

WHEREAS, in connection with the need for such a mechanism, Declarant has caused or will cause to be incorporated under the laws of the State of South Carolina a non-profit corporation, the Sawmill Forest Owners' Association, Inc., for the purpose of exercising the functions aforesaid, and which are hereinafter more fully set forth; and

NOW, THEREFORE, Declarant hereby declares that all of the property described in Exhibit "A" and any Additional Property which is hereinafter subjected to this Declaration by Supplemental Declarations (as hereinafter defined) is and shall be held, transferred, sold, devised, assigned, conveyed, given, purchased, leased, occupied, possessed, mortgaged, encumbered and used subject to these Covenants. These Covenants, the benefits of these Covenants, and the affirmative and negative burden of these Covenants, whether pertaining to items, benefits and obligations presently existing or to be created or executed in the future, do and shall, in equity and at law, touch and concern, benefit and burden, and run with the land and any estates in the land herein referred to as the "Property" and these Covenants are intended to be Covenants and servitudes burdening and benefiting all persons now or hereafter deriving a real property estate in the Property whether by Assignment, succession or inheritance or other method of conveyance.

ARTICLE I

DEFINITIONS

When used in this Declaration, unless the context shall prohibit or otherwise require, the following words shall have the following meanings and all definitions shall be applicable to the singular and plural forms of such terms:

Section 1.1 Additional Property. "Additional Property" shall mean and refer to any Additional Property which may be added to the Property and made subject to this Declaration pursuant to Article XI hereof. In addition to the Property described in Exhibit "A" wherever used in these Covenants, the term the "Property" shall also mean and refer to all Property which may be contiguous to the Property or located nearby, but only if such future development of Property, or otherwise, is voluntarily submitted to these Covenants by Declarant, without consent of the Association, and by the Owners of such Property if Declarant is not the Owner, with the consent of Declarant hereunder, its successors or assigns. Such submission of Additional Property or otherwise shall become effective only after filing a document of record in the Office of the Register of Mesne Conveyances for Beaufort County, South Carolina, executed in recordable form by the Owner and Declarant,

describing such Property and stating the intent to be bound hereby and submitted hereunder.

Section 1.2 Architectural Control Committee. "Architectural Control Committee" or "ACC" shall mean and refer to the Architectural Control Committee established by Declarant.

Section 1.3 Articles of Incorporation. "Articles of Incorporation" or "Articles" shall mean and refer to the Articles of Incorporation for Sawmill Forest Owners' Association, Inc. (hereinafter referred to as the "Association"), as filed with the South Carolina Secretary of State, as the same may be amended from time to time.

Section 1.4 Association. "Association" shall mean and refer to the Sawmill Forest Owners' Association, Inc., a South Carolina Non-Profit Corporation organized under the South Carolina Non-Profit Corporation Act of 1994 as may be amended from time to time, its successors and assigns.

Section 1.5 Board of Directors. "Board of Directors" or "Board" shall mean and refer to the Board of Directors of the Association.

Section 1.6 Builder. "Builder" shall mean and refer to any person who purchases one or more Homesites for the purpose of construction improvements thereon for later sale to consumers, or parcels of land within the Property for further subdivision, development and/or resale in the ordinary course of such person's business. Notwithstanding the above, no Builder shall be permitted to undertake the activities described herein this Section 1.6 without the express written permission of Declarant who shall grant such permission at its sole discretion.

Section 1.7 Bylaws. "Bylaws" shall mean and refer to the Bylaws of the Association, as the same may be amended from time to time.

Section 1.8. Common Expenses. "Common Expenses" shall mean and refer to all expenditures lawfully made or incurred by or on behalf of the Association, together with all funds lawfully assessed for the creation or maintenance of reserves, pursuant to the provisions of this Declaration.

Section 1.9. Common Property. "Common Property" shall mean and refer to all real property, including any portion of a Lot or Homesite (together with any and all improvements now or hereafter located thereon), and all personal property now or hereafter owned by the Association, for the common use and

enjoyment of the Owners, including easements held by the Association for such purpose.

Section 1.10 Community Wide Standard. "Community Wide Standard" shall mean and refer to the standard of conduct, maintenance or other activity generally prevailing throughout the property. Such standard may be more specifically defined by the Board of Directors.

Section 1.11 Declarant. "Declarant" shall mean and refer to Sawmill Forest, LLC, its successors and assigns.

Section 1.12 Declaration. "Declaration" shall mean and refer to this Declaration of Covenants, Conditions and Restrictions for Sawmill Forest and Provisions for the Sawmill Forest Owners' Association, Inc., as the same may be amended or supplemented from time to time.

Section 1.13 Development. "Development" shall mean and refer to the Property, the Common Property, and all improvements located or constructed thereon, and any portion of the Additional Property subjected to this Declaration. The term shall be used generally to describe the residential community of Sawmill Forest.

Section 1.14 Homesite. "Homesite" shall mean and refer to any numbered parcel of land shown as a residential building Lot upon that plat of survey of Sawmill Forest, recorded in Plat Book 57 Page 102, in the Office of Register of Mesne Conveyances for Beaufort County, South Carolina, or as similarly shown on revised or supplemental surveys of such tracts or such additional tracts as may be added to the Property from time to time as provided herein. The term "Homesite" shall also include the Dwelling or improvement placed or constructed on such parcel of land by or on behalf of Declarant or an Owner.

