

STATE OF SOUTH CAROLINA) COVENANTS, CONDITIONS AND RESTRICTIONS-
) CANAL PLACE - PHASES 1A, 2A, and 2B
 COUNTY OF RICHLAND)

THIS DECLARATION made the date and year hereinafter set forth, subscribed by CANAL PLACE, LLC, (hereinafter referred to as "Declarant,"

WITNESSETH THAT:

WHEREAS, the Declarant is the owner of certain property located in Richland County, South Carolina, more particularly described as :

All those certain pieces, parcels of lots of land, together with the improvements thereon, and all common areas and roadways, lying and being in that subdivision known as Canal Place, in the City of Columbia, County of Richland, State of South Carolina, specifically consisting of Phases 1A, 2A and 2B, and being more particularly shown and designated as Lots 1,2,3,4,5,6, 13 and 16 of Canal Place, Phase 1A on that plat prepared by Steadman & Associates, Inc., dated March 25, 2002, revised on March 28, 2002, last revised on June 19, 2002, and recorded in the Register of Deeds Office for Richland County in Book 678 at page 51; ALSO being shown and designated as Lots 7, 8,9,10, 11,12,14,15,17 and 33, that Private Roadway designated as Canal Place Drive and that land designated as "Common Area" of Canal Place, Phase 2A on that plat prepared by Steadman & Associates, Inc., dated February 26, 2003, revised on March 10, 2003, last revised on March 28, 2003, and recorded in the Register of Deeds Office for Richland County in Book 780 page 3877; ALSO being shown and designated as Lots 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30 and 31, that roadway designated as Canal Place Way, and that area shown as "Proposed Roadway", being an extension of that public street known as Northwood Street, all of Canal Place, Phase 2B on that plat prepared by Steadman & Associates, Inc., dated August 29, 2003, recorded in the Register of Deeds Office for Richland County in Plat Book 853 at page 1989.

This being a portion of the property conveyed to Canal Place, LLC a South Carolina Limited Liability Company by deed of Vista Memorial Associates Limited Partnership, a South Carolina Limited Liability Partnership dated December 31, 2002 and recorded in the RMC Office for Richland County on on March 25, 2003 in Book 773, at page 470.

WHEREAS, the Declarant is developing on the property hereinabove described a residential community known as CANAL PLACE, providing a residential community, and desires to impose these Covenants, Conditions and Restrictions upon the said lots.

Richland County ROD

Richard W. Rooden

Book 00887-1719
 2003131200 12/22/2003 12:34:44 PM
 Fee: \$22.00 County Tax \$0.00 State Tax \$0.00

Declaration of Coven

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NOW, THEREFORE, KNOW ALL MEN BY THESE PRESENTS, that the Declarant hereby declares that all of the properties described above shall be held, sold and conveyed subject to the following easements, restrictions, covenants, affirmative obligations and conditions, all of which are for the purpose of protecting the value and desirability of the property described above, and which shall run with the real property and be binding on all persons having any right, title or interest in the described properties or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each owner thereof.

ARTICLE I

Definitions

Section 1. "Association" shall mean and refer to CANAL PLACE HOMEOWNERS ASSOCIATION, INC., a South Carolina nonprofit corporation, its successors and assigns.

Section 2. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of a fee simple title to any Lot which is a part of the Properties, including contract sellers, but excluding those having an interest merely as security for the performance of an obligation.

Section 3. "Properties" shall mean and refer to that real property hereinabove described, and such additions thereto as may hereinafter be brought within the jurisdiction of the Association.

Section 4. "Common Area" shall mean and refer to all real property (including the improvements thereon) owned by the Association for the common and exclusive use and enjoyment of the owners and others, entitled to the use thereof. "Common Area" shall also include any roadways located within the subdivision.

Section 5. "Lot" shall mean and refer to any plot of land shown upon any recorded subdivision plat of the Properties, together with the improvements thereon, with the exception of the roads and common area.

Section 6. "Member" shall mean and refer to every person who is a member of the Association.

