

WAKE COUNTY, NC 440
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DECLARATION OF
COVENANTS, RESTRICTIONS AND EASEMENTS
FOR
BRIDGEWATER

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**DECLARATION OF COVENANTS, RESTRICTIONS AND EASEMENTS
FOR
BRIDGEWATER**

THIS DECLARATION OF COVENANTS, RESTRICTIONS AND EASEMENTS FOR BRIDGEWATER ("Declaration") is made this 5th day of September, 2002, by CENTEX HOMES, a Nevada general partnership, its successors and assigns ("Declarant"), joined in by BRIDGEWATER HOMEOWNERS ASSOCIATION, INC., a North Carolina non profit corporation ("Association").

WHEREAS, Declarant is the owner in fee simple of the real property more particularly described on Exhibit A ("Property") attached hereto and made a part hereof, which Property is subject to a final subdivision plat recorded in the Wake County, Register of Deeds Office, in Book of Maps 2002, Pages 1246-1247 through, inclusive.

WHEREAS, Declarant desires to develop a community to be known as "Bridgewater" (referred to as "Bridgewater" or the "Subdivision") on the Property as hereinafter set forth; and

WHEREAS, Declarant has deemed it desirable for the efficient preservation of the values and amenities established to create a North Carolina non-profit corporation known as the Bridgewater Homeowners Association, Inc., to which there have been and will be delegated and assigned: (i) certain powers and duties of ownership, operation, administration, maintenance and repair of portions of the Property, including, but not limited to, the "Association Property" (as hereinafter defined); (ii) the enforcement of the covenants and restrictions contained herein; and (iii) the collection and disbursement of the "Operating Expenses" (as hereinafter defined); and

WHEREAS, in order to develop and maintain Bridgewater as a planned residential community and to preserve the values and amenities of such community, it is necessary to declare, commit and subject the Property and the improvements now or hereafter constructed thereon to certain land use covenants, restrictions, reservations, regulations, burdens, liens, and easements; and to delegate and assign to the Association certain powers and duties of ownership, administration, operation, maintenance and enforcement; and

NOW, THEREFORE, in consideration of the premises and covenants herein contained, Declarant hereby declares that the Property 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 Property and any part thereof and which shall be binding upon all parties having any right, title or interest in the Property or any part thereof, their heirs, successors and assigns.

ARTICLE I
EXHIBITS

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

<u>Exhibit A</u>	Legal Description of the Property
<u>Exhibit B</u>	Stormwater Operations Maintenance Manual and Budget
<u>Exhibit C</u>	Approved Form of City Agreement

ARTICLE II
DEFINITIONS

“Additional Property” means any real property that is contiguous to the Property and acquired by the Declarant as provided in Section A of Article XII, which is permitted to be subjected to the terms of this Declaration..

“Amendment(s)” mean(s) any and all amendments to this Declaration, all of which shall be consecutively numbered beginning with the “First Amendment to the Declaration of Covenants, Restrictions and Easement for Bridgewater”, and so forth, provided that the failure to so consecutively number such amendments shall not impair their validity.

“Articles” mean the Articles of Incorporation of the Association.

“Assessments” mean the assessments for which all Owners are obligated to pay to the Association as set forth in Articles V and VI, and any and all other assessments which are levied by the Association as permitted or contemplated by the Association Documents.

“Association” means Bridgewater Homeowners Association, Inc., a North 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, including, but not limited to, amendments to any of the foregoing, as applicable.

“Association Property” means the lands, systems, facilities, stormwater control measures, personal property, equipment, rights and easements which may be deeded, leased, granted, reserved, assigned or transferred to the Association, as described in this Declaration, or as designated Association Property by the Declarant prior to the Turnover Date, and thereafter by the Association, together with all improvements thereon and equipment, facilities and rights associated therewith.

“Bio-Retention Basin” means a bio-retention area installed on the Property as part of the Stormwater Control Measures, designed to filter nitrogen during the absorption of surface water through layers of landscape materials, mulch, soil and sand, prior to releasing the stormwater into the underground piping.

“Board” means the Board of Directors of the Association.

“Bridgewater” or the “Subdivision” means the single-family residential community planned for development on the Property.

Bylaws” mean the Bylaws of the Association.

“City” means the City of Raleigh, Wake County, North Carolina.

“City Agreement” means the agreement between Declarant, the City and the Association in the form attached as Exhibit “C”, for the purposes of granting easements and self-help rights to the City to enable the City to inspect, maintain, repair or replace the Storm Water Management System if the

Association fails to do so, which also requires an escrow account to be maintained by Declarant and the Association with the City to provide funds to preserve the Stormwater Control Measures.

“Committee” means the Architectural Control Committee established and empowered as provided in Article X.

“Contributing Lot” means any Lot which (a) has been issued a certificate of occupancy for a Home constructed thereon by the appropriate governmental agency, or (b) is designated a Contributing Lot by the Declarant in the deed of conveyance or any other instrument recorded in the Public Records, upon which an affirmative covenant to pay Assessments, as more particularly set out in Article V hereof, is imposed.

“Contributing Lot Owner” means the Owner of a Contributing Lot.

“County” means Wake County, North Carolina.

“Declarant” means Centex Homes, a Nevada general partnership, and any successor or assign thereof, which acquires any Lot from Declarant for the purpose of development and to which Centex Homes specifically assigns all or part of the rights of Declarant hereunder by an express written assignment recorded in the Public Records.

“Declaration” means this document and any and supplements hereto.

“Dry Detention Basin” means a dry detention basin or pond installed on the Property as part of the Stormwater Control Measures, intended to temporarily detain stormwater during periods of rainfall and to gradually release the stormwater into underground piping.

“Director” means a member of the Board.

“Final Plat” means a final subdivision plat approved by the City consistent with the Site Plan for all or a portion of the Property and recorded in the Public Records.

“Governmental Authorities” means the federal government, the State of North Carolina, the County of Wake, the City of Raleigh, and any agency or instrumentality of them having jurisdiction over the Property or any portion thereof.

“Grassed Swale” means an area of grassed contours through which stormwater runoff passes through and is filtered.

“Guarantee Period” means the period during which Declarant shall fund any deficit occurring as a result of the Operating Expenses of the Association for a period being more than the funds collected from the Contributing Lot Owners as Individual Lot Assessments as provided in Section F of Article VI.

“Home” means a residential dwelling unit in Bridgewater intended as an abode for one family constructed upon a Lot.

“Improvement” means any building, fence, wall, patio area, driveway, walkway, antenna, satellite dish, sign, mailbox, pool, tennis court, deck, or other structure or improvement, including landscaping, which is constructed, made, installed, attached, placed or developed within or upon, or removed from, any

portion of the Property, or any change, alteration, addition or removal of any such structure or improvement other than normal maintenance and repair which does not materially alter or change the exterior appearance, condition and color of same.

“Institutional Mortgagee” means any lending institution holding an interest in a Dwelling Unit or Lot pursuant to a first mortgage covering a Dwelling 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 maximum nonusurious interest rate allowed by law on the subject debt or obligation, and if no such rate is designated by law, then eighteen percent (18%) per annum.

“Legal Fees” mean reasonable fees for attorney and paralegal services incurred in connection with: (i) negotiation and preparation for litigation, whether or not an action is actually begun, through and including all trial and appellate levels and post-judgment proceedings; (ii) collection of past due Assessments including, but not limited to, preparation of notices and liens; and (iii) court costs through and including all trial and appellate levels and post-judgment proceedings.

“Lot” means a portion of the Property as shown on a Final Plat, upon which a Home is permitted to be erected.

“Member” means a member of the Association.

“Operating Expenses” mean the expenses for which Contributing Lot Owners are liable to the Association as described in Article VI and any other Association Documents and include, but are not limited to, the costs and expenses incurred by the Association in administering, operating, reconstructing, maintaining, financing, repairing, replacing, insuring, or improving the Association Property, and making escrow payments to the City pursuant to the City Agreement.

“Owner” means the owner of the fee simple title to a Lot and includes Declarant for so long as Declarant is the owner of the fee simple title to a Lot but excluding those having such interest merely as security for the performance of any obligation and excluding purchasers under executory contracts of sale of a Lot.

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

“Planned Community Act” means the North Carolina Planned Community Act (Chapter 47F of the North Carolina General Statutes), as may be amended or supplemented from time to time.

“Private Drainage Easements” means the easements and rights dedicated and granted to the Association within those portions of the Property shown on the Final Plat as a “Private Drainage Easement” or an “Existing Private Drainage Easement” for the purpose of locating, operating, maintaining,

repairing and replacing the Stormwater Control Measures in accordance with this Declaration and the City Agreement.

“Property” means the real property more particularly described on Exhibit A attached hereto and made a part hereof. The term “Property” shall also mean any additional real property made subject to this Declaration, if applicable.

“Public Records” means the office of the Wake County Register of Deeds Office, or such other office in the County in which instruments involving real property are filed for public record.

“Site Plan” means the preliminary subdivision plan of Bridgewater approved by the City, for the real property comprising the Property, as such Site Plan may be supplemented or amended from time to time to reflect modifications which are approved by the City.

“Stormwater Maintenance Plan” means the Stormwater Operations Maintenance Manual and Budget for the Stormwater Control Measures approved by the City and required to be adhered to by the Association, a copy of which is attached to this Declaration as Exhibit B.