Section 1.15 Lot. "Lot" shall mean and refer to an unimproved Homesite.

Section 1.16 Master Plan. "Master Plan" shall mean and refer to that preliminary development plan for Sawmill Forest prepared by Connor & Associates, dated October 8, 1996 as the same may be now or hereafter amended from time to time, which plan includes a preliminary layout of the residential community (consisting of approximately 166 residential subdivision Lots) upon the Property described on Exhibit "A". Inclusion of Property on the Master Plan shall not, under any circumstances, obligate Declarant to subject such Property to this Declaration. References to the Master Plan are made solely for the convenience of Declarant. The Master Plan may be revised or changed in any

manner, at any time, and from time to time, or the Master Plan may be discarded all together, all at the sole and absolute discretion of the Declarant.

Section 1.17 Member. "Member" shall mean and refer to a person entitled to Membership in the Association.

Section 1.18 Mortgage. "Mortgage" shall mean and refer to any Mortgage, Deed of Trust, Deed to Secure Debt or other form of security instrument affecting the Property or any Homesite within the Property.

Section 1.19 Mortgagee. "Mortgagee" shall mean and refer to a beneficiary or holder of a Mortgage.

Section 1.20 Mortgagor. "Mortgagor" shall mean and refer to any person who gives a Mortgage.

Section 1.21 Owner. "Owner" shall mean and refer to that record Owner (including Declarant) whether one or more persons, of a fee simple title to any Homesite; provided, however, that where fee simple title has been transferred and is being held merely as security for repayment of a loan, the person who would own the Homesite in fee simple, if such loan were paid in full, shall be considered the Owner.

Section 1.22 Person. "Person" shall mean and refer to a natural person, corporation, partnership, trustee, or any other legal entity.

Section 1.23 Property. "Property" shall mean and refer to that certain real property described in Exhibit "A" attached hereto, together with such additional real property, may be subjected to the provisions of this Declaration in accordance with the provisions of Article XI hereof.

Section 1.24 Restrictions. "Restrictions" shall mean and refer to all covenants, conditions, restrictions, easements, liens and other obligations created or imposed by this Declaration.

Section 1.25 Structure. "Structure" shall mean and refer to:

(a) Anything or object the placement of which upon any Homesite may affect the appearance of such Homesite, including, by way of illustration and not limitation, any building or part thereof, garage, porch, shed, greenhouse or bathhouse, coop or cage, pethouse, covered or uncovered patio, swimming pool, antennas and satellite dishes, fence, curbing, paving, wall,

tree, shrub, sign, signboard, temporary or permanent living quarters (including any house, trailer) or any other temporary or permanent improvement to such Homesite;

(b) Any excavation, grading, fill, ditch, diversion, dam or thing or device which effects or alters the natural flow of service waters from, upon or across any Homesite or which affects or alters the flow of any waters in any natural or artificial creek, stream, wash or drainage channel from, upon or across any Homesite; and

(c) Any change in the grade at any point on a Homesite of more than 6" whether or not subsection (b) of this Section 1.25 applies to such change.

Section 1.26 Supplemental Declaration. "Supplemental Declaration" shall mean and refer to an amendment or supplement to this Declaration filed pursuant to Article X which subjects Additional Property to this Declaration and/or imposes, expressly or by reference, additional restrictions and obligations on the land described therein.

ARTICLE II PLAN OF DEVELOPMENT

Section 2.1 Development of the Property. While Declarant has submitted all of the Property to the terms and provisions of the Declaration, the Property will be developed in phases and consequently, only those phases which are completed and platted shall comprise the Homesites. Declarant hereby reserves the right, but not the obligation, to be exercised in its sole discretion, to designate the boundaries of all Homesites and Common Property in various phases of the Property as they are developed and platted and to construct on any portion of the Property recreational facilities, including, but not limited to swimming pools, playgrounds, clubhouses and related facilities. Declarant shall have the right, but not the obligation, to make improvements and changes to all Common Property and to all Homesites owned by Declarant, including, without limitation, (1) installation and maintenance of any improvements added to the Common Property; (2) changes in the location of the boundaries of any Homesites owned by the Declarant or of the Common Property; (3) changes in the boundaries between the Property and any portion of the Property owned by Declarant; (4) installation and maintenance of any storm drainage system and water/sewer or other utility systems and facilities; (5) installation of security and/or refuse facilities; and (6) construction, installation and maintenance of a permanent dwelling unit on any Lot or Homesite without the approval of the Association, the ACC, the Board of Directors or their respective successors or assigns.

Section 2.2 Development of Additional Property. In accordance with Article X of this Declaration, Declarant hereby reserves the option, to be exercised in its sole discretion, to submit from time to time, Additional Property or portions thereof to the provisions of this Declaration and thereby to cause Additional Property or a portion or portions thereof to become part of the Property.

**ARTICLE III
COMMON PROPERTY**

Section 3.1 Conveyance of Common Property.