Section 7. "Declarant" shall mean and refer to CANAL PLACE, LLC, or any person or entity who succeeds to the title of Declarant to any portion of the Properties by sale or assignment of all of the interests of the Declarant in the Properties, if the instrument of sale or assignment expressly so provides, or by exercise of a right of foreclosure of a mortgage given by the Declarant or a deed in lieu thereof. Any such person or entity shall be entitled to exercise all rights and powers conferred upon Declarant by this Declaration, the Articles of Incorporation or Bylaws of the Association.

ARTICLE II
Property Rights

Section 1. Owners Easements of Enjoyment. Every Owner shall have the right and easement of enjoyment in and to the Common Area, which shall be appurtenant to and pass with the title to every Lot, subject to the following provisions:

(a) The right of the Association to formulate, publish and enforce rules and regulations regarding the use of the Common Area; and

(b) The right of the Association to dedicate or transfer all or any part of the Common Area to any public agency, authority or utility for such purposes and subject to such conditions as may be agreed to by the members. No such dedication or transfer shall be effective unless an instrument agreeing to such dedication or transfer signed by at least two-thirds (2/3) of each class of members has been recorded.

(c) Notwithstanding any other provision set forth in this Declaration, the Declarant reserves the right to dedicate or convey title to the roadways located within this subdivision to any governmental entity or agency willing to accept responsibility for maintenance of said roadways and upon any such dedication or conveyance, said roadways would no longer be considered part of the Common Area of the subdivision, and the general public would be entitled to use said roadways as a public throughfare. Until any such dedication or conveyance, these roadways shall be considered private roadways, and the Association shall be responsible for the cost of all maintenance and repair.

Section 2. Delegation of Use. Any Owner may delegate, in accordance with the Bylaws of the Association, his rights of enjoyment of the Common Area to members of his family, his tenants, or contract purchasers, provided, however, that each such delegatee shall reside upon a Lot of such Owner.

Section 3. Title to Common Area. The Declarant hereby covenants for itself, its successors and assigns, that it will convey fee simple title to the Common Area described herein to the Association free and clear of all liens and encumbrances, subject only to the provisions of this Declaration, the Articles of Incorporation and Bylaws of the Association, and utility and drainage easements specifically reserved or indicated on any recorded plat.

Section 4. Maintenance Easement: An easement over, through and to adjacent Lot(s) is reserved and established in favor of Declarant and all Owners for the purpose of maintaining any living unit located closer than five (5) feet from a Lot line. This easement shall be used only as and when necessary to facilitate such maintenance at any time on a Lot by Declarant or Owner. In each instance, the Person exercising these easement rights shall use its best efforts to minimize any soil or land disturbance activities, and shall restore the land to substantially the same condition as existed prior to such maintenance work. If such Person fail to restore the disturbed land as required, the Owner(s) of the adjacent Lot(s) may

restore the land to the required condition and that Person shall indemnify the Owner(s) of the adjacent Lot(s) for the reasonable expense incurred in performing that restoration.

Section 5. Encroachments. All Lots and the Common Area shall be subject to easements for the encroachment of initial Improvements constructed on adjacent Lots and Common Area by Declarant, including, without limitation, overhanging eaves, gutters, downspouts, exterior storage rooms and walls, as well as for the maintenance thereof. If any encroachment shall occur subsequent to subjecting the Property to this Declaration due to settling or shifting of any building or any authorized repair, construction, reconstruction or alteration, there shall be a valid easement for such encroachment and the maintenance thereof.

Section 6. Drainage Easement. For a period of thirty-six (36) months following the initial conveyance of the Lot to an Owner by the Declarant, that Lot shall be subject to an easement for entry and encroachment by the Declarant for the purpose of correcting any grading or drainage problems with respect to that Lot or adjoining Lots. After such an entry, the Declarant, at its expense, shall, to the extent reasonably practicable, restore the affected Lot(s) to their original condition.

Section 7. Transfer or Mortgage of the Common Area. Unless the Association shall receive the prior written approval of at least two-thirds (2/3) of the lot owners (exclusive of the Declarant), the Association shall not be entitled to, by act or omission, abandon, partition, subdivide, sell, mortgage or transfer all or any portion of the Common Area, except that wetlands, detention ponds and drainage ways may be transferred to appropriate governmental entities.