“Stormwater Control Measures” means the drainage areas, Private Drainage Easements, drainage easements, retention areas, stormwater piping systems, drains, catch basins and other related apparatus and facilities intended to provide stormwater management and control for the Property, that are located outside public street right-of-way (excluding those pipes and measures serving a single Lot) including, but not limited to, the Dry Detention Basins, the Bio-Retention Basins, and the Grassed Swales.

“Total Planned Lots” means the total number of Lots planned for Bridgewater by the Site Plan as such may exist from time to time and as reflected by the Site Plan as may be updated from time to time with the approval of the City. For the purposes hereof, the term “Total Planned Lots” shall mean forty-seven (47) Lots, as such number may be adjusted to reflect changes in the Site Plan which are approved by the City.

“Turnover Date” means the earlier of (i) the date when seventy-five percent (75%) of the Total Planned Lots have been improved with a Home and conveyed to an Owner other than a successor Declarant for use as a primary residence, (ii) the date on which Declarant records in the Public Records a document relinquishing its control of the Association to the members at large, or (iii) the date that is seven (7) years following the date this Declaration is first recorded in the Public Records.

ARTICLE III PLAN OF DEVELOPMENT; ASSOCIATION PROPERTY; RULES AND REGULATIONS

A. Plan of Development. Declarant plans to develop Bridgewater as a single-family residential community containing forty seven (47) Lots and the Association Property located on the Property. Additional subsequent stages, if any, may consist of Lots and Association Property located within any additional property made subject to this Declaration pursuant to Section A of Article XII as shown on a Final Plat of such property.

Declarant's general plan of development of Bridgewater contemplates the construction of Homes thereon and, further, that various Improvements will be constructed on the Lots and other portions of the Property which will enhance Bridgewater and benefit the Owners of all Lots, however there is no obligation imposed by this Declaration on the Declarant to build a Home on any particular Lot. Declarant's general plan of development further contemplates that such Homes 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 development of Bridgewater is reflected by the Site Plan and may also include whatever facilities and amenities Declarant considers in its sole judgment to be appropriate to the community. Declarant reserves the right to increase or decrease the number of Lots reflected and/or permitted by the Site Plan as approved by the City in accordance with applicable law, and such change shall not require an amendment to this Declaration.

B. Association Property. The Association Property is for the use, enjoyment, and benefit of the Association and the Owners, the residents of the Property, and their respective guests and invitees, tenants, the Institutional Mortgagees, and subject to the ordinances of the City, and any other person authorized to use the Association Property or any portion thereof by Declarant or the Association for all proper and reasonable purposes and uses for which same are reasonably intended. Use of the Association Property is subject to the terms of this Declaration, and the terms of any easement, restriction, reservation or limitation of record affecting the Association Property or contained in the deed or instrument conveying the Association Property to the Association.

1. Stormwater Control Measures. The Stormwater Control Measures shall be kept, repaired, replaced, and maintained by the Association. The Association shall use and maintain those portions of the Stormwater Control Measures owned or controlled by the Association substantially in the same fashion as constructed by Declarant and in accordance with the Stormwater Maintenance Plan, the City Agreement and other applicable requirements of the City and other applicable Governmental Authorities.

The Stormwater Control Measures shall consist of those facilities and improvements located within the Private Drainage Easements. The Association shall maintain and repair the underground piping located beneath the Private Drainage Easements. The Association shall also maintain the surface area, landscaping, underground piping and all portions of the Dry Detention Basins, the Grassed Swales, and the Bio-Retention Basins, as provided in this Declaration and in the Stormwater Maintenance Plan.

Declarant and the Association are required to enter into (or are entering into) the City Agreement, which includes the obligation to establish an escrow account with the City to provide the estimated funds necessary for future maintenance, repair or replacement of the Stormwater Control Measures. Pursuant to the City Agreement, Declarant shall fund the escrow account by depositing funds in the amount estimated as the original cost to construct new Stormwater Control Measures if the original Stormwater Control Measures constructed by Declarant are damaged or destroyed. If the Association or the City withdraws funds from the escrow account as permitted in the City Agreement, the Association is obligated to replenish the funds so withdrawn. The City Agreement allows the Association to draw funds from the escrow account, with the consent of the City, for the purpose of funding major repair or reconstruction of the Stormwater Control Measures. The City also has the right to inspect the Stormwater Control Measures and to perform the Association's obligation to maintain, repair and replace the Stormwater Control Measures, if the Association fails to do so (as

determined in the City's sole discretion). If the City performs any of the Association's obligations under the City Agreement as permitted thereby, the City shall be reimbursed out of the funds in the escrow account or otherwise reimbursed by the Association. The expenses incurred by the Association in performing the Association's obligations under the City Agreement shall be an Operating Expense, and if necessary, may be the subject of a Special Assessment that the Board may impose pursuant to Section C.2 of Article VI.

2. Roadways and Rights of Way. Any portion of the Property shown on a Final Plat as a public roadway, street (collectively, "Roadway") or right of way ("Right of Way") and all improvements thereon shall be dedicated to the City or other applicable governmental agency as a public right-of-way for ingress and egress to and from all portions of the Property. Upon acceptance of the Roadways by the applicable Governmental Authority, the Association shall have no responsibility for the maintenance thereof, but shall have the right, to provide supplemental maintenance together with the City or other governmental agency, as the Board may determine in its sole discretion.

3. Landscape and Sign Easement. Any portion of the Property shown on a Final Plat as a landscape and sign easement ("Landscape and Sign Easement") shall be used and maintained by the Association in substantially the same fashion as landscaped and constructed by Declarant. To the extent that any portion of a Landscape and Sign Easement is located upon any Lot, an easement upon the applicable portion of such Lot is hereby reserved in favor of Declarant and the Association as provided in Section B8 of Article VIII.

4. Sight Distance Easement. Any portion of the Property shown on a Final Plat as a Sight Distance Easement shall contain no obstruction between 24 inches and 8 feet above the curb line elevation. Obstructions include, but are not limited to, any berm, foliage, Improvement or parked vehicle.

5. Other Property. In addition to the Association Property specifically described in this Section B of Article III, Association Property shall also consist of such other property, real or personal, and interests therein as may be determined by Declarant to be of use or benefit to the Association, its Members or Bridgewater and designated as Association Property by Declarant on Final Plats or deeds to the Association.

6. Maintenance of Other Property benefiting the Association. 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 Property selected by the Board for maintenance and determined by the Board as benefiting Bridgewater with the approval of the owner of such property or the governmental authority responsible for maintenance of same.

7. 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.

8. Administration and Costs of Maintenance. Except as specifically provided to the contrary herein, all costs associated with operating and maintaining the Association Property shall be the obligation

of the Association; such costs shall be an Operating Expense. The Association Property shall be conveyed to the Association in accordance with the provisions of Section 11 of this Article III. The administration, management, operation and maintenance of the Association Property shall be the responsibility of the Association, all as is provided herein and in the other Association Documents.

9. Private Use. Except as otherwise 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 Lot Owners in Bridgewater, 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 City and the applicable governmental authorities.

10. Declarant's Rights to Use Association Property. Notwithstanding anything in this Declaration to the contrary, however, Declarant, subject to the ordinances of the City, hereby expressly reserves the right to use the Association Property and the Lots in connection with the sale and marketing by Declarant of Homes in Bridgewater and Additional Properties developed by Declarant, including, but not limited to, the holding of sales and marketing meetings, sales promotions and related activities.

11. Conveyance of Association Property. Declarant agrees that fee simple title or other applicable interest in and to the Association Property shall be conveyed to the Association by deed, bills of sale, easements or leases, as applicable, and the Association is obligated to accept, fee simple title or other applicable interest in and to the Association Property, subject to: (i) the terms and provisions of this Declaration; (ii) all applicable Association Documents; (iii) real estate taxes for the year of such conveyance; (iv) all applicable zoning ordinances; and (v) utility and drainage easements. While Declarant shall have the right to convey or cause to be conveyed all or such portions of the Association Property as Declarant shall from time to time determine, the conveyance of the Association Property located within any portion of the Property shall be effectuated no later than the sale by Declarant of the first Lot shown on the Final Plat for such portion of the Property. Notwithstanding the foregoing, if the Property is subject to the requirements of the 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, the conveyance of Association Property shall be effectuated no later than the date that the United States Department of Housing and Urban Development ("HUD") insures the first mortgage in the portion of the Property in which the Association Property is located. At the time of conveyance of the Association Property or any portion thereof, the Association shall be required to accept such conveyance of the Association Property or portions thereof and the personal property and improvements appurtenant thereto. The Association hereby agrees to accept the Association Property and the personal property and improvements appurtenant thereto "AS IS", without any representation or warranty, expressed, implied, in fact or by law, as to the condition or fitness of the Association Property or portions thereof and the personal property and improvements thereon, subject to the obligation of Declarant to convey the Association Property to the Association free of any liens or encumbrances, including, but not limited to, any mortgages, deeds of trust, or mechanic's or materialmen's liens for any work performed by or on behalf of such developers for the completion of the Improvements to the Association Property.