(a) Conveyance of Common Property. The Declarant may, from time to time, cause to be conveyed to the Association certain real Property (which may include Homesites or portions thereof) or grants of easements, as well as personal property, for the common use and enjoyment of the Owners (such real and personal property being herein collectively referred to as "Common Property"). In addition, the Declarant may, from time to time, cause the conveyance of certain real property or grants of easements to the general public as may be required by governing authorities in accordance with this Declaration.

(b) Alteration of Common Property. It is contemplated by the Declarant that the Declarant will convey Common Property to the Association where scenic and natural area of preservation and for general recreational use. The Declarant may, at the Declarant's sole discretion, modify, alter, increase, reduce or otherwise change the Common Property contemplated to be conveyed to the Association in accordance with this subsection (b) of this Section 3.1 and in accordance with Article X of this Declaration at any time prior to the conveyance of such Common Property to the Association.

(c) Additional Conveyances. In addition to the Property described in subsection (b) of this Section 3.1, the Declarant may convey, or cause to be conveyed, to the Association in accordance with this Section 3.1 and such other real and personal property as the Declarant may determine to be necessary or proper for the completion of the Development.

(d) Title to Common Property. Notwithstanding any legal presumption to the contrary, the fee title to, and all rights in, any portion of the Property owned by the Declarant and designated as Common Property or recreation area (or which is designated by any words which similarly signify such properties for the use of the Owners in the development) whether by recorded plat of survey or otherwise, or designated for public use, shall be reserved to

the Declarant and for its use and subject to its disposition until such time as the same shall be conveyed by grant or deed to the Association or to any municipality or other governmental body, agency or authority.

(e) Acceptance of Conveyances of Improved Property. The Association hereby covenants and agrees to accept all such conveyances of the Common Property.

(f) Certificate of Occupancy. With respect to any improved Common Property, issuance of a Certificate of Occupancy by the local governing authority having jurisdiction over such matters, shall be conclusive evidence that said Property complies with all building and construction standards. The Declarant shall not be responsible for compliance with any requirements called for by said local governing authority after the issuance of a Certificate of Occupancy.

Section 3.2 Right of Enjoyment. Every Owner shall have a non-exclusive right and easement to use and enjoy the Common Property, which right shall be appurtenant to and shall pass for the title to every Homesite upon transfer; provided, however, that no Owner shall do any act which interferes with the free use and enjoyment of the Common Property by all other Owners. The Association may permit persons who are not Owners to use and enjoy any part or all of the Common Property subject to such limitations, and upon such terms and conditions, as it may from time to time establish. The right and easement of enjoyment granted or permitted by this Section 3.2 is subject to those items set forth in Section 3.3 which includes suspension by the Association as provided in Sections 3.3 and 4.8.

Section 3.3 Rights of the Association. The rights and privileges conferred in Section 3.2 hereof shall be subject to the right of the Association acting through the Board to: (a) promulgate rules and regulations relating to the use, operation and maintenance of the Common Property (which shall specifically include the right of the Association, acting through its Board of Directors, to allow residents of other developments outside of Sawmill Forest to use the Common Property); (b) charge reasonable fees in connection with the admission to and use of facilities or services; provided that in setting any such fee the Board may establish reasonable classifications which shall be uniform within each such class, but need not be uniform between such classes; (c) suspend the voting rights of any Member, pursuant to Section 4.8 and the right of enjoyment granted or permitted by Section 3.2; (d) grant easements or rights of way over Common Property to any municipality or other governmental body, agency or authority, to any quasi public agency or to any utility company or cable television system; (e) enforce all applicable

provisions of valid agreements of the Association relating to the Common Property or any part thereof; (f) borrow money for the purpose of carrying out the activities of the Association, including the acquisition, construction, improvement, equipping and maintenance of Common Property, and in aid thereof to encumber by Mortgage or other security interest, any or all of the Association's Property, including Common Property and revenues from assessments, user fees and other sources; (g) dedicate or transfer all or any part of the Common Property or interest therein to any municipality or other governmental body, agency or authority for such purposes and subject to such provisions and conditions as may be agreed upon by the Association and such grantee, including a provision that such Property or interest shall cease to be subject to this Declaration or all or any part of the Restrictions while held by any such municipality or other governmental body, agency or authority; and (h) to sell, lease or otherwise convey all or any part of its properties and interest therein; provided, however, that the Association shall not sell, encumber by Mortgage or other security interest, convey, dedicate or transfer any Common Property or interest therein without the approval of 2/3 of both Class "A" and "B" Members.

Section 3.4 Types of Common Property. At the time of the conveyance of any real Property or grant of easement by the Declarant to the Association to be used as a Common Property, the Declarant shall designate in the deed of conveyance or easement the specific or general purpose or purposes for which such real Property or any portion thereof may be used, and in such event, such real Property or a portion thereof, shall not be used for any different purpose of purposes without a 2/3 vote of both Class "A" and Class "B" Members of the Association. For so long as the Declarant owns at least one Homesite held primarily for sale, or has an unexpired option to add Additional Property to these restrictions, the Common Property may not be used for any different purpose without the written consent of the Declarant.