No portion of the common area may be sold or transferred to any other party for any other use than is set forth in this document and no subdivision of the common area may occur unless such property is brought into compliance with the then existing subdivision regulations of the County of Richland, South Carolina, regarding lots for other than support facilities.

ARTICLE III Membership and Voting Rights

Section 1. Membership. Every Owner of a Lot which is subject to assessment shall be a member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Lot which is subject to assessment.

Section 2. Voting Rights. The Association shall have two (2) classes of voting membership:

(a) Class A. Class A members shall be all Owners, with the exception of the Declarant, and each shall be entitled to one (1) vote for each Lot owned. If more than one person owns an interest in any Lot, all such persons shall be members, and the vote for such Lot shall be exercised as

they may determine, but in no event shall more than one (1) vote be cast with respect to any Lot.

(b) Class B. The Class B member shall be the Declarant and it shall be entitled to three (3) votes for each Lot owned. The Class B membership shall terminate and be converted to Class A membership upon the happening of the earlier of the following:

(i) when the total votes outstanding in the Class A membership equals the total votes outstanding in the Class B membership, or

(ii) On December 31, 2015.

ARTICLE IV
Covenants for Assessments

Section 1. Creation of the Lien and Personal Obligation of Assessments. The Declarant, for each Lot owned within the Properties, hereby covenants, and each Owner of any Lot by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Association:

(i) Annual assessments or charges, and

(ii) Special assessments for capital improvements, such assessments to be established and collected as hereinafter provided. The annual and special assessments, together with interest, costs and reasonable attorneys fees, shall be a charge on the land and shall be a continuing lien upon the Lot and improvements against which each such assessment is made. Each such assessment, together with interest, costs and reasonable attorneys fees, shall also be the personal obligation of the person who was the owner of such property at the time when the assessment fell due. The personal obligation of an Owner for delinquent assessments shall pass to his successors in title.

Section 2. Purpose of Assessments. The assessments levied by the Association shall be used exclusively for the maintenance of the Common Area, the payment of any taxes assessed against the Common Area, the procurement and maintenance of insurance in accordance with the Bylaws, the establishment of an adequate reserve for the maintenance, repair and replacement of the improvements in the Common Area, the employment of attorneys to represent the Association when necessary, and such other needs as may arise.

Section 3. Amount of Annual Assessments. The maximum annual assessment for each Lot in the Properties shall be payable annually, in advance, and the amount thereof shall be determined as follows:

(a) Up to and including December 31, 2003, the maximum annual assessment shall

be Five Hundred and No/100 Dollars (\$500.00) per Lot.

(b) The maximum annual assessment for the calendar year beginning January 1, 2004, and for each calendar year thereafter, shall be established by the Board of Directors and may be increased by the Board of Directors without approval by the membership by an amount not to exceed Five Percent (5%) of the maximum annual assessment of the previous year.

(c) The maximum annual assessment may be increased without limit by the affirmative vote of two-thirds (2/3) of each class of members who are voting in person or by proxy, at a meeting duly called for this purpose.

(d) The Board of Directors may fix the annual assessments at an amount not in excess of the maximum. When the Board of Directors fixes the annual assessments for each calendar year, the Board shall, at the same time and in connection therewith prepare, or cause to be prepared, an annual budget showing the services furnished by the Association and the cost thereof per lot.

Section 4. Special Assessments for Capital Improvements. In addition to the annual assessments authorized above, the Association may levy, in any calendar year, a special assessment applicable to that year only, for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Area, including the necessary fixtures and personal property related hereto, Provided that any such assessment shall have the assent of Two-thirds (2/3) of the votes of each class of members who are voting in person or by proxy at a meeting duly called for this purpose. All special assessments shall be fixed at a uniform rate for all Lots and may be collected on an annual basis, or on such other basis as may be approved by the Board of Directors.

Section 5. Notice and Quorum for any Action Authorized under Sections 3 and 4. Written notice of any meeting called for the purpose of taking any action authorized under Sections 3 and 4 shall be sent to all members not less than thirty (30) days nor more than sixty (60) days in advance of the meeting. At the first such meeting called, the presence of members or proxies entitled to cast Sixty Percent (60%) of all of the votes of each class of membership shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be One-Half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the date set for the preceding meeting.