Notwithstanding anything contained in this Declaration to the contrary, the Association Property shall not be mortgaged or conveyed by the Association without (i) the approval of eighty percent (80%) of the Members (other than Declarant), and (ii) compliance with and satisfaction of the applicable provisions of the Planned Community Act (if any), including the

affirmative approval of any other percentage of Members or of votes attributable to the Members (or each class of Members) than the percentage specified herein as may be prescribed by the Planned Community Act. All rights of the mortgagee shall be subordinate to the rights of the Association and its Members. Easements granted or permitted in the Association Property, shall not be considered to be a conveyance of such Association Property and shall not require the approval or consent of the Owners or any other party or Person.

In addition, if prior to the Turnover Date, the Property is subject to the requirements of VA, FHA, the Federal Home Loan Mortgage Corporation or any other governmental or quasi-governmental agency which insures, guaranties, or purchases mortgages, the Association Property cannot be mortgaged or conveyed by the Association without the prior approval of HUD/VA.

12. Rules and Regulations. The Association shall, from time to time, impose rules and regulations regulating the use and enjoyment of the Association Property. The rules and regulations so promulgated shall, in all respects, be consistent with the provisions of the Association Documents. The right to use the Association Property shall be subject to the rules and regulations established by the Association. The rules and regulations shall not apply to Declarant as an Owner.

ARTICLE IV ASSOCIATION MEMBERSHIP AND GOVERNANCE

A. Membership and Voting Rights. Each Member shall be entitled to the benefit of, and be subject to, the provisions of the Association Documents. The qualification of Members of the Association, the manner of their admission to membership, the manner of the termination of such membership and the manner of voting by Members shall be established and terminated as set forth below:

1. Membership in the Association for Owners other than Declarant shall be established by the acquisition of ownership of fee title to a Lot as evidenced by the recording of an instrument of conveyance among the Public Records of the County. Otherwise, voting rights attributable to an ownership interest shall vest upon the recording of this Declaration. Where title to a Lot is acquired by conveyance from a party other than Declarant by means of sale, gift, inheritance, devise, judicial decree or otherwise, the person, persons or entity thereby acquiring such Lot shall not be a Member unless or until such Owner shall deliver a true copy of a deed or other instrument of acquisition of title to the Association, but if the Lot so acquired is a Contributing Lot as defined in this Declaration, the person, persons or entity thereby acquiring such Lot shall be deemed to be a Contributing Lot Owner upon the acquisition of such Lot and liable to the Association for Assessments attributable to such Lot in accordance with the provisions of Article V, regardless of the membership status of such Contributing Lot Owner.

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

- i. "Class A Members" shall be all Members, with the exception of Declarant, and shall be entitled to one (1) vote for each Lot owned.
- ii. "Class B Members" shall be Declarant who shall be entitled to three (3) votes for each Lot owned by Declarant. Class B membership shall cease and be converted to Class A membership upon the Turnover Date.

On the Turnover Date, Class A Members, including Declarant, shall assume control of the Association and elect the Board.

3. The designation of different classes of membership is for the purposes of establishing the number of votes applicable to certain Lots, and, nothing herein shall be deemed to require voting solely by an individual class on any matter which requires the vote of Members, unless otherwise specifically set forth in Association Documents.

4. No Member may assign, hypothecate or transfer in any manner his membership in the Association except as an appurtenance to his Lot.

5. Any Member who conveys or loses title to a Lot by sale, gift, devise, bequest, judicial decree or otherwise shall, immediately upon such conveyance or loss of title, no longer be a Member with respect to such Lot and shall lose all rights and privileges of a Member resulting from ownership of such Lot, but shall remain personally liable to the Association for any unpaid Assessments levied upon the subject Lot which accrue during the period of such Person's ownership of the Lot.

6. There shall be only one (1) vote for each Lot, except for Class B Members as set forth herein. If there is more than one Member with respect to a Lot as a result of the fee interest in such Lot being held by more than one person, then all such persons shall be Members, but no more than one vote shall be cast with respect to any Lot. The vote for any such Lot shall be exercised as the Members holding an interest in such Lot determine by majority interest of the multiple owners. In the event of disagreement, the decision of Members holding a majority of interest in such Lot shall govern. Fractional voting shall not be allowed. Unless otherwise notified by a co-owner as to a dispute between the co-owners regarding their vote prior to the casting of that vote, the vote of any co-owner shall be conclusively presumed to be the majority vote of the Owners of that Lot.

7. Unless a higher percentage is required by this Declaration, the Bylaws, the Articles, or the Planned Community Act, a quorum of the Association shall consist of persons entitled to cast at least twenty percent (20%) of the total number of votes of the Members.

B. Board. The Association shall be governed by the Board, which shall be appointed, designated or elected, as the case may be, as set forth in the Bylaws.

C. Duration of Association. The duration of the Association shall be perpetual, as set forth in the Articles.

ARTICLE V

COVENANT TO PAY ASSESSMENTS FOR OPERATING EXPENSES; ESTABLISHMENT OF LIENS; COLLECTION OF ASSESSMENTS, RIGHTS OF DECLARANT AND MORTGAGEES

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 preserve the Association Property for the use, safety, welfare and benefit of the Members and their family members, guests, invitees and lessees, there is hereby imposed upon each Contributing Lot and Contributing Lot Owner (with the exception of Declarant for so long as Declarant pays the Deficit during

the Guarantee Period referred to in Section F of Article V) the affirmative covenant and obligation to pay to the Association (in the manner herein set forth) all Assessments, including, but not limited to, the Individual Lot Assessments, Special Assessments and Individual Expense Assessments. Each Owner (except, if applicable as provided in Section F of Article VI, Declarant) by acceptance of a deed or other instrument of conveyance conveying a Lot within the Property from Declarant, whether or not it shall be so expressed in such deed or instrument, shall be 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 provisions of the Association Documents with Interest thereon and costs of collection, including, but not limited to, Legal Fees, are hereby declared to be a charge and continuing lien upon each Contributing Lot against which each such Assessment is made. Each Assessment against a Contributing Lot, together with Interest thereon, including, but not limited to, Legal Fees, shall be the personal obligation of the Contributing Lot Owner of such Contributing Lot. Said lien shall be effective only from and after the time of the recordation amongst the Public Records of the County 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, the party making payment shall be entitled to a satisfaction of the statement of lien in recordable form. Provided, however, where an Institutional Mortgagee of record obtains title to a Contributing Lot as a result of foreclosure of its first mortgage or first deed of trust or deed in lieu of foreclosure, such Institutional Mortgagee, its successors or assigns, shall not be liable for the share of Assessments pertaining to such Contributing Lot or chargeable to the former Contributing Lot Owner thereof which became due prior to the acquisition of title as a result of the foreclosure or deed in lieu thereof. Such unpaid Assessments shall be deemed to be Operating Expenses collectible from all Contributing Lot Owners, including such purchaser, its heirs, successors and assigns.

C. Collection of Assessments. In the event any Contributing Lot Owner shall fail to pay any Assessment (or installment thereof) charged to such Contributing Lot Owner within thirty (30) days after the same becomes due, then the Association, through its Board, 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 for the remainder of the calendar year notwithstanding any provisions for the payment thereof in installments.
2. To advance on behalf of the Contributing Lot Owner(s) in default funds to accomplish the needs of the Association up to and including the full amount for which such Contributing Lot Owner(s) is liable to the Association and the amount or amounts of monies so advanced, together with Interest and all costs of collection thereof, including, but not limited to, Legal Fees, may thereupon be collected by the Association and such advance by the Association shall not waive the 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 under power of sale under Article 2A of Chapter 45 of the North Carolina General Statutes, or as otherwise provided in the Planned Community Act.
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.

D. Collection by Declarant. If for any reason the Association shall fail to collect the Assessments, then Declarant shall at all times have the right prior to the Turnover Date (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 Contributing Lot Owner as set forth above, which remedies (including, but not limited to, recovery of Legal Fees) are hereby declared to be available to Declarant.

E. Rights of Declarant and Institutional Mortgagees to Pay Assessments and Receive Reimbursement. 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 Contributing Lots. Further, Declarant and any Institutional Mortgagees shall 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 including, but not limited to, Legal Fees. 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.

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

G. 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.

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

I. Application of Payments. Any payments made to the Association by any 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 owned to the Association by the 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.

ARTICLE VI
METHOD OF DETERMINING ASSESSMENTS AND ALLOCATION OF ASSESSMENTS

A. Determining Amount of 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 Contributing Lots by dividing the total anticipated Operating Expenses as reflected by the Budget, other than those Operating Expenses which are properly the subject of a Special Assessment (adjusted as hereinafter set forth), by the total number of Contributing Lots (as evidenced by the issuance of a certificate of occupancy), with the quotient thus arrived at being the "Individual Lot Assessment" unless such quotient exceeds the Maximum Annual Assessment Amount for the applicable period, in which event the amount of the Individual Lot Assessment shall be either the Maximum Annual Assessment Amount or the higher assessment amount ratified by the Members as set forth below. Provided, however, any assessment for 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 Individual Lot Assessment.

Within 30 days after adoption of a Budget, the Board shall provide to all Contributing Lot Owners, a summary of the Budget and a notice of the meeting to consider ratification of the Budget, such meeting to be held not less than 10 nor more than 60 days after mailing of the summary and notice. There shall be no requirement that a quorum be present at the meeting. The Budget is ratified unless at that meeting, ninety percent (90%) or more of the Contributing Lot Owners present in person or by proxy at the meeting, reject the budget. If the Budget is rejected, the Budget last ratified by the Contributing Lot Owners or in effect for the preceding fiscal year of the Association, shall be continued until such time as the Contributing Lot Owners ratify a subsequent Budget adopted by the Board.