Section 3.5 Entrance Easements and Entrance Monuments. It is contemplated that certain Easements for landscaping or for the erection and maintenance of entrance monuments, subdivision signs, walls, fences and other structures intended to provide an attractive atmosphere or to provide privacy to Owners will be reserved by the Declarant and may be set forth on plats of survey of the Development recorded in the Beaufort County Records. Such easement shall be perpetual in duration and shall include the right to erect, maintain, repair, replace and re-erect any such structures within the easement areas as well as the right to plant grass, plants, flowers, shrubs and trees to tend and garden the same, and to generally landscape the area within said easements to keep them clean, attractive and uniform in

appearance for the benefit of all Owners within Sawmill Forest. All Owners taking title to any Homesite upon which such an easement lies, will take title subject to the easement rights set forth herein, as well as such rights as may be set forth in any instrument conveying such easements to the Association. Such easements shall be Common Property. In addition, or alternatively, such entrance monuments or other similar improvements, may be constructed within or upon rights of way within the Development, in which case, such improvements shall be maintained by the Association as any other Common Property.

Section 3.6 Encroachment Easements. If any buildings, dwelling units, or other improvements initially constructed by Declarant, or by any Builder on any of the Homesites (including, without limitation, any roof overhangs, balconies, siding, porches or other structures which may be attached to the walls or roofs of such buildings) encroach onto or over or extend into the air space or any portion of the Common Property, or conversely, if any such improvements initially constructed on the Common Property encroach onto or over portions of any Homesite, a valid easement for the encroachment and for the maintenance, repair and replacement thereof shall exist so long as the encroachment exists.

Section 3.7 Delegation of Use. Any Owner may delegate his right to use and enjoy the Common Property to the members of his family, his social invitees or his tenants who reside on the Homesite. Tenants who reside on a Homesite shall have the same rights of delegation as an Owner. If any Owner is not occupying his Homesite as a primary residence and has leased his Homesite to tenants, the Owners shall not have the right to use and enjoy the Common Property, which right may only be exercised by the tenants. Any delegation of rights must be made in accordance with the Bylaws and will be subject to reasonable regulation by the Board and in accordance with the procedures it may adopt.

ARTICLE IV PROVISIONS FOR SAWMILL FOREST OWNERS' ASSOCIATION, INC.

Section 4.1 Purposes, Powers and Duties of the Association. The Association shall be formed as a Non-Profit Corporation for the primary purpose of performing certain functions for the common good and general welfare of the residents of Sawmill Forest. To the extent necessary to carry out such purpose, the Association: (a) shall have all the powers of a corporation organized under the South Carolina Non-Profit Corporation Act of 1994, as may be amended from time to time; and (b) shall have the power to exercise all of the rights, powers, and privileges of the Association as set forth in this Declaration.

Section 4.2 Membership in the Association. Declarant, and every person or entity who is a record Owner of a fee simple or undivided fee simple interest in any Homesite or Lot which is made subject to this Declaration, shall be a Member of the Association (subject to the provisions relating to multiple Ownership or joint set forth in Section 4.3), provided that any such person or entity holding such title or interest merely as the security for performance of an obligation shall not be a Member of the Association.

Section 4.3 Voting Rights. In recognition of the fact that Declarant finds it essential to maintain effective control of the Association during the initial development stages, Declarant hereby establishes two classes of voting Membership, Class "A" and Class "B".

(a) Class "A". The Class "A" Membership shall include all those Owners described in Section 4.2 above, including Declarant, of any Lot or Homesite within the Property. Each Class "A" Member shall have one vote for each Lot or Homesite owned by such Member. If any two or more Lots or Homesites shall be consolidated into one Lot or Homesite, the Owner of such Lot or Homesite shall be entitled to only one vote for such resulting consolidated Lot or Homesite owned by such Member and the total outstanding Class "A" votes within the Property shall be reduced accordingly. When more than one person is a Class "A" Member by virtue of an Ownership interest in the same Homesite or Lot, the vote for such Homesite or Lot shall be exercised as they among themselves determine, but in no event, shall more than one vote be cast with respect to any one Homesite or Lot. In the event of disagreement among such co-owners in an attempt by two or more to cast the vote of such Homesite or Lot, such co-owners shall not be recognized and the vote of such Homesite or Lot shall not be counted. The Membership of a Class "A" Member shall automatically terminate upon the Member's sale of his Homesite or Lot. However, no termination of Class "A" Membership shall affect such Member's obligation to pay assessments, fines or penalties as hereinafter provided for, due and payable for any period prior to the date of such termination, and there shall be no refund for assessments paid for periods falling after the date of such termination.

(b) Class "B". The Class "B" Members shall be Declarant and any successors or assigns of Declarant's rights hereunder. In addition to any Class "A" voting rights of Declarant hereunder this Section 4.3, Declarant shall have one vote for each outstanding Class "A" vote held by any other person or entity within the Property. The Class "B" Membership and voting privileges shall cease and terminate for Declarant whenever

Declarant: (1) shall voluntarily give up its Class "B" Membership; (2) shall cease to own at least 5% of all planned Lots or Homesites within the Property. For this purpose, the total planned number of Lots is 166. To the extent that additional property is added, the number of lots may increase from time to time; or (3) on January 1, 2010, whichever shall first occur.