Section 6. Uniform Rate of Assessments. Both annual and special assessments shall be fixed at a uniform rate for all Lots and shall be collected annually in advance, or on any other basis approved by the Board of Directors.

Section 7. Date of Commencement of Annual Assessments: The annual assessments provided for herein shall commence as to each lot on the first day of the month after the sale of the lot with a completed residence thereon. The first annual assessment shall be adjusted according to the number of months remaining in the calendar year. At least thirty (30) days in advance of each annual assessment, the Board of Directors shall fix the amount of the annual assessment and give every owner subject thereto written notice of each assessment. Due dates shall be established by the Board of Directors. The Association, upon demand at any time and for a reasonable charge, shall furnish a certificate in writing signed by an officer of the Association setting forth whether the assessments on a specified Lot have been paid. A properly executed certificate of the Association as to the status of assessments on a lot is binding upon the Association as of the date of its issuance.

Section 8. Effect of Nonpayment of Assessments: Remedies of the Association. Any annual assessment not paid within thirty (30) days after the due date shall bear interest from the due date at that rate which is equal to the rate of interest chargeable by law in the State of South Carolina on money judgements. The Association may bring an action at law against the owner personally obligated to pay the same or foreclose the lien against the property in like manner as a mortgage of real property, and, in either event, interest, costs and a reasonable attorneys fee shall be added to the amount of such assessment. Upon exercise of its right to foreclose, the Association may elect to declare the entire remaining amount of the annual assessment due and payable and collect the same through foreclosure. In the event of any such foreclosure, the Owner shall be required to pay a reasonable rental for the Lot after commencement of the foreclosure action; the plaintiff in such foreclosure shall be entitled to the appointment of a receiver to collect the same. No Owner may waive or otherwise escape liability for the assessments provided for herein by nonuse of the Common Area or by abandonment of his Lot.

Section 9. Subordination of Lien to Mortgages. The lien of the assessments provided for herein shall be subordinate to (1) the lien of any first mortgage, and (2) the lien of any unpaid ad valorem taxes. Sale or transfer of any Lot shall not affect the assessment lien. However, the sale or transfer of any Lot pursuant to a mortgage foreclosure or any proceeding in lieu of foreclosure shall extinguish the lien of such assessments as to the payments which became due prior to such sale or transfer. No such sale or transfer shall release such Lot from liability for any assessments thereafter becoming due or from the lien thereof. Nothing herein shall be deemed to require any Mortgagee to be responsible for the collection of assessments.

ARTICLE V ARCHITECTURAL CONTROL

No building, fence, wall, mailbox or other structure, and no change in topography, landscaping, grading, filling or any other item, shall be commenced, erected or maintained upon any portion of the Property or any Lot, nor shall any exterior addition to or change or alteration therein be made until the plans and specifications showing the nature, kind, shape, height, materials, and location of the same shall have been submitted to and approved in writing as to harmony of external design and location in relation to

surrounding structures and topography by the Declarant, so long as Declarant owns any lot in the Subdivision or until such time as Declarant relinquishes such rights in writing, and thereafter, by the Board of Directors of the Association, or by an architectural committee composed of three (3) or more representatives appointed by the Board. In the event approval or disapproval is not given within thirty (30) days after said plans and specifications have been submitted to it, approval will not be required and compliance with this Article will be deemed to have been completed.

ARTICLE VI
Use Restrictions

Section 1. Rules and Regulations. The Board of Directors of the Association shall have the power to formulate, publish and enforce reasonable rules and regulations concerning the use and enjoyment of the Common Area. Such rules and regulations, along with all policy resolutions and policy actions taken by the Board of Directors shall be recorded in a book of resolutions, which shall be maintained in a place convenient to the owners and available to them for inspection during normal business hours.