B. Assessment Payments. The Individual Lot Assessments shall be payable in advance in monthly, quarterly, annual or semi-annual installments with the due dates being established by the Board. The Individual Lot Assessments, and the installments thereof, as well as all Assessments provided for herein and all installments thereof may be adjusted following the Guarantee Period from time to time by the Board.

C. Special Assessment.

1. General. "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. Provided, however, reserve funds set forth in the budget for capital improvements are Operating Expenses properly assessed as Individual Lot Assessments and not as Special Assessments. It is recognized and declared that Special Assessments shall be in addition to, and are not part of, any "Individual Lot Assessment". Any such Special Assessments assessed against Contributing Lots and Contributing Lot Owners thereof shall be paid by such Contributing Lot Owners in addition to any other assessments. Special Assessments shall be assessed in the same manner as the Individual Lot Assessment. Special Assessments shall be paid in such installments or in a lump sum as the Board shall, from time to time, determine. Except as provided in Section C. 2 below, 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 all Contributing Lot Owners represented in person or by proxy at a meeting called and held in accordance with the Bylaws. Except as provided in Section C. 2 below, , in any fiscal year of the Association prior to the Turnover Date, the levying of any Special Assessment which exceeds five (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 Contributing Lot Owners represented in person or by proxy at a meeting called and held in accordance with the Bylaws.

2. City Agreement Special Assessment. Notwithstanding the requirements of Section C.1 of this Article IV, the Association, acting by and through the Board shall levy a Special Assessment for the purpose of funding any monetary obligations that the Association may have pursuant to the City Agreement. The Board may levy any such Special Assessment without the approval or consent of any Owner, Member, or any other party. The right of the Association to enforce its lien for payment of such Special Assessment may be exercised by either the Association or the City. The Association hereby assigns to the City, its rights to claim and enforce the lien for any Special Assessment levied pursuant to this Section C. 2 of Article VI, who may act on behalf of the Association and shall have all of the rights of the Association, including those rights in Article V, with respect to any such Special Assessment levied hereby.

D. Individual Expense Assessments. Individual Expense Assessments include any Assessment levied against a Contributing Lot Owner as a result of such Contributing Lot Owner's or any such Contributing Lot Owner's family members, guests, invitees, contractors, agents, or lessees and their family members, guests, contractors, agents, and invitees use, damage, misuse, or treatment of the Association Property or Lots or such Person's failure to comply with the Association Documents, including, but not limited to, non-compliance of Homes and any other Improvements or personal property contained therein with the standards set forth in the Association Documents, or as adopted from time to time by the Association. 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 which would not have been incurred if the Contributing Lot Owner or the Contributing Lot Owner's family members, guests, invitees, contractors, agents, or lessees and their family members, guests and invitees had been in compliance with the Association Documents, or had not damaged Association Property. No Individual Expense Assessment shall be levied without notice of and opportunity for a hearing before the Board. 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, any such Individual Expense Assessment assessed against a Contributing Lot Owner shall be paid by such Contributing Lot Owner in addition to any other Assessment..

Individual Expense Assessments shall be in addition to and not part of any other Assessment, any such Individual Expense Assessment assessed against a Lot Owner shall be paid by such Lot Owner in addition to any other Assessment.

E. Liability of Contributing Owners for Individual Assessments. By the acceptance of a deed or other instrument of conveyance of a Lot in the Property, each Contributing Owner thereof acknowledges that the Contributing Lot Owners are jointly and severally liable for their own Individual Lot 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

Contributing Lot Owners further recognize and covenant that they are jointly and severally liable with all Contributing Lot Owners (except for Declarant during the Guarantee Period) for the Operating Expenses. Each Contributing Lot Owner, for himself and his heirs, executors, successors and assigns, recognizes and agrees that if other Contributing Lot Owners fail or refuse to pay their Assessments or any portion thereof, then the remaining Contributing Lot Owners may be responsible for increased Individual Lot Assessments or a Special Assessment or other Assessments levied as a result of the nonpayment by such other Contributing Lot Owners. Such increased Individual Lot 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 hereunder as provided in the Association Documents.

F. Declarant Funding During Guarantee Period. Declarant covenants and agrees with the Association and the Contributing Lot Owners that for the 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 thirty five (35) Lots have become Contributing Lots, or (ii) the date that is two (2) years after the date of first recordation of this Declaration ("Guarantee Period"), that Declarant will pay the difference, if any, between (a) the Operating Expenses (other than those Operating Expenses which are properly the subject of a Special Assessment) incurred by the Association during the Guarantee Period, and (b) the Maximum Annual Assessment Amounts assessed as Individual Lot Assessments (referred to below) against the Contributing Lots and the "Working Capital Contributions" referred to below (the "Deficit"), which will be used to defray initial start up expenses. While Declarant pays the Deficit during the Guarantee Period, Declarant shall not be obligated to pay any Assessments with respect to any Lots owned by Declarant. Declarant hereby reserves the right to extend the Guarantee Period to a date ending no 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 a Guarantee Period. After the Guarantee Period terminates, Declarant shall be obligated to pay Assessments to the same extent as a Contributing Lot Owner for any Contributing Lots owned by Declarant.

Declarant's obligation to fund the Deficit during the Guarantee Period as set forth above, together with Interest thereon and costs of collection, including, but not limited to, Legal Fees, are hereby declared to be a charge and continuing lien upon each Lot 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.

G. Maximum Annual Assessment Amount. The amount of the Individual Lot Assessment shall not exceed the amount of Six Hundred Fifty Dollars (\$650.00) (such amount, plus any applicable increase provided for in subparagraphs G.1 and G.2 below, is herein referred to as the "Maximum Annual Assessment Amount") for any consecutive twelve calendar monthly period.

1. From and after January 1, 2003, the Maximum Annual Assessment Amount may be increased by the Board effective January 1 of each year unless 90% or more of the Contributing Lot Owners present in person or by proxy at a meeting duly called in accordance with Section A or Article VI reject the Budget, but subject to the limitation that the percentage of any such increase shall not exceed 10% of the Maximum Annual Assessment Amount for the previous year unless such increase is approved as set forth in the subparagraph below.

2. From and after January 1, 2003, the Maximum Annual Assessment Amount may be increased without limitation if such increase is approved by Declarant and by not less than two-thirds (2/3) of all Contributing Lot Owners, present in person or by proxy, at a meeting duly called for this purpose.

3. The Board may fix the annual assessment at any amount not in excess of the Maximum Annual Assessment Amount for the applicable fiscal calendar year of the Association.

The Maximum Annual Assessment Amount shall be applicable only to the Individual Lot Assessments and Contributing Lot Owners shall also be obligated to pay any Special Assessments or Individual Expense Assessments, and their respective Working Capital Contribution.

H. Working Capital Contribution. Each Owner who purchases a Lot from Declarant shall pay to the Association at the time legal title is conveyed to such Owner a "Working Capital Contribution". The Working Capital Contribution shall be an amount equal to a two months' share of the Maximum Assessment Amount in effect at the time. 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 Individual Lot Assessments and shall have no effect on future Individual Lot Assessments.

I. Exempt Property. Operating Expenses shall be assessed only against Contributing Lots which are subject to Assessment under the provisions hereof, and all other portions of the Property shall be exempt therefrom including, but not limited to, the Association Property owned in fee by the Association, any and all Lots or other portions of the Property which may from time to time be withdrawn from the provisions of this Declaration by Declarant, any Lot which is not by definition a Contributing Lot, and during the Guarantee Period for so long as Declarant pays the Deficit, any Contributing Lots owned by Declarant.

J. Operating Expenses. The following operating expenses of the Association are hereby declared to be Operating Expenses which the Association is obligated to assess and collect and which the Contributing Lot Owners are obligated to pay as provided herein or as may be otherwise provided in the Association Documents:

1. Taxes. Any and all taxes levied or assessed at any and all times by any and all taxing authorities including all taxes, charges, assessments and impositions and liens for public Improvements, special charges and assessments and water drainage districts, and in general all taxes and tax liens which may be assessed against the Association Property owned in fee by the Association 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 shall be considered Operating Expenses. Any and all taxes levied or assessed against the Lots shall be the obligation of the respective Owners thereof.

2. Utility Charges. All charges levied for utilities providing services for the Association Property whether supplied by a private or public firm shall be considered Operating Expenses. It is contemplated that this obligation will include all charges for water, gas, electricity, telephone, sewer and any other type of utility or any other type of service charge. All charges levied for utilities providing services to the Lots shall be the obligation of the respective Owners thereof.

3. Insurance. The premiums on any policy or policies of insurance required to be maintained 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 shall be Operating Expenses.

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. In the event insurance money shall be payable, 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 and the procedures for disbursement of any such insurance proceeds or funds shall be in accordance with the applicable and/or additional provisions of the Planned Community Act (if any). The Association shall pay into such account, either in addition to the insurance proceeds or in the event there are no insurance proceeds, such sums as may be necessary so that the funds on deposit will equal the costs of repair and reconstruction of the damage or destruction. 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 as provided in Section C of Article V of this Declaration and subject to the limitations therein set forth with respect to Special Assessments. The Association agrees that it will commence the Special Assessments process to provide the funds for the cost of reconstruction or construction within ninety (90) days from the date the destruction takes place and shall go forward with all deliberate speed so that the construction or reconstruction, repair or replacement, shall be completed within a reasonable period of time from the date of damage.