Section 4.4 Quorum for any Action Authorized. The presence at the meeting of any Members, or of proxies, entitled to cast 51% of the total vote of the Class "A" Membership and, until the Class "B" Membership terminates, as provided for herein, the presence of one hundred percent (100%) of the Class "B" Membership shall constitute a quorum. If the required quorum is not forthcoming in any meeting, the meeting shall be adjourned and another meeting shall be scheduled for a date not less than ten days nor more than thirty days subsequent to the initial meeting. Written notice of the time and place of the adjourned meeting shall be provided to all Members as provided in the Bylaws. The quorum requirement for the adjourned meeting shall be the presence of Class "A" Members, or proxies entitled to cast 25% of the total vote of the Class "A" Membership and the presence of one hundred percent (100%) of the Class "B" Membership so long as such Membership exists.

Section 4.5 Bylaws. The Bylaws of the Association have been drawn and approved by Declarant to govern meetings, duties, and related aspects of the Association. Declarant may, in its sole discretion, cause them to be recorded in the Office of the Register of Mesne Conveyances for Beaufort County, South Carolina as a supplement to this Declaration. The recordation shall be deemed to be notice to the Association and all Members thereof. Declarant is not required, however, to record the Bylaws, but may provide notice thereof to the Members by such manner as it deems appropriate.

Section 4.6 Powers and Duties Prior to Activation of Association; Time of Activation. Prior to activation of the Association by Declarant, Declarant shall possess all powers and rights described herein as belonging to the Association. Declarant may activate the Association at any time after the date of the recording of these Covenants, at the sole discretion of Declarant; provided, however, that the Association shall be automatically activated on December 31, 1996. In the event of such an automatic activation of the Association, the first organizational meeting of the Association may be called by Declarant or by any five Owners acting in concert, upon due notice to all Owners as provided in the Bylaws of the Association.

Prior to the activation of the Association, Declarant shall attempt to maintain the Homesites, Lots, Common Property and other landscaped areas of the Property, but the extent of said maintenance and landscaping shall be entirely at the discretion of Declarant. Declarant may levy reasonable assessments upon Lots or Homesites within the Property and order that each Lot or Homesite shall bear its share of the cost of said maintenance and landscaping and such assessment shall be paid to Declarant. Declarant shall possess all rights and powers of collection and enforcement of such assessments as are provided herein to the Association.

In general, the Declarant may assign, in whole or in part, any of its reserved rights set forth in these Covenants to the Association by a specific document which shall be recorded in the Office of the Register of Mesne Conveyances for Beaufort County, South Carolina.

Section 4.7 Board of Directors and Officers.

(a) Board. The affairs of the Association shall be managed by the Board of Directors. The number of directors and the method of election of directors shall be as set forth in this Declaration and in the Bylaws of the Association. Except to the extent otherwise expressly required or authorized by the South Carolina Non-Profit Corporation Act of 1994, as may be amended from time to time, or this Declaration, the Association's Bylaws or Articles of Incorporation, the powers inherent in or expressly granted to the Association may be exercised by the Board, acting through the officers of the Association, without any further consent or action on the part of the Owners or Members.

(b) Officers. The number of officers and the method of election of officers shall be as set forth in this Declaration and the Bylaws of the Association. Notwithstanding any other language or provision to the contrary in this Declaration, in the Articles of Incorporation, or in the Bylaws of the Association, officers of the Association shall be appointed by the Board until such time as Declarant no longer has the right to appoint Members to the Board of Directors.

(c) Adjustment of Votes. It is the intention of the Declarant that the Development of Sawmill Forest will be developed in phases; each phase consisting of Homesites and/or Common Property. Each such phase will be platted of record in the Office of the Register of Mesne Conveyances for Beaufort County in accordance with Article X of this Declaration. The Declarant shall notify the Association in writing when the final phase of the Development has been so platted of record. By acceptance of a deed conveying a Lot or Homesite, each Owner

acknowledges that, upon the filing by Declarant of the subdivision plats covering such phases and the sale of Homesites shown thereon, the total votes outstanding in the Association will automatically adjust based upon the number of Lots and Homesites in the phases added and in accordance with the formulas set forth in Section 4.3; provided, however, nothing contained herein shall obligate the Declarant to develop any proposed phase of the Development.

(d) Casting of Votes. The votes of the Members shall be cast under such rules and procedures as may be prescribed in this Declaration or in the Bylaws of the Association, as amended from time to time, or by law.

Section 4.8 Suspension of Membership. The Board may, but shall not be obligated to, suspend the voting rights of any Member and the right of enjoyment of the Common Property of any person who:

(a) shall be subject to the Right of Abatement, as defined in Section 8.2 by reason of having failed to take the reasonable steps to remedy a violation or breach of the Restrictions, or of Design Standards as may be adopted by the ACC within thirty (30) days after having received notice of the same pursuant to the provisions of Sections 6.2 or 8.2 of this Declaration.