Section 2. Use of Property. The Properties shall be for the following uses and subject to the following restrictions, and, in addition, to those set forth in the Bylaws and other applicable restrictions of record:

a. No structure shall be erected on any Lot in the subdivision other than one permanent single-family dwelling and detached or attached garage of similar design, and no use shall be made of the Property or of any right or privilege appurtenant thereto, other than for private residential purposes of a single family; Provided, however, the Declarant reserves to itself, as well as the right to assign to builders during construction, the right to use one or more such dwellings as a temporary office, model home, information center and real estate sales office, provided further that no structure, planting or other material shall be placed or permitted to remain which may damage or interfere with the installation or maintenance of utilities and drainage facilities within the areas provided hereinafter. Any temporary construction used as administrative, information or real estate sales office shall be promptly removed when it shall come to be used for such purposes. No other temporary structure or apartment shall be erected upon any Lot.

b. No Lot in the subdivision shall be subdivided or reduced in size without the written consent of the Declarant, provided, however, that no Lot in the subdivision shall be subdivided or reduced in size so as to have a total area less than the smallest Lot shown on the above referenced plats, nor shall any Lot so subdivided leave a residual lot with a total area less than the smallest Lot shown on said plats.

c. Any consequence of alteration to the natural grade of any Lot shall be the responsibility of the Purchaser of said Lot. Said Purchaser shall also be responsible for the channeling of any surface water in accordance with the approved grading Plan of the subdivision.

d. No residence containing less than One Thousand One Hundred (1,100) square feet of heated space shall be erected on any lot.

e. All sewage disposal shall be by central sewer service approved by appropriate governmental utility authorities, or by public utility at such rates as shall be established by governmental authority or approved by the South Carolina Public Service Commission.

f. The placement, design, type and color of any mailbox and its support must be approved by the Declarant or the Architectural Committee appointed by it in accordance with Article V above.

g. The placement, design, type, material and color of any fencing shall be first approved by the Declarant or the Architectural Committee appointed by it in accordance with Article V above.

h. No building shall be closer than twelve and one-half (12.50') feet to the street or road right of way upon which it faces, no building shall be closer than ten (10') feet to the rear lot line, nor closer to any side street line than a minimum of twelve and one-half (12.5) feet. There is no minimum setback line applicable to the interior side lot boundary lines.

i. No noxious or offensive activity or other thing shall be had or done upon any Lot in the subdivision, and nothing shall be had or done thereon which constitutes or becomes an annoyance or nuisance to the neighborhood, or constitutes an unsanitary condition. No livestock or other such animals shall be allowed or kept on any lot in the subdivision. Nothing shall be done or allowed, and no conditions or situation shall be permitted on any such Lot which shall constitute, cause or become a nuisance or otherwise detract from the desirability of the neighborhood as a residential section.

j. No radio or television transmission or reception towers, antennas, or satellite dishes shall be erected on a Lot other than customary satellite dishes which do not exceed sixteen (16") inches in width, provided that such satellite dishes shall not be visible from the street on which the house faces. In no event shall freestanding transmission or receiving towers or discs or dishes be permitted which are greater than sixteen inches in diameter.

k. No tent, shack, trailer, bus, camper or motor home or temporary structure of any kind shall be erected, kept, had or allowed at any time on any Lot or parked on the street or road adjacent thereto; provided, however, that a camper or motor home may be parked in an enclosed garage where such recreational vehicle is not visible from the street, or adjoining homes, and also provided such garage meets all requirements for buildings and improvements contained elsewhere in these restrictions. No automobiles, trucks or other motor vehicles shall be parked within the right of way of any public street for a period of longer than twenty four hours, nor shall any such vehicle

be parked on any portion of a lot other than in an approved garage or on an approved concrete driveway for a period of longer than twenty four (24) hours. All garage doors shall remain closed except for ingress and egress. No clothesline may be erected or maintained on any Lot. All rubbish, garbage and trash shall be kept in closed cans, or other suitable containers, which shall be placed and kept in such manner as to be out of sight from the street. The Lot, property and premises shall be kept clean at all times.