5. Maintenance, Repair and Replacements. Operating expenses shall include 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 development of Bridgewater and in accordance with the covenants and restrictions contained herein, and in conformity with all orders, ordinances, rulings and regulations of any and all federal, state, County and City governments having jurisdiction over the Property as well as the statutes and laws of the State of North Carolina and the United States. This shall include any expense attributable to the maintenance and repair and replacement of pumps or other equipment, if any, located upon or servicing Bridgewater pursuant to agreements with utility corporations. Any expenses for replacements which would not be in the nature of normal repair and maintenance shall be the subject of a Special Assessment as provided in Section C of Article VI and subject to the limitations thereon set forth with respect to Special Assessments. If the Association is permitted by the owner of property in close proximity to the Property or the governmental authority responsible for maintaining same to provide additional maintenance for such property, and the Board elects to do so in order to enhance the overall appearance of the Property, then the expense thereof shall be an Operating Expense.

6. Indemnification. The costs of fulfilling the covenant of indemnification set forth in Section F of Article XV shall be deemed to be Operating Expenses, but shall specifically exclude 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 an Owner as the Owner of a Lot.

7. Administrative and Operational Expenses. The costs of administration of the Association including, but not limited to, any secretaries, bookkeepers and other employees necessary to carry out the obligations and covenants of the Association shall be deemed to be Operating Expenses. In addition, it is contemplated that the Association may retain a management company or companies or contractors (any of which management companies or contractors may be, but are not required to be, a subsidiary, affiliate or

an otherwise related entity of Declarant) to assist in the operation of the Association Property and other obligations of the Association hereunder. 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.

8. Compliance with Laws. The Association shall take such action as it determines necessary or appropriate in order for the Association Property and the Improvements thereon to be in compliance with all applicable laws, statutes, ordinances and regulations of any governmental authority, whether federal, state, county or local, including, without limitation, any regulations regarding zoning requirements, setback requirements, drainage requirements, sanitary conditions and fire hazards, and the cost and expense of such action taken by the Association shall be an Operating Expense.

9. Failure or Refusal of Lot Owners to Pay Individual Lot Assessments. Funds needed for Operating Expenses due to the failure or refusal of Contributing Lot Owners to pay the Assessments levied or due to the foreclosure of first mortgages or first deeds of trust, shall be deemed to be Operating Expenses and properly the subject of an Assessment; provided, however, that any Assessment for any such sums so needed to make up a deficiency due to the failure of Lot Owners to pay a Special Assessment shall, itself, be deemed to be a Special Assessment subject to the limitations thereon with respect to Lots owned by Declarant.

10. Extraordinary Items. Extraordinary items of expense under this Declaration such as expenses due to casualty losses and other extraordinary circumstances shall be the subject of a Special Assessment subject to the limitations thereon with respect to Contributing Lots owned by Declarant set forth in Section F of Article VI.

11. Costs of Reserves. The funds necessary to establish an adequate reserve fund ("Reserves") 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 shall be an Operating Expense. 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 Lot Owner shall have any interest, claim or right to such Reserves or any fund composed of same.

12. City Agreement. The expenses and funds incurred by the Association as a result of its obligations under the City Agreement shall be an Operating Expense. If necessary, those expenses may be the subject of a Special Assessment as provided in Section B.1 of Article III and in accordance with Section C.2 of Article VI.

13. Miscellaneous Expenses. The cost of all items or costs or expenses pertaining to or for the benefit of the Association, the Association Property or the Lots, 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.

ARTICLE VII 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 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 Bridgewater in construction, location and use.

B. Public Liability Insurance. A comprehensive policy of public liability insurance naming the Association and, until Declarant's ownership of Lots within the Property ceases, Declarant, as 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 and to each first mortgage holder named in the mortgage clause.

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 placed in a reserve fund of the Budget.

G. Planned Community Act. The insurance maintained by the Association and the application, allocation or distribution of the proceeds thereof shall be subject to Section 47F-113 of the Planned Community Act and any other applicable terms and provisions of the Planned Community Act.

ARTICLE VIII
EASEMENTS

A. Recognition of Existing Easements. Each 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 Property under this Declaration.

B. Grant and Reservation of Easements. Declarant hereby reserves and grants the following perpetual easements over and across the Property as covenants running with the Property for the benefit of the Owners, the Association, Declarant and any other parties identified in this Section B of Article VIII for the following purposes:

1. Utility and Services Easements. Easements in favor of governmental and quasi-governmental authorities, utility companies, telecommunications companies, cable television companies, ambulance or emergency vehicle companies, garbage collection, and mail carrier companies, over and across all roads existing from time to time within the Property, and over, under, on and across the Association Property, as may be reasonably required to permit the foregoing, and their agents and employees, to provide their respective authorized services to and for the Property. Also, easements as may be allowed over, under, on and across Association Property for the installation, maintenance, repair and providing of utility services, equipment and fixtures in order to adequately serve the Property including, but not limited to, electricity, telephones, sewer, water, lighting, irrigation, drainage, television antenna and cable television facilities, and electronic security. However, such easements affecting title to any Lot which serve any other portion of the Property shall only be subsurface, and they shall only be for utility services actually constructed, or reconstructed, and for the maintenance thereof, unless otherwise approved in writing by the Owner of the Lot. An Owner shall do nothing on his Lot which interferes with or impairs the utility services using these easements. The Board or its designee shall have a right of access to each Lot to inspect, maintain, repair or replace the utility service facilities contained under the Lot and to remove any improvements interfering with or impairing the utility services or easement herein reserved; provided such right of access shall not unreasonably interfere with the Owner's permitted use of the Lot.

2. Easement for Encroachment. If (i) any Improvements which are constructed as Association Property or upon Association Property, or (ii) any Improvements constructed upon a Lot, 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. If any Lot Improvement 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.

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 existing Improvements, 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.

4. Easement Over Association Property. An easement of use and enjoyment in favor of all 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, subject to the following:

- i. the right of the Association to suspend the voting rights and rights to use the Association Property of any Owner for any period during which Assessments against his Lot(s) 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 operating of the Property; and
- iii. all provisions set forth in the Association Documents.

5. Drainage and Irrigation Easement; Stormwater Control Maintenance Easement. An easement for drainage, flowage and irrigation over, under and upon the Property in favor of the Association and each of the Owners including, but not limited to, reasonable rights of access for persons and equipment to construct, install, maintain, alter, inspect, remove, relocate, replace, and repair the Stormwater Control Measures 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 (and if applicable, the City) deem reasonably necessary or appropriate. After such action has been completed, Declarant or the Association 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. Except for emergencies, Declarant or the Association shall give at least forty-eight (48) hours prior notice of the intent to take such action to all affected Owners.

6. Private Drainage Easements. The Private Drainage Easements affect the specific portions of the Property in which the Stormwater Control Measures facilities and access areas are located. The Private Drainage Easements are shown on the Final Plat and are hereby granted and dedicated in favor of the Association for the purpose of enabling the Association to perform its obligation to operate, maintain, repair, and replace the Stormwater Control Measures. Pursuant to the City Agreement, Declarant is granting (or shall grant) the City easement rights within the Private Drainage Easements. The City shall have the same rights as the Association over, under and upon the portions of the Property subject to the Private Drainage Easements, for reasonable rights of access for persons and equipment to construct, install, maintain, alter, inspect, remove, relocate, replace, and repair the Stormwater Control Measures and to maintain and correct drainage or surface water runoff in accordance with the provisions of the City Agreement. Such rights expressly include the right of the City to perform the obligations of the Association if the Association fails to adequately operate, maintain, keep, repair, replace and reconstruct all or any portion of the Stormwater Control Measures, as provided in the City Agreement.

7. Additional Easements. Declarant (until the Turnover Date) and the Association, on their behalf and on behalf of all Owners, each shall have the right to (i) grant and declare additional easements over, upon, under and/or across the Association Property in favor of Declarant or any person, entity, public or quasi-public authority or utility company, or (ii) with the consent of the applicable party affected by any easement benefiting the Property or the party who acquired or is benefited by any easement affecting the Property (as applicable), modify, relocate, abandon or terminate existing easements benefiting or affecting the Property. 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 Property. So long as the foregoing will not unreasonably and adversely interfere with the use of Lots for dwelling purposes, no consent of any Owner or any mortgagee of any Lot shall be required or, if same would unreasonably and adversely interfere with the use of any Lot for dwelling purposes, only the consent of the Owners and Institutional Mortgagees so affected shall be required. To the extent required, all Owners hereby irrevocably appoint Declarant and/or the Association as their attorney-in-fact for the foregoing purposes.

8. Sale and Development Easement. Declarant reserves and shall have an easement over, upon, across and under the Property as may be reasonably required in connection with the development, construction, sale and promotion, or leasing, of any Lot or Home within the Property or within any other property owned by Declarant, provided that no such easement shall be located within or upon any Home and shall not materially adversely impair or diminish any Owner's use or enjoyment of such Owner's Lot or Home.

