration signed by Residential Owners owning two-thirds (2/3) of the Living Units, and Institutional Mortgagees holding first mortgages encumbering two-thirds (2/3) of all Living Units encumbered by first mortgages held by Institutional Mortgagees, and Golf Owner, is recorded in the Public Records, whereupon this Declaration shall be terminated upon the expiration of the applicable term in effect at the time.

L. Rights of Mortgagees.

1. Right to Notice. The Association shall make available for inspection upon request, during normal business hours or under reasonable circumstances, the Association Documents and the books, records and financial statements of the Association to Residential Owners and the Institutional Mortgagees. In addition, evidence of insurance shall be issued to each Residential Owner and mortgagee holding a mortgage encumbering a Living Unit or Lot upon written request to the Association.

2. Rights of Listed Mortgagee. Upon written request to the Association, identifying the name and address of the holder, insurer, or guarantor (such holder, insurer or guarantor is herein referred to as a "Listed Mortgagee") of a mortgage encumbering a Lot or a Living Unit and the legal description of such Lot the Association shall provide such Listed Mortgagee with timely written notice of the following:

i. Any condemnation, loss or casualty loss which affects any material portion of the Association Property;

ii. Any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association;

iii. Any proposed action which would require the consent of mortgagees holding a mortgage encumbering a Living Unit or Lot; and

iv. Any failure by a Residential Owner owning a Lot encumbered by a mortgage held, insured or guaranteed by such Listed Mortgagee to perform his obligations under the Association Documents, where such failure has continued for a period of sixty (60) days.

3. Right of Listed Mortgagee to Receive Financial Statement. Any Listed Mortgagee shall, upon written request made to the Association, be entitled to receive financial statements for the Association for the prior fiscal year free of charge and the same shall be furnished within a reasonable time following such request.

M. Approval of Association Lawsuits by Residential Owners. The Association shall be required to obtain the approval of three-fourths (3/4) of all Members (at a duly called meeting of the Members at which a quorum is present) prior to the payment of legal or other fees to persons or entities engaged by the Association for the purpose of suing, or making, preparing or investigating any lawsuit, or commencing any lawsuit other than for the following purposes:

1. the collection of Assessments;

2. the collection of other charges which Residential Owners are obligated to pay pursuant to the Association Documents;

3. the enforcement of the use and occupancy restrictions contained in the Association Documents;

4. in an emergency where waiting to obtain the approval of the Residential Owners creates a substantial risk of irreparable injury to the Association Property or to Residential Owner(s) (the imminent expiration of a statute of limitations shall not be deemed an emergency obviating the need for the requisite vote of three-fourths (3/4) of the Members);

5. filing a compulsory counterclaim; or
6. termination of employment relationship or enforcement of a contract.

N. Rights and Requirements of Governmental Authorities Any Governmental Authority or agency, including, but not limited to the Town or the County, their agents, and employees, shall have the right of immediate access to the Residential Land at all times if necessary for the preservation of public health, safety and welfare. Should the Association or its Board fail to maintain the Association Property in accordance with the specifications set forth in the applicable governmental approvals for the Residential Development for an unreasonable time, not to exceed ninety (90) days after written request to do so, the Town, County and any other applicable Governmental Authority, by and through the affirmative and official action of the governing body, shall have the same right (but not the obligation), power and authority as is herein given to the Association and its Board to enforce this Declaration and levy Assessments necessary to maintain the Association Property. In such event, the applicable governing body may elect to exercise the rights and powers of the Association or its Board, to the extent necessary to take any action required that the Association might have taken, or levy an Assessment that the Association may have levied, either in the name of the Association or otherwise, to cover the cost of maintenance of any Association Property. The rights granted herein shall be supplemental to any governmental authority the Town or County may have, and application of this provision shall not diminish, limit, or restrict the right of the Town or the County to apply any other legal rights it may have.

IN WITNESS WHEREOF, this Declaration has been signed by Declarant on the date set forth below.

WITNESSES AS TO DECLARANT:

DECLARANT:

CENTEX HOMES, a Nevada general partnership

By: Centex Real Estate Corporation,
a Nevada corporation

Its: Managing General Partner

By: Craig Lovette

Area Manager

(SEAL)

Date: July 23, 2003

STATE OF SOUTH CAROLINA §

COUNTY OF BEAUFORT §

The foregoing instrument was acknowledged before me, this 23rd day of July, 2003, by Craig Lovette, Area Manager of Centex Real Estate Corporation, a Nevada corporation, the Managing General Partner of Centex Homes, a Nevada general partnership.