l. All outdoor recreational equipment, such as basketball goals, batting cages, soccer goals or other sporting/recreational devices that may be erected on property or portable must be approved by the Declarant until all lots in the subdivision have been sold. Thereafter, if any architectural control committee exists, the same shall be approved by the committee and, if none exists, then the improvements may be made by the lot owners in accordance with the guidelines herein established. Any satellite reception dish set up on any lot must be set up to the rear of the lot. No lot owners or home owners shall install a satellite dish in front portion of any lot.

m. Water, sanitary sewer, drainage and public utility easements are reserved over each Lot in the subdivision along the side five (5) feet and front and rear ten (10) feet and such others as are shown on the recorded plat referred to in these restrictions. Within these easements, no structure, planting or other material shall be placed or permitted to remain which may damage or interfere with the installation or maintenance of utilities, or which may change the direction or flow of drainage channels. The Declarant hereby reserves the right to create and impose additional easements or rights-of-way over unsold Lots or for street, drainage and utility installation purposes by the recording of appropriate instruments, and such shall not be construed to invalidate any of these covenants. Declarant may grant written easements to specific utility providers within the easement areas described herein as reserved for utilities, and such easements shall be effective whether recorded before or after the sale of a lot affected thereby. The five (5.0) feet drainage and utility easement along the side lot lines is hereby waived on any lot on which a home is constructed closer than five (5.0) feet to the side boundary - there being some homes in the subdivision with a zero (0) minimum side setback.

n. No sign of any kind shall be displayed to the public view on any Lot except one (1) sign of not more than five (5) square feet advertising the property for sale or rent, or signs approved by Declarant and used by a builder to advertise the property during construction and sales period. During the initial period of construction on the vacant Lots, no sign shall be placed on any Lot unless the style and design thereof shall have been approved in writing by the Declarant, its successors or assigns. Provided, however that nothing contained in this paragraph shall prohibit Declarant from approving a sign or signs larger than provided in this paragraph for use at model home sites or at the entrance to the development.

o. These restrictions shall run with the land and be binding upon all parties, persons, firms

or corporations claiming under them until January 1, 2030. Thereafter said restrictions shall automatically be extended for successive periods of ten (10) years unless changed in part or in whole by written instrument signed by a majority of then record owners of the Lots.

p. If any person shall violate, or attempt to violate, any of these restrictions, any person who shall own real property in the subdivision may enforce these restrictions by proceedings at law or in equity, to either recover damages or restrain such violation. All costs and expenses incurred in the successful enforcement of any restriction, including a reasonable attorney's fee, shall thereupon become due and payable by the losing party.

q. In the event of the unintentional violation of any of the building line restrictions or minimum Lot residence square foot requirements as set forth herein, Declarant reserves the right, by and with the mutual written consent of the owner or owners for the time being of such Lot, to change the building line restriction set forth in this instrument; provided, however, that such change shall not be in violation of any provisions of the zoning provisions of the City of Columbia, State of South Carolina.

r. Use of Common Area. No person shall undertake, cause or allow any alteration or construction in or upon any portion of the Common Area or facilities except under the direction of and with the express consent of the Association. The Common Area and facilities shall be used only for the purposes for which they are intended and reasonably suited and which are incident to the use and occupancy of the residences, subject to any rules and regulations that may be adopted by the Association pursuant to its Bylaws. Plants and trees now or hereafter located on the Common Area shall be maintained by the Association and may not be removed except by permission of the Board of Directors. No additional plants, trees or shrubs may be planted upon the Common Area without the written approval of the Board of Directors.

ARTICLE VII

Easements

Section 1. Reservation. Easements for installation and maintenance of utilities and drainage facilities are reserved as shown on the recorded plats for use by Declarant, utility companies and public agencies in connection with this development. Within these easements, no structures, planting or other material shall be placed or permitted to remain which may interfere with the installation and maintenance of utilities, or which may change the direction or flow of drainage channels in the easements, or which obstruct or retard the flow of water through drainage channels and the easements. The use of such easement areas by the Association for access, ingress and egress to and from common areas and the public streets is hereby specifically granted. In the absence of any such designation of easement areas on the subdivision plats, drainage or utilities easements are hereby reserved over the side five (5.0') feet and the rear ten (10.0') feet of each lot, except as waived as hereinabove set forth

Section 2. Common Areas. Declarant hereby reserves unto itself, its successors and assigns, easements to cross the Common Area with pipes, utilities, power lines, gas lines, drainage and other usual and customary subdivision service facilities. The Association shall have the power and authority to grant and establish in, over, upon and across any Common Area conveyed to it such further easements as may be requisite for the convenient use and enjoyment of the property.