9. Landscape and Sign Easement. An easement for the installation, maintenance, repair, and replacement of any entry monument, sign, landscaping, or other facilities located in any Landscape and Sign Easement is reserved in favor of Declarant and the Association over, upon, across and under the Landscape and Sign Easements (if any). The Owner, his or her family members, tenants, agents or contractors shall not remove, harm or damage any landscaping or signage within said easement.

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

C. Assignments. The easements reserved hereunder may be assigned by Declarant or the Association in whole or in part to any City, County or state government or agency thereof, or any duly licensed or franchised public utility, or any other designee of Declarant. The 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 Property or portions thereof in accordance with the provisions of this Declaration.

Notwithstanding anything in this Declaration to the contrary, all easement rights reserved or granted to Declarant shall terminate upon Declarant no longer owning any Lots, Homes or interests in such on the Property 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 IX MAINTENANCE AND REPAIR

A. By the Association. Except as otherwise specifically set forth herein, the Association shall repair, maintain and replace any and all Improvements located on the Association Property *commencing with the completion of same by Declarant and conveyance to the Association.* The improvements shall be maintained in the same condition as originally constructed by Declarant. In addition, the Stormwater Control Measures shall be maintained by the Association in accordance with the Stormwater Management Plan, the City Agreement, and the requirements of the City and all other applicable governmental authorities. If any Association Property or the Improvements and facilities located thereon are damaged or destroyed 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 and landscape and sign easements 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 Property selected by the Board for maintenance and determined by the Board as benefiting the Subdivision with the approval of the owner of such property or the governmental authority responsible for maintenance of same.

B. By the Lot Owners.

1. Each Lot Owner shall maintain his Lot and all Improvements and personal property upon his Lot in good condition at all times. The exterior of all Homes 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 Homes, and no excessive rust deposits on the exterior of any Home, peeling of paint or discoloration of same shall be permitted. No Lot Owner shall change the exterior color of his Home without the consent of the Committee. All sidewalks, driveways and parking areas within the Owner's Lot or serving the Owner's Home 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. Except for any landscaping on a Lot that is within any Bio-Retention Area or Grassed Swale, or any portion of a Landscape and Sign Easement, the Owner of each Lot containing a Home 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 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 Owner. Underground sprinkler systems may be installed, maintained and used to irrigate all landscaping on the Lot. 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. The Owner of a Lot upon which a Private Drainage Easement is located shall maintain the grass and surface area of that portion of the Lot subject to the Private Drainage Easement, unless a Bio-Retention Basin, Grassed Swale, or a Dry Detention Basin is located within the Private Drainage Easement, in which event the Association shall maintain the surface area of the Private Drainage Easement.

ARTICLE X
ARCHITECTURAL CONTROL

A. Establishment. "Committee" shall mean the architectural control committee, which shall be the governing body charged with using its best efforts to promote and ensure a high level of design, quality, harmony and conformity throughout the Property consistent with this Declaration. Until the Termination of Declarant 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 Control, the Committee shall be composed of at least three (3) individuals appointed by the Board, each of which shall be an 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 within the Property, or (c) the date which is seven (7) years following the date this Declaration is first recorded in the public land records (which may be referred to in this Declaration as "Termination of Declarant Control").

B. Purpose of the Committee. The Committee is established to provide a system of review for the construction or modification of all Improvements within the Property. No Improvement shall be commenced, improved or altered, nor shall any grading, excavation, change of exterior material, 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 Property, including, but not limited to, standards for the following ("Standards"): (i) architectural design of Improvements, including, but not limited to, design standards for any Home 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, satellite dishes and exterior lighting; (vi) decks, 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 Control, a copy of any Standards promulgated by the Committee shall be subject to approval by the Board. The Owners shall adhere and comply with all Standards Promulgated by the Committee with respect to all Improvement and items to which such Standards apply. The Association shall make the Standards available for inspection by the Members upon request during normal business hours and under reasonable circumstances.

D. Requirement of Committee Approval. No Improvement of any kind shall be erected, placed or maintained, and no addition, alteration, modification or change to any Improvement 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"). Notwithstanding anything to the contrary contained above, Declarant Improvements are not subject to the approval of the Committee and are deemed to conform to the plan of development for the Property.

E. Obtaining Committee Approval. In order to obtain the approval of the Committee, a complete set of plans and specifications ("Plans") for proposed Improvements shall be submitted to the Committee for its review. The Plans shall include, as appropriate, the proposed location, grade, elevations, shape, dimensions, material, 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 Owner submitting same. In the event 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) thirty (30) days have elapsed since submission and written request for approval or disapproval was delivered to the Committee by the 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 Owner shall be responsible for obtaining all necessary technical data and to make application to and obtain the approval of the appropriate governmental agencies 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 Property 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, 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 Property, 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 Property 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 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 Home, 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 XI USE RESTRICTIONS

For purposes of this Article XI, unless the context otherwise requires, Owner shall also include the family, invitees, guests, licensees, lessees and sublessees of any Owner, and any other permitted occupants of a Home. All the Property shall be held, used and enjoyed subject to the following limitations and restrictions, subject to the exemption of Declarant in Section DD of this Article XI and if applicable, subject to any modifications set forth in a Supplement pertaining to any Additional Property.

A. Residential Use. The Homes shall be for single family residential use only. No trade, business, profession or commercial occupation or activity may be carried on in the Subdivision 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 Subdivision. No more than one dwelling unit not to exceed two and one half (2½) stories in height, may be built on one Lot.

B. Non-Residential Activities or Uses. No trade, business, profession or commercial activity, or any other non residential use shall be conducted on the Property or within any Lot or Home without the consent of the Board except that an Owner or occupant residing in a Home may conduct business activities within the Home 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 Home; (ii) the business activity conforms to all zoning requirements for the Property; (iii) the business activity does not involve door-to-door solicitation of residents noticeably greater than that which is typical of Homes in which no business activity is being conducted; (iv) the business activity is consistent with the character of the Subdivision, and does not constitute a nuisance, a hazardous or offensive use, or a threat to the security or safety of others, and (v) 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 Subdivision which is excessive as the Board determines in its sole discretion. The foregoing limitations shall not preclude occasional garage sales, moving sales, rummage sales, or similar activities. The foregoing shall not prohibit an Owner from leasing his Home.

C. Nuisances. No obnoxious or offensive activity shall be carried on about the Lots or in or about any improvements, Homes, or on any portion of Bridgewater nor shall anything be done therein which may be or become an unreasonable annoyance or a nuisance to any Owner. No use or practice shall be allowed in or around the Homes which is a source of annoyance to Owners or occupants of Homes or

which interferes with the peaceful possession or proper use of the Homes or the surrounding areas. No loud noises or noxious odors shall be permitted in any improvements, Homes or Lots. Without limiting the generality of any of the foregoing provisions, no horns, whistles, bells or other sound devices (other than security devices used exclusively for security purposes), noisy or smoky vehicles, large power equipment of large power tools, unlicensed off-road motor vehicles or any items which may unreasonably interfere with television or radio reception of any Owner shall be located, used or placed on any Lot, or exposed to the view of other Owners without the prior written approval of the Board and/or the Committee, if required.

D. Outside Storage of Personal Property. The personal property of any Owner shall be kept inside the Owner's Home, 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 condition.

E. Parking and Vehicular Restrictions. Vehicles may be parked or stored only on portions of a Lot improved for that purpose, i.e., garage, driveway, carport or parking pad. No unenclosed parking shall be constructed or maintained on any Lot except a paved driveway and an attached paved parking pad, which pad shall be designed for the parking of not more than 2 vehicles. Any driveway or parking pad constructed upon any Lot shall have either an asphaltic concrete surface, a cement concrete surface, or brick pavers.

No mobile house trailer (whether on or off wheels), vehicle or enclosed body of the type which may be placed on or attached to a vehicle (known generally as "campers"), or commercial vehicle of any kind shall be parked on the street within the Subdivision, nor shall any such vehicle be parked or kept on any Lot. Furthermore, no boat or boat trailer shall be parked on the street within the Subdivision. No tractor trailer trucks or cabs shall be parked on any street or Lot within the Subdivision.

No vehicle of any type which is abandoned or inoperative shall be stored or kept on any Lot in such manner as to be seen from any other Lot, any street within the Subdivision or any Open Space Area and no automobiles or mechanical equipment may be dismantled or allowed to accumulate on any Lot.

F. No Improper Uses. No improper, offensive, hazardous or unlawful use shall be made of any Home nor shall anything be done thereon tending to cause embarrassment, discomfort, annoyance or nuisance to any person using any portion of the Property. All valid laws, zoning ordinances and regulations of all governmental bodies having jurisdiction over the Property shall be observed. Violations of laws, orders, rules, regulations or requirements of any governmental agency having jurisdiction over the Property, relating to any Home shall be corrected by, and at the sole expense of the Owner of the Home.

G. Trash and Other Materials. Each Owner shall regularly pick up all garbage, trash, refuse or rubbish on his Lot, and no Owner or resident shall place or dump any garbage, trash, refuse, rubbish or other materials on any other portions of the Property. Garbage, trash, refuse or rubbish that is required to be placed at the front of the 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 Home 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 Home (other than an entire Home) 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 Homes. A copy of the proposed lease must be delivered to the Association prior to occupancy by the tenant. No lease shall be for a period of less than six (6) months without the approval of the Board. The Owner of a leased Home 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. The Association has the right to evict, or compel to leave the Property, any tenant or any person present in any Home or any portion of the Property other than an Owner and the members of his immediate family permanently residing with him in the Home, subject to and in accordance with Section F of Article XIII.