(b) shall be delinquent in the payment of any assessment, fine or penalty levied by the Association pursuant to the provisions of this Declaration; or

Any suspension shall be for the balance of the period in which said Member or Person shall remain in violation, breach or default, as aforesaid. No such suspension shall prevent an Owner's ingress or egress from his Homesite Lot.

Section 4.9 Voting Procedures. The procedures for the election of Directors of the Association and the resolution of such other issues as may be brought before the Membership of the Association shall be governed by this Declaration, the South Carolina Non-Profit Corporation Code, the Articles of Incorporation of the Association, and the Bylaws of the Association, as each shall from time to time be in force and effect.

Section 4.10 Control by Declarant and Appointment of the Board. Until such time as Declarant no longer has the right to appoint members to the Board, the Board of the Association shall consist of three (3) members. Notwithstanding any other language or provision to the contrary in this Declaration, in the Articles

of Incorporation, or in the Bylaws of the Association, the Declarant hereby retains the right to appoint all members to the Board until such time as Declarant terminates its rights hereunder. The rights of Declarant to appoint members of the Board also includes the right to remove and replace appointees until such time as Declarant's rights to appoint members to the Board ceases. Declarant shall retain the right to appoint and remove members of the Board until sixty (60) days after the first of the following events shall occur: (i) the expiration of ten (10) years from the date of the recording of this Declaration; (ii) the date upon which three-fourths (3/4) of the Homesites which may be developed on the Property and on the Additional Property shall have been conveyed by Declarant to an individual Owner or Owners for residential occupancy; or (iii) the surrender by Declarant of the authority to appoint and replace Directors by an express amendment to this Declaration executed by the Declarant and recorded in the Office of the Register of Mesne Conveyances for Beaufort County. Upon the final expiration of all rights of Declarant to appoint and replace directors of the Association a special meeting of the Association shall be called. At such special meeting the Owners shall elect a new Board of Directors which shall undertake the responsibilities of the Board, and Declarant shall deliver the books, accounts, and records, if any, which Declarant has kept on behalf of the Association, and any agreements or contracts executed by or on behalf of the Association during such period, which Declarant has in its possession. Notwithstanding any other language to the contrary, the Board of Directors appointed by the Declarant shall retain the power and authority to act on behalf of the Association, and to exercise all rights available to Board Members until such time as a new Board of Directors has been elected. Each Owner by acceptance of a deed to or other conveyance of a Lot or Homesite vests in Declarant such authority to appoint and replace directors and officers of the Association as provided in this Section and in Article V of the Bylaws.

Section 4.11 Rules and Regulations. The Association, through its Board of Directors, may make and enforce reasonable rules and regulations governing the use of the Property, and dwellings within the Property, and the Common Property, which rules and regulations shall be consistent with the rights and duties established by this Declaration. Such regulations and use restrictions shall be binding upon all Owners, Members, occupants, tenants, invitees, and licensees, if any, until and unless revised or canceled by the Board of Directors or overruled, canceled, or modified in a regular or special meeting of the Association by the vote of Members representing a majority of the total Class "A" votes in the Association and by the affirmative vote of the Class "B" Member, so long as such Membership shall exist.

Section 4.12 Enforcement. The Association shall be authorized to impose sanctions for violations of this Declaration, the Bylaws, or rules and regulations adopted by the Association. Sanctions may include reasonable monetary fines and suspension of the right to vote and to use any recreational facilities within the Common Property. In addition, the Association through the Board, in accordance with Article VIII of the Declaration, shall have the right to exercise the Right of Abatement as set forth in Section 8.2 to cure violations, and shall be entitled to suspend any services provided by the Association to any Owner or such Owner's Homesite or Lot in the event that such Owner is more than thirty days delinquent in paying any assessment or other charge due to the Association. The Board shall have the power to seek relief in any court for violations or to abate nuisances. The Association, through the Board, by contract or other agreement, shall have the right to enforce county and city ordinances, if applicable, and to permit the County to enforce ordinances on the Property for the benefit of the Association and its Members.

Section 4.13 Implied Rights. The Association may exercise any other right or privilege given to it expressly by this Declaration or the Bylaws. The Association may also exercise every other right or privilege reasonably implied from the existence of any right or privilege given to it herein or reasonably necessary to effectuate any such right or privilege.

Section 4.14 Governmental Interests. For so long as the Declarant owns any property described on Exhibits "A" or "B", the Association shall permit the Declarant to designate sites within the Property for fire, police, water, and sewer facilities, public schools and parks, and other public facilities. The sites may include Common Property owned by the Association.