ARTICLE VIII
Rights of First Mortgagees

The following provisions, in addition to the provisions set forth elsewhere in this Declaration, shall be applicable to the holders, guarantors or insurers of first mortgages upon Lots subject to this Declaration and any Amendments hereto:

Section 1. Planned Unit Development. This Declaration and other constituent documents create a planned unit development hereinafter referred to as a "PUD."

Section 2. Assessment. Any first mortgagee who obtains title to a Lot pursuant to the remedies provided in its mortgage shall not be liable for unpaid assessments which accrued prior to the acquisition of title to such Lot by the mortgagee.

Section 3. Material Changes. Unless the Association shall receive the prior written approval of at least two-thirds (2/3) of the first mortgagees (who have informed the Association of their addresses in writing and requested to participate in such decisions), the Association shall not be entitled to do any of the following:

- (a) By act or omission, seek to abandon, partition or subdivide, sell or transfer the Common Area owned, directly or indirectly, provided, however, that the granting of easements for public utilities or for other public purposes consistent with the intended use of such Common Area, shall not be deemed a transfer within the meaning of this clause;
- (b) Change the method of determining the obligations, assessments, dues or other charges which may be levied against any Lot or the Owner thereof;
- (c) By act or omission, change, waive or abandon any scheme of regulations, or enforcement thereof, pertaining to the architectural design or the exterior appearance residential dwellings, the maintenance of party walls or common fences and driveways, or the upkeep of lawns, plantings and improvements located in or on the Common Area;
- (d) Use hazard insurance proceeds for loss to any Common Area improvements for other than the repair, replacement or reconstruction of such improvements.

Section 4. Taxes and Other Charges. First mortgagees of Lots subject hereto may, jointly and severally, pay taxes or other charges which are in default and which may, or have become, a charge against any of the Common Area, and may pay overdue premiums on hazard insurance policies, or secure new hazard insurance coverage on the lapse of such policies for such Common Area, and first mortgagees making such payments shall be immediately reimbursed therefor by the Association.

Section 5. Rights in Insurance Proceeds and Condemnation Award. No provision of the PUD constituent documents gives an Owner or any other party priority over any of the rights of any first Mortgagee contained in its mortgage, in or to a distribution to such owner of insurance proceeds or condemnation award or losses to or a taking of the Common Area or any part thereof.

Section 6. Notice to Mortgagee. A first mortgagee, upon request, is entitled to written notification from the association of the following: (a) any default in the performance by its borrower of any obligations under the PUD constituent documents which is not cured within sixty (60) days; (b) any condemnation loss or any casualty loss which affects a material portion of the Properties or any of such mortgagee's security; (c) any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association, and (d) any proposed action which would require the consent of a specified percentage of the mortgage holders.

Section 7. Further Rights of Mortgagees. The Association shall make this Declaration, any bylaws or other rules pertaining to the Properties, as well as all books, records and financial statements, available for inspection by any mortgagee during normal business hours or under other reasonable circumstances. Any mortgagees, upon its request, shall be entitled to a financial statement for the immediately preceding fiscal year.

Section 8. Contract Services. No agreement or lease, entered into on behalf of the Association prior to the termination of Class B membership, as provided in Section 2(b) Article III, shall be binding on the Association, unless the agreement or lease shall permit termination by either party without cause and without payment of a termination fee upon written notice of ninety (90) days or less.

ARTICLE IX

Annexation and Further Development

Section 1. Other Residential Property. Additional property and common area may be annexed to the Properties at any time, by the Declarant .

Section 2. Common Areas. Title to any common areas located within such portions of land annexed by the Declarant as provided in Section 1 may be conveyed to the Association without its consent, or the consent of the Owners, and shall be held, improved and administered in the same manner and for the same purposes, as the land described in Article I, Section 4, hereof.