(SEAL)

Notary Public for

My Commission Expires: 02/06/06

I:\DIVISION\Hilton Head\Buckwalter-IPC\HOA\pinecrest-resid&golf-declaration#4.doc

Exhibit A

Project Land

All those certain pieces, parcels, and tractsof land situate, lying and being within the Buckwalter Tract, Town of Bluffton, BeaufortCounty, South Carolina, said parcels being 429.21 acres comprised of Parcel 1 containing 20.88 acres, consisting of 107.50 acres of uplands and 13.38 acres of wetlands, and Parel 2 containing 308.33 acres, consisting of 273.94 acres of uplands and 34.39 acres of wetlands, with said parcels being more specifically shown and described on a surveythereof entitled "An ALTA/ACSM Land Title Survey – Parcels 1 and 2 of PINECRESTPROPERTY FORMERLY KNOWN AS A PORTION OF THE BUCKWALTER TRACT," prepared for the Branigar Organization, Inc., said survey dated October 30, 2001, and prepared by Thomas & Hutton Engineering Co., with said Survey recorded in the Office of the Register of Deeds for Beaufort County, South Carolina in Plat Bok 84 at Page 13.

Exhibit B**Golf Land**

ALL those certain pieces, parcels, and tracts of land situate, lying and being within the Buckwalter Tract, Town of Bluffton, Beaufort County, South Carolina, said parcels being a portion of the Pinecrest tract in Buckwalter and referred to as Tract 1, being in total 295.60 acres (260.61 acres of uplands and 34.99 acres of wetlands) being comprised of Tract 1A containing 233.03 acres, consisting of 206.49 acres of uplands and 26.54 acres of wetlands; Tract 1B containing 27.40 acres, consisting of 24.61 acres of uplands and 2.79 acres of wetlands; Tract 1C containing 15.45 acres, consisting of 14.95 acres of uplands and 0.50 acres of wetlands; and Tract 1D containing 19.72 acres, consisting of 14.56 acres of uplands and 5.16 acres of wetlands, with said Tract 1 being more specifically shown and described on a survey thereof entitled "A Plat Of Tract 1 Formerly Known As A Portion Of The Dobson Tract" prepared for Centex Homes, said survey dated May 29, 2002, and prepared by Thomas & Hutton Engineering Co., with said survey recorded in the Office of the Register of Deeds for Beaufort County, South Carolina in Plat Book 87 at Page 103.