ARTICLE V

ASSESSMENTS AND MAINTENANCE CHARGES

Section 5.1 Covenant for Assessments and Creation of Lien and Personal Obligations. The Declarant, to the extent that Declarant is required herein, hereby covenants and agrees, and each Owner, jointly and severally, for himself, his heirs, distributees, legal representatives, successors and assigns, by acceptance of a deed for a Homesite or Lot, whether or not the covenants contained herein shall be expressed in any such deed, hereby covenants and agrees as follows:

(a) to pay to the Association the annual assessments which may or shall be levied by the Association pursuant to this Declaration against all Homesites or Lots owned by him;

(b) to pay to the Association any special assessments for capital improvements and any fines, penalties or other charges which may or shall be levied by the Association pursuant to this Declaration against all Homesites or Lots owned by him; hereby created a continuing charge and lien upon all Homesites and Lots owned by him against which all assessments, fines, penalties and other charges are made to secure payment of such items and any penalties and interest thereon as provided in Section 5.6 hereof as well as costs of collection, including reasonable attorneys' fees;

(c) that there is hereby created a continuing charge and lien upon all Homesites owned by him against which all assessments, fines, penalties and other charges are made to secure payment of such items and any penalties and interest thereon as provided in Section 5.6 hereof and costs of collection, including reasonable attorneys' fees;

(d) that such continuing charge and lien on such Homesites and Lots binds such Homesites and Lots in the hands of the Owner, and the Owner's heirs, devisees, legal representatives, successors and assigns. Such charge and lien is superior to any and all charges, liens or encumbrances which may hereafter in any manner arise or be imposed upon such Homesites or Lots whether arising from or imposed by judgment or decree or by any agreement, contract, Mortgage, or other instrument, except (i) such liens for taxes or other public charges as are by applicable law made superior, and (ii) the lien or charge of all first and second Mortgages of record made in good faith and for value;

(e) that no sale or transfer at foreclosure or in lieu of foreclosure shall relieve any Homesite or Lot from liability for any assessment thereafter assessed;

(f) that all annual and special assessments (together with interest thereon and late charges as provided in Section 5.6 of this Declaration and costs of collection including reasonable attorneys' fees) levied against any Homesite or Lot owned by an Owner shall be (in addition to being a continuing charge and lien against such Homesite or Homesites as provided in Section 5.1(c) of this Declaration) a personal obligation which will survive any sale or transfer of the Homesite or Lot owned by him provided, however, that such personal obligation for delinquent assessments shall not pass to an Owner's successor-in-title unless expressly assumed by such successor.

Section 5.2 Purpose of Assessment. The assessments levied by the Association shall be used exclusively for the

purpose of providing for the common good and general welfare of the residents of the Development, including, but not limited to, security, the acquisition, construction, improvement, maintenance and equipping of Common Property, the enforcement of the restrictions contained in this Declaration, the enforcement of the Design Standards of the ACC, the payment of operating costs and expenses of the Association, the payment of all principal and interest when due on all debts owed by the Association and also other purposes set forth or contemplated by this Declaration.

Section 5.3 Annual Assessment or Maintenance Charge.

(a) Subject to the terms of this Article, each Homesite and Lot in the Property is hereby subjected to an annual assessment or maintenance charge, which maintenance charge and assessment will be paid by the Owner or Owners of each Homesite within the Property or Additional Property. Payment of such assessments will be made in advance in monthly, quarterly, annual or semi-annual installments with the due dates being established by the Board of Directors.

(b) The annual maintenance charge and assessment will commence to each Homesite or Lot on the first day of the month following the conveyance of the Homesite or Lot to an Owner or tenant by Declarant or a successor in title to Declarant.

(c) Beginning on the date this Declaration is executed through December 31, 1996, the annual maintenance charge and assessment will not exceed \$300.00 per annum said rate of charge being the "maximum annual assessment" for 1996. Beginning January 1, 1997, and from year to year thereafter, the maximum annual assessment may be increased by the Board of Directors; however, the maximum annual assessment may be increased each year not more than the greater of ten percent (10%) above the maximum annual assessment for the previous year or an amount equal to the initial annual assessment compounded annually at 10%.

(d) The annual assessment for each year shall be determined by the Board of Directors as the needs of the Development may in the judgment of the Directors require; however, the annual assessment for each year shall not exceed the maximum annual assessment for that year. In addition, if for any reason the Board of Directors shall fail to determine the annual assessment for any successive year, the annual assessment for the previous year shall continue for such successive year until a new annual assessment is determined by the Board of Directors.

(e) Assessments may be used by the Association to provide for, by way of clarification and not limitation, any and all of the following:

(i) normal, recurring maintenance of the Common Property (including, but not limited to, mowing, edging, watering, clipping, sweeping, pruning, raking and otherwise caring for the existing landscaping and maintaining and repairing recreational facilities) and the acquisition and installation of capital improvements to such areas; provided that the Association shall have no obligation (except as expressly provided in this Declaration) to make capital improvements to the Common Property;

(ii) payment of all legal and other expenses incurred in connection with the enforcement of all recorded covenants, restrictions and conditions affecting the Property to which said assessments apply;

(iii) payment of all reasonable and necessary expenses in connection with the collection and administration of the maintenance charge and assessment;

(iv) employment of security guards or watchmen, if determined necessary;

(v) caring for vacant Lots; and

(vi) doing any other thing or things necessary or desirable in the opinion of the Board or Membership of the Association to keep the property neat and in good order, or which is considered of general benefit to the Owners or occupants of the Property, it being understood that when and if presented to the Members, the judgment of the majority of the Members of the Association in the determination of what constitutes normal, recurring maintenance shall be final and conclusive so long as such judgment is exercised in good faith.