Section 3. Effect of Annexation. Additional properties and improvements, including common area, so annexed shall be merged with the Properties described herein and with any previously annexed property, and may be subject to the provisions of this Declaration, the Articles of Incorporation and the Bylaws of the Association. Annexation as provided in this Article may increase or decrease the benefits which each Owner expects to derive from the Common Area, and may increase or decrease the cost of maintenance and operation thereof; any increase or decrease in such costs may require the Association to change the annual assessments levied in accordance with this Declaration. The Declarant reserves the right to modify, in whole or in part, the Use Restrictions set forth in Article VI in order to provide for townhomes, condominiums and/or commercial development.

ARTICLE X General Provisions

Section 1. Application. All Owners, employees of Owner and tenants or any other persons who may, in any manner, use the Properties or any portion thereof shall be subject to the provisions hereof and to the provisions of the Articles of Incorporation and the Bylaws of the Association.

Section 2. Enforcement. The Association or any Owner shall have the right to enforce, by proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens or charges now or hereafter imposed by the provisions of the Declaration. Failure by the Association or by any Owner to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so.

Section 3. Severability. Invalidation of any one of these covenants or restrictions, by judgment or court order, shall in no way affect any other provisions which shall remain in full force and effect.

Section 4. Amendment. The covenants and restrictions of this Declaration shall run with the land and bind the land for a term of thirty (30) years from the date this Declaration is recorded, after which time they shall automatically be extended for successive periods of ten (10) years. This Declaration may be amended by an instrument signed by the Owners of not less than two-thirds (2/3rds) of the lots; provided, however, that the Board of Directors may amend this Declaration without the consent of Owners to correct any obvious errors or inconsistencies in drafting, typing or reproduction or to make any changes required for FHA, VA or Conventional loan approval. All Amendments shall forthwith be recorded in any public office where this Declaration may be recorded and shall be effective upon such recordation.

Section 5. Lease of Residence. No residence shall be leased for transient or hotel purposes, nor may any Owner lease less than his entire residence. Any lease must be in writing and provide that the terms of the lease and occupancy of the dwelling shall be subject in all respects to the provisions of this Declaration and of the Bylaws and Articles of Incorporation, and that any failure by any lessee to comply with the terms of such documents shall be in default of such lease.

Section 6. Liability Insurance. The Association shall obtain and maintain a broad form public liability insurance policy covering all of the Common Area and all damage or injury caused by the negligence of the Association or any of its agents, officers or employees in an amount of not less than One Million and No/100 (\$1,000,000.00) Dollars for each occurrence, and such policies shall contain a waiver of the right of subrogation against the Association, its members, officers, agents or employees.

Section 7. Fidelity Bonds. The Association may maintain, as a common expense of the Association, blanket fidelity bond coverage against dishonest acts by officers directors, agents and employees and all other persons handling or responsible for funds of or administered by the Association. Such fidelity bonds shall:

- (a) Name the Association as an obligee;
- (b) Be written in an amount equal to at least one hundred fifty percent (150%) of the estimated annual budget of the Association, including reserves;
- (c) Contain waivers of any defense based upon the exclusion of persons who serve without compensation from any definition of "employee" or similar expressions; and
- (d) Provide that they may not be canceled or substantially modified (including cancellation for nonpayment of premiums) without at least ten (10) days, prior written notice to the Association.

Similar bonds may be required covering any management agent employed by the association for such agent's officers, employees and agents handling or responsible for funds of, or administered on behalf of, the Association.

Section 8. Waiver. No provision hereof shall be deemed to have been abrogated or waived by reason of any failure to enforce the same, regardless of the number of violations or breaches which may occur.

Section 9. Conflicts. In the event of irreconcilable conflicts between this Declaration and the Bylaws or Articles of Incorporation, the provisions of this Declaration shall control. In the event of any irreconcilable conflict between the Articles of Incorporation of the Association and the Bylaws of the Association, the provisions of the Articles of Incorporation shall control.

Section 10. Gender and Number. All pronouns used herein shall be deemed to include the masculine, the feminine and nonpersonal entities, as well as the singular and plural wherever the context provides or permits.