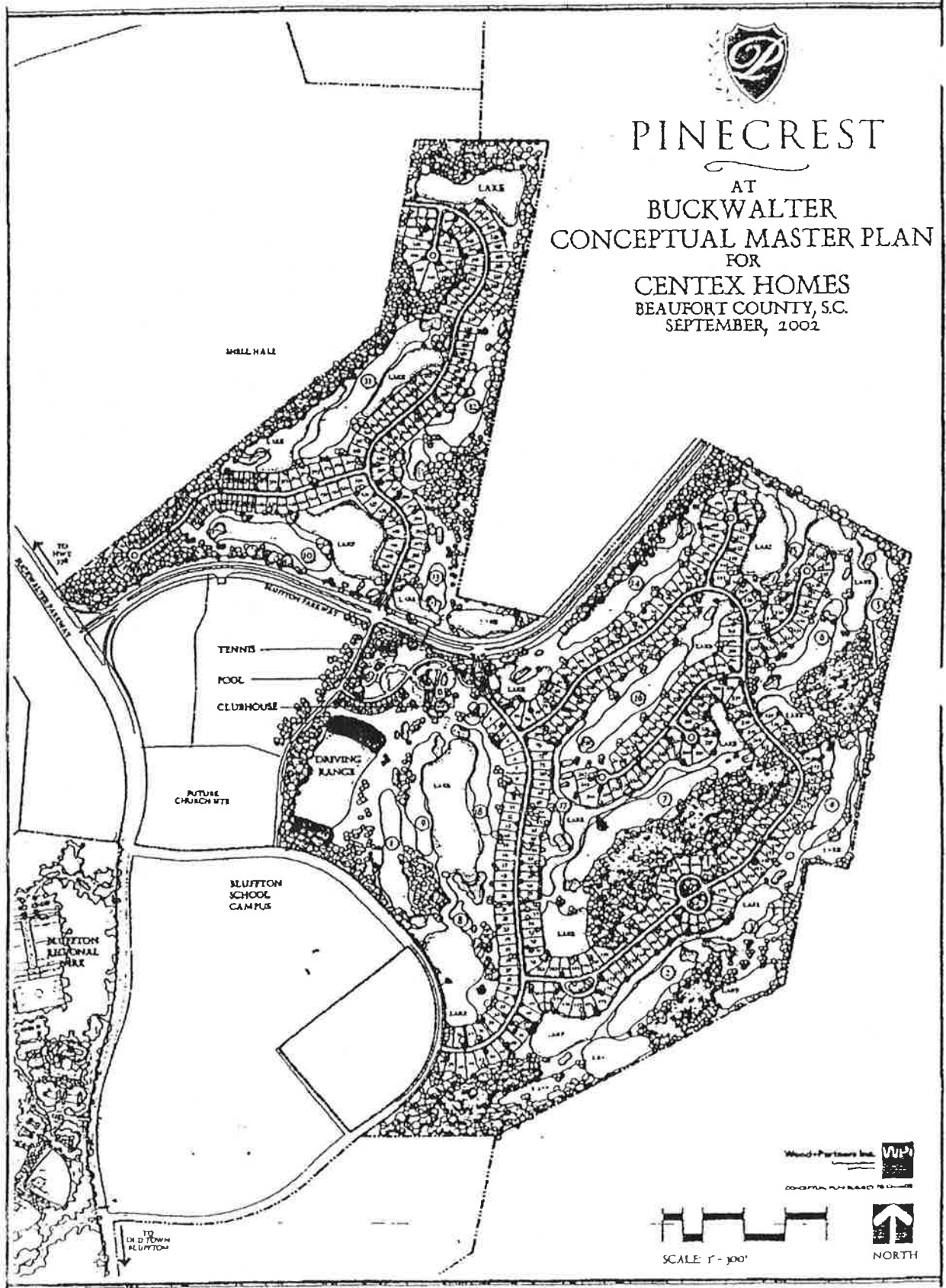
SAVE EXCEPTING AND EXCLUDING:

All those certain pieces, parcels, tracts, and lots of land situate, lying and being within the Buckwalter Tract, Town of Bluffton, Beaufort County, South Carolina, said parcels being a portion of the Pinecrest tract in Buckwalter and referred to as Pinecrest Phase 1, being in total 28.987 acres, with said Pinecrest Phase 1 being more specifically shown and described on a survey thereof entitled "A Plat Of Pinecrest Phase 1" prepared for Centex Homes, said survey dated January 10, 2003, and prepared by Thomas & Hutton Engineering Co., with said survey recorded in the Office of the Register of Deeds for Beaufort County, South Carolina in Plat Book 91 at Page 52.

AND ALSO SAVE EXCEPTING AND EXCLUDING:

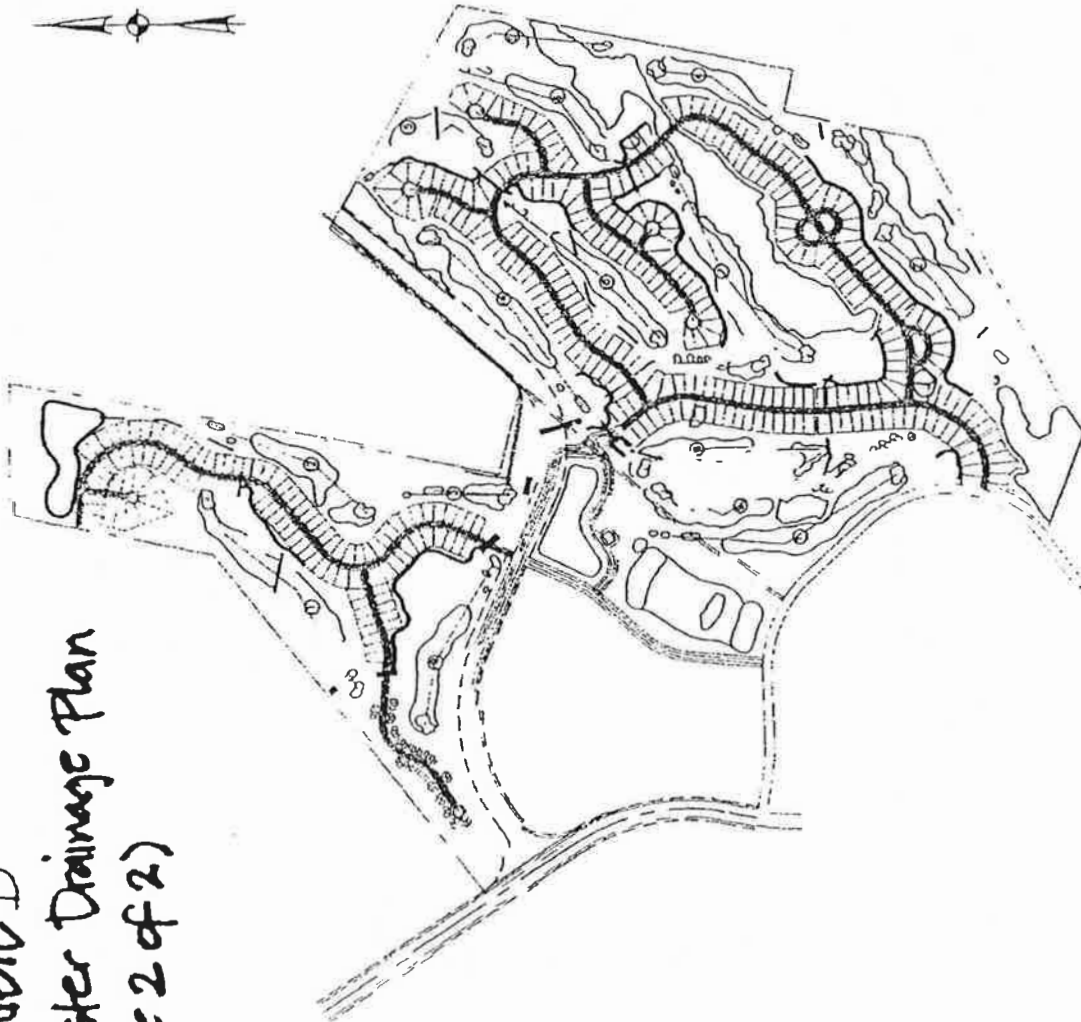
That portion of Tract 1C that separates the tracts identified as N/F Dobson #2 and N/F Dobson #3 as shown and described on a survey thereof entitled "A Plat Of Tract 1 Formerly Known As A Portion Of The Dobson Tract" prepared for Centex Homes, said survey dated May 29, 2002, and prepared by Thomas & Hutton Engineering Co., with said survey recorded in the Office of the Register of Deeds for Beaufort County, South Carolina in Plat Book 87 at Page 103, such portion of Tract 1C being approximately the area between the parcels shown on the aforementioned survey as N/F Dobson #2 and N/F Dobson #3 being bounded on the northwest by line L2 and bounded on the southeast by a line that would extend from the end of line L59 if a line were drawn straight over to line L65 as such lines are shown on the aforementioned survey.

EXHIBIT C



(IN FEET)
! Inch = 800 IL

Exhibit D Master Drainage Plan (Page 2 of 2)



PINECREST

PLANNED BY
CENTEX HOMES CORP.
BLUFFTON, SOUTH CAROLINA

PREPARED BY
THOMAS & JILTON ENGINEERING CO.
SAVANNAH, GEORGIA

DATE
JUNE 10, 2002

PROJECT
WOOD & PARTNERS, INC.
HILTON HEAD ISLAND, SOUTH CAROLINA

LEGEND

— BANKS TO BE MAINTAINED BY GOLF COURSE DEVELOPER

- - - BANKS TO BE MAINTAINED BY RESIDENTIAL DEVELOPER

— DRAINAGE PIPE

LAGOONS

GRAPHIC SCALE

(IN FEET)

1 inch = 800 ft.

0 200 400 600 800 1000 1200 1400 1600 1800 2000

100'

100'

100'

100'

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