I. Temporary and Accessory Buildings. No tents, trailers, shacks or other temporary buildings or structures shall be constructed or otherwise placed upon the Property 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 Home. No garden shed, storage shed, out-building, or other permanent structures which are detached from the Home shall be constructed or placed upon the Property unless approved by the Committee in accordance with Article X.

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. The foregoing shall not include any garages used or formerly used by Declarant as an office or other area in connection with the sale of Homes, which are Declarant Improvements and not subject to the restrictions in this Article XI. All garage doors shall remain closed when vehicles 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 Home, not to exceed a total of three (3) per Home without the prior consent of the Board. In no event shall animals be kept on any Lot or portion of the Property 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 Property. 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. Under no circumstances may a pit bull be permitted on the Property. Any pet must not be an unreasonable nuisance or annoyance to other residents on the Property. 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 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 Property due to a violation of this Section.

Each Owner who determines to keep a pet thereby agrees to indemnify the Association and Declarant and hold them harmless against any loss or liability of any kind or character whatsoever arising from or growing out of his having any animal on the Property.

L. Additions and Alterations. No Home shall be enlarged by any addition thereto or to any part thereof, and no Owner shall make any improvement, addition, or alteration to the exterior of his Home, including, without limitation, the painting, staining, or varnishing of the exterior of the Home 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. No Home shall be enlarged by any addition thereto or to any part thereof, and no Owner shall make any improvement, addition, or alteration to the exterior of his Home, without the prior written approval of the Committee, which approval may be withheld for purely aesthetic reasons.

M. Increase in Insurance Rates. No 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 Property not owned by such Owner.

N. Air Conditioning Units. Only central air conditioning units are permitted, and no window, wall, or portable air conditioning units are permitted.

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 in this regard, which approval must be in writing.

P. Outside Antennas, Satellite Dishes and Flag Poles. No 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 Home 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. Garbage Containers, Oil and Gas Tanks, Air Conditioners. All garbage and refuse containers, air conditioning units, 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.

R. Signs. Except for unit identification signs required by the City, no signs shall be placed upon any Lot, and no signs shall be placed in or upon any Home which are visible from the exterior of the Home, without the prior written consent of the Committee, with the exception of one (1) "for sale" or "open house" sign limited to ten (10) square feet in size, and signs of not more than ten (10) square feet expressing support of or opposition to political candidates or other issues which will appear on the ballot of a primary, general or special election, provided that such political signs shall not be placed on a Lot earlier than 60 days before such election and shall be removed within 2 days after such election.

S. Window Treatments and Hurricane Shutters. 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 an Owner or tenant first moves into a Home or when permanent window treatments are being cleaned or repaired.

Hurricane shutters are permitted as long as the prior approval of the Committee is obtained prior to the installation of the hurricane shutters.

T. Surface Water Management. No Owner or any other person shall do anything to adversely affect the surface water management and drainage of the Property, 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 the foregoing shall not be deemed to prohibit or restrict the initial construction of Improvements upon the Property by Declarant in accordance with permits issued by controlling governmental authorities. In particular, no Owner shall install any landscaping or place any fill on the Owner's Lot which would adversely affect the drainage of any contiguous Home. No Owner shall be permitted to reshape or alter the topographical features or area within a Private Drainage Easement, nor shall any Owner be permitted to install fences or other Improvements or structures within a private drainage easement, including the installation of landscaping, plants, trees or other vegetation, except for low growing grass. The application of herbicide to the portions of the Property within any Private Drainage Easement is prohibited.

No Owner shall remove native vegetation that become established within any wetland areas, wetland buffer areas, bio-retention areas, or riparian buffer areas located on or adjacent to any portion of the Property. Removal includes dredging, the application of herbicide, and cutting. No Owner shall add or introduce additional vegetation or other forms of plantlife or landscaping within any wetland areas, wetland buffer areas, bio-retention areas, or riparian buffer areas located on or adjacent to any portion of the Property. Owners should address any question regarding authorized activities within any wetland areas, wetland buffer areas, bio-retention areas, or riparian buffer areas to the applicable governmental authorities. No Owner may construct or maintain any building, residence, fence, wall, or structure, or undertake or perform any activity in any wetland areas, riparian buffer areas, bio-retention areas and any upland conservation areas without the prior approval of the Association and the applicable Governmental Authorities and utility providers.

U. Bio-Retention and Dry Detention Basins; Grassed Swales. The Bio-Retention Basins, Grassed Swales, and the Dry Detention Basins shall always be kept and maintained only as an area for water retention, drainage and water management purposes as part of the Stormwater Control Measures in compliance with the Stormwater Maintenance Plan and the applicable governmental and water management district requirements. The Owners are prohibited from installing or removing any Improvements (including landscaping) within or near the Bio-Retention Basins, Grassed Swales, or Dry Detention Basins or taking any action that may cause erosion of the Dry Detention Basin embankment or any condition or problem that disrupts or interferes with the proper functioning of the Stormwater Control Measures. Lot Owners are prohibited from using the Dry Detention Basins for irrigation purposes.

V. Swimming Pools. No above-ground swimming pools shall be permitted within the Subdivision. No swimming pools, spas, or the like, shall be installed or permitted on any Lot in the

Subdivision without the prior written approval of the Committee, except that small, inflatable wading pools shall be permitted.

W. Fences and Walls. No fence or wall shall be erected on any Lot closer to any street than the rear corner of the building on the Lot. Chain-link or other metal fencing is not permitted, except that 2 inch by 4 inch mesh may be used with split-rail fencing to contain animals within the yard. Any fence or wall installed within the Subdivision must meet all requirements of the zoning ordinances and requirements of the City and must be approved as provided in Article X of this Declaration. Nothing in this Section shall be deemed to apply to or regulate retaining walls made necessary by the slope or grade of any Lot or Lots, nor shall anything in this Section apply to any fence installed by the Declarant at any entrance to or along any street within the Subdivision.

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

Y. Building Setbacks; Building Location. No Home shall be erected or maintained on any Lot outside of the building envelope shown on the applicable Final Plat or as otherwise required or permitted by the zoning ordinances of the City. For purposes of these building setback requirements, decks, porches, patios, stoops, eaves, overhangs, bay windows, chimneys, carports and other similar projections shall be deemed to be part of the Home only to the extent that the same are deemed to be part of a dwelling unit under the zoning ordinances of the City as it exists as of the date of issuance of a certificate of occupancy for such Home. Any Home erected on a Lot other than a corner Lot shall face the street on which the Lot abuts. On corner Lots, a Home may be erected so as to face the intersection of the 2 streets on which the Lot abuts.

Z. 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 Home, which mains furnish domestic water from sources beyond the boundaries of the Lot.

AA. Removal of Trees. Except in the case of an emergency situation that does not permit any delay, no living tree larger than 3 inches in diameter (or 9 ¾ inches in circumference) at a point measured 4½ feet off the ground shall be removed from any Lot without the approval of the Committee. The foregoing provision shall apply only to Lots that have been occupied pursuant to a certificate of occupancy issued by the City. No Owner shall remove any tree (or other plants or landscaping) from the Bio-Retention Basins.

BB. Damage and Destruction. In the event any Improvement contiguous with a Home is damaged or destroyed by casualty or for any other reason, the Owner of the Home 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 Property 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 Home or

other Improvement shall be permitted to exist on any Lot, except during such reasonable time period as is necessary for completion. The 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 Owner's Lot.

EE. Certain Rights of Declarant. Except for the applicable provision of Section U and Section T of this Article, the provisions, restrictions, terms and conditions of this Article XI shall not apply to Declarant as an Owner.

ARTICLE XII

SUBJECTING ADDITIONAL PROPERTY TO THIS DECLARATION

A. Additional Property acquired by Declarant. Prior to the Turnover Date, Declarant shall have the right, without the approval or joinder of the Association, the Owners or any other Person (except if applicable, the consent of HUD/VA as provided in Section C of this Article XII, to bring under the provisions of this Declaration and thereby add to the Bridgewater community, any real property owned or acquired by Declarant which is contiguous to the Property or which is contiguous with a public or private street adjacent to the Property ("Additional Property"), provided that the annexation of such Additional Property is for the purposes of reflecting changes or modifications to the Site Plan which have been approved by the City. To the extent that such Additional Property is thereafter made part of Bridgewater by a Supplement, reference herein to the Property shall be deemed to include such Additional Property, including such portion being deemed part of the Site Plan for Bridgewater and the number of Total Planned Lots shall be increased by the number of Lots (if any) depicted on the final subdivision plat of such Additional Property.

After the Turnover Date, upon the vote or written consent of the Owners of not less than ninety (90%) of the Lots, any real property which is contiguous to the Property or which is contiguous with a public or private street adjacent to the Property may be brought under the provisions of this Declaration and thereby added to the Bridgewater community, provided that the annexation of such real property is for the purposes of reflecting changes or modifications to the Site Plan which have been approved by the City. To the extent that any contiguous property approved for annexation by the Owners after the Turnover Date is thereafter made part of Bridgewater by a Supplement, reference herein to the Property shall be deemed to include such property.

B. Association Property within Annexed Property. If any real property is hereafter made part of Bridgewater and subjected to this Declaration by the recording of a Supplement as provided above, any Association Property located within such newly annexed portion of the Property shall be conveyed to the Association prior to the date the first Lot in such property is conveyed to an Owner as provided in Section 11 of Article III.

C. HUD/VA Approval. If prior to the Turnover Date, the Property is subject to the requirements of VA, FHA, the Federal Home Loan Mortgage Corporation or any other governmental or quasi-governmental agency that insures, guaranties, or purchases mortgages, the annexation of any additional property requires the prior approval of HUD/VA.

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,

the consent of HUD/VA as provided above) for the purpose of removing certain portions of the Property 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 Bridgewater desired by Declarant.

ARTICLE XIII

ENFORCEMENT; NON-MONETARY DEFAULTS; 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 Lot and/or Home), the Association, the City (in accordance with Article II, Section B.1; Article V, Section C.2; Article VII, Sections 5 and 6; and Article XV Sections N and O, and any other applicable provision of this Declaration) any Owner and any Institutional Mortgagee holding a mortgage on any portion of the Property 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, firm or entity 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 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 a party entitled to enforce the covenants, restrictions and provisions of this Declaration from executing any additional remedies, rights or privileges as may be granted or as it might have by law.

B. Non-Monetary Defaults. In the event of a violation by any Owner or any tenant of an 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 Owner and any tenant of the 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 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, subject to the provisions of Section D below, the Association may, at its option:

1. Impose a fine against the Owner or tenant as provided in this Article; and/or
2. Commence an action to enforce the performance on the part of the 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 Owner as an Individual Expense Assessment in accordance with Section D of Article VI. The Association shall have a lien for any such Individual Expense Assessment and any interest, costs or expenses associated therewith, including Legal Fees incurred in connection with such Assessment, and may take such action to collect such Assessment or foreclose said lien as in the case and in the manner of any other Assessment as provided above. Any such lien shall only be effective from and after the recording of a claim of lien in the Public Records of the County in which the Property is located.

C. Fines. The amount of any fine shall be determined by the Board, and shall not exceed \$25.00 for the first offense, \$50.00 for a second similar offense, and \$100.00 for a third or subsequent similar offense. Notwithstanding the foregoing, if any violation of this Declaration or the rules and regulations is of a continuing nature, and if the Owner fails to cure any continuing violation within thirty (30) days after written notice of such violation, or if such violation is not capable of being cured within such thirty (30) day period, if the Owner fails to commence action reasonably necessary to cure the violation within such thirty (30) day period or shall thereafter fail to diligently proceed to cure the violation as soon as is reasonably practical, a daily fine may be imposed until the violation is cured in an amount not to exceed an amount of \$10.00. 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 an 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. Notice and Opportunity for Hearing. Prior to imposing any fine or taking any action enforce this Declaration as provided in Section B of this Article XIII, the Owner or tenant shall be afforded an opportunity for a hearing after reasonable notice to the 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 Owner of a leased Home shall have the right to participate in any hearing involving the tenant of such Home, and the Association shall provide notice to the Owner of such Home concurrently with the Association's notice to the tenant of the subject Home. The 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 or take such other action authorized by Section B above, as it deems appropriate by written notice to the Owner or tenant. If the Owner or tenant fails to attend the hearing as set by the Board, the Owner or tenant shall be deemed to have admitted the allegations contained in the notice to the Owner or tenant.

E. Negligence. An Owner shall be liable and may be assessed by the Association for the expense of any maintenance, repair or replacement rendered necessary by the actions, negligence, or carelessness of the Owner, his agents or contractors, 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 Home or the Association Property.

F. Responsibility of an Owner for Occupants, Tenants, Guests, and Invitees. To the extent otherwise provided by law, each Owner shall be responsible for the acts and omissions, whether negligent or willful, of any person residing in his Home, and for all guests and invitees of the 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 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 Home, or any guest or invitee of an Owner or any resident of a Home, shall also be deemed a violation by the Owner, and shall subject the Owner to the same liability as if the violation was that of the Owner.

G. Right of the Association to Evict Tenants, Occupants, Guests and Invitees. With respect to any tenant or any person present in any Home or any portion of the Property other than an Owner and the members of his immediate family permanently residing with him in the Home, if such person 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 the residents of the Property, 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 Property and if such person does not do so, the Association is authorized to commence an action to evict such tenant or compel the person to leave the Property and, where necessary, to enjoin such person from returning. The expense of any such action, including Legal Fees, may be assessed against the applicable Owner as an Individual Expense Assessment, and the Association may collect such Assessment and have a lien for same as elsewhere provided. The foregoing shall be in addition to any other remedy of the Association. The Association shall provide notice to the Owner of a leased Home concurrently with any notices sent to the tenant of such Home pursuant to this Section, and such Owner shall have the right to participate in any hearings or eviction proceedings involving the tenant of such Owner's Home. 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.

H. 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.

I. 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 XIV AMENDMENT AND MODIFICATION

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 Section, Declarant may amend this Declaration without the approval of any Member provided the amendment does not materially alter or change any Owner's right to the use and enjoyment of such Owner's Lot 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. 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 (i) the prescribed percentage (if any) of affirmative votes required for action to be taken under that provision, and (ii) any higher percentage of Members or of affirmative votes attributable to the Members (or each class of Members) specified by the Planned Community Act (if applicable).

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 Section A of Article XII, this Declaration may be amended by: (i) the consent of the Owners owning sixty-seven percent (67%) of all Lots; together with (ii) the approval or ratification of a majority of the Board, provided that the percentage of votes attributable to the Owners shall not be less than the prescribed percentage (if any) of affirmative votes attributable to the Owners as specified by the Planned Community Act. The consent of the Owners owning sixty-seven percent (67%) (or such higher percentage, if applicable) of the Lots may be evidenced by a writing signed by the required number of Owners or by the affirmative vote of the required number of Owners 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 of the Owners.

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 Association or of any Institutional Mortgagee under the Association Documents without the specific written approval of such Declarant, Association and/or Institutional Mortgagee affected thereby. Furthermore, no amendment to this Declaration shall be effective which would prejudice the rights of a then Owner or his family members, guests, invitees and lessees to utilize or enjoy the benefits of the then existing Association Property unless the Owner or 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. Additionally, no amendment to this Declaration shall be effective which shall eliminate or modify the provisions of Section G of Article XV and any such amendment shall be deemed to impair and prejudice the rights of Declarant hereunder.

E. FHA/VA Approval Prior to Turnover Date. As long as the "Class B" membership exists, if the Property is subject to the 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, amendment of this Declaration requires the prior approval of HUD/VA, except for amendments permitted under Sections A and C of this Article XII.

F. City Approval. No amendments relating to: (i) the maintenance or ownership of the Stormwater Control Measures, (ii) payment of escrow funds to the City, (iii) application of the City Agreement, and (iv) enforcement rights granted herein to the City, shall be made without the prior written approval of the Raleigh City Attorney or his or her deputy.

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 Property requesting notice. The amendment shall become effective upon the recording of a Certificate of Amendment to this Declaration setting forth the amendment or modification amongst the Public Records.

H. Amendments to Satisfy Lending Requirements. Declarant may, without the consent of any 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 the United States Department of Housing and Urban Development.

ARTICLE XV GENERAL PROVISIONS

A. Conflict with Other Association Documents. In the event of any conflict between the provisions hereof and the provisions of the Articles and/or 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 Owner, at the address of the person whose name appears as the 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 Home owned by such Owner; and (ii) the Association, certified mail, return receipt requested, at 3739 National Drive, Suite 101, Raleigh, North Carolina, 27612, or such other address as the Association shall hereinafter notify Declarant and the Owners of in writing; and (iii) Declarant, certified mail, return receipt requested, at 3739 National Drive, Suite 101, Raleigh, North Carolina, 27612, 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 Owners. Upon request of an Owner, the Association shall furnish to such Owner the then current address for Declarant as reflected by the Association records.

C. Captions, Headings and Titles. Article and Section captions, headings and titles inserted throughout this Declaration 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 or any 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; Conflict with Planned Community Act. If any of the provisions of this Declaration now or hereafter conflict with the provisions of any applicable law or requirement, including (but not limited to) the Planned Community Act, the provisions of the applicable law shall control unless the law permits this Declaration to override the applicable law, in which event this Declaration shall control. 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, and 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. In the event that 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. Association's Indemnification. The Association covenants and agrees that it will indemnify and save harmless Declarant, 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 Property 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, except those costs generally applicable to all Owners. Included in the foregoing provision 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.

G. Certain Rights of Declarant. Notwithstanding the other provisions of this Declaration, Declarant reserves and Declarant and its nominees shall have the right to enter into and transact on the Property any business necessary to consummate the sale, lease or encumbrance of Homes 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 Homes, and Declarant reserves and shall have the right to make repairs to the Association Property and to carry on construction activity for the benefit of the Property. Declarant and its nominees may exercise the foregoing rights 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. This Section G 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. The rights and privileges of Declarant as set forth in this Section, which are in addition to, and are in 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 Property (and having any equitable or legal interest therein) or upon such earlier date as Declarant shall notify the Association in writing of Declarant's voluntary election to relinquish the aforesaid rights and privileges.