The Association may also establish and maintain an adequate reserve fund for the periodic maintenance, repair, and replacement of improvements to the Common Property.

(f) Unless required as a matter of law, the Declarant shall not at any time be subject to any assessments; however, the Declarant hereby agrees that until such time as Declarant no longer has the right to appoint members to the Board of the Association, Declarant shall pay to the Association the difference between the costs and expenses incurred by the Association and the amounts levied against the Owners subject to

assessments. Such subsidization shall not extend to an amount properly levied against Owners but not collected therefrom. Further, in determining the amount of subsidization, "costs and expenses" shall not include non cash expenses, such as depreciation, nor allocations for capital or other reserves. Beginning the first day of the month subsequent to the termination of the Declarant's right to appoint Board members, Declarant shall pay an annual maintenance charge and assessment in an amount equal to the annual assessment multiplied by a factor of twenty percent (20%). This same percentage shall also apply to any special assessments levied by the Association.

Notwithstanding the preceding, the full annual maintenance charge and assessment will commence as to each Homesite or Lot owned by Declarant, predecessor Declarants, or a Builder upon which its occupancy.

Section 5.4 Special Assessments for Working Capital Fund, Nonrecurring Maintenance, and Capital Improvements. In addition to the annual assessments authorized by this Article V, the Association may levy in any assessment year, a special assessment applicable to that year only for the purpose of defraying, in whole or in part, any Association expenses not covered by the annual budget, including, but not limited to, the cost of nonrecurring maintenance, or the acquisition, construction, reconstruction, repair or replacement of a capital improvement upon any Common Property, including fixtures and personal property related thereto, provided that any such assessment shall have been approved by a two-thirds (2/3) vote of both Class A and Class B Members of the Association who are present in person or by proxy at a meeting duly called for such purpose.

Section 5.5 Notice and Quorum. Written notice of any meeting called for the purpose of taking any action requiring vote under Section 5.3 or 5.4 shall be sent to all members, or delivered to their residence, not less than fourteen (14) days nor more than thirty (30) days in advance of the meeting. At the first such meeting called, the presence of Members or of proxies entitled to cast fifty-one percent (51%) of all the votes of the Class A Membership and 100% of the Class B Membership (for so long as the Class B Membership exists) shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be twenty-five percent (25%) of the total vote of the Class A Membership and, until the Class B Membership terminates, the presence of all Class B Members. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

Section 5.6 Effect of Nonpayment of Assessment. If any assessment or installment is not paid within fifteen (15) days after that due date there shall be imposed a late or delinquency charge in the amount of the greater of Ten Dollars (\$10.00) or ten percent (10%) of the amount of each assessment or installment not paid when due, whichever is greater. Any assessment or installment, and any late charge connected therewith, which is not paid within thirty (30) days after the due date of the assessment shall bear interest (from the due date with respect to the assessment or installment, and the date such charge was imposed with respect to the late charge), at a rate of eighteen percent (18%) per annum or at such rate as the Board may from time to time establish; provided, however, that in no event shall the Board have the power to establish a rate of interest in violation of the laws of the State of South Carolina. If any one or more installment of any assessment is not paid within thirty (30) days after the due date the Board may declare any remaining balance of the assessment at once due and payable. In event that an Owner shall fail to pay fully any portion of any assessment or installment on or before the date on which payment is due, such unpaid portion (including any remaining balance declared immediately due and payable in accordance with the preceding sentence), together with any delinquency charges, interest, costs of collection, including court costs, the expenses of sale, any expense required for the protection and preservation of the Homesite or Lot, and reasonable attorneys' fees, shall be a binding personal obligation of such Owner, as well as a lien on such Owner's Homesite or Lot enforceable in accordance with the provisions of this Declaration. In addition to the above, if any Owner has not paid any assessment or installment, or any late charges or expenses related thereto, within sixty (60) days after the due date of the assessment or installment, the Association shall have the right to notify any or all Mortgagees having a security interest in such Owner's Homesite or Lots that such Owner is in default in the performance of his obligations under these Covenants, and of those actions taken or proposed to be taken by the Association as a result of the default.

Section 5.7 Certificate of Payment. Upon written demand by an Owner, the Association shall within a reasonable period of time issue and furnish to such Owner a written certificate stating that all assessments (including penalties, interest and costs, if any) have been paid with respect to any Homesite or Lot owned by said Owner as of the date of such certificate, or that all assessments, interest and costs have not been paid, setting forth the amount then due and payable. The Association may make a reasonable charge for the issuance of such certificate. Any such certificate, when duly issued as herein provided, shall be conclusive and binding with regard to any matter therein stated

as between the Association and any bona fide purchaser of, or lender on, the Homesite or Lot in question.

Section 5.8 Contributions by Declarant. In accordance with Subsection 5.3(f) above, it is the Declarant's intention to support the Association by funding deficits during such time as the Declarant has the right to appoint members to the Board of the Association. It is not, however, the intention of the Declarant to forfeit refundable reserves or deposits paid by Declarant, nor to pay for deficits created by the nonpayment of assessments by an Owner or Owners. It is also not the intention of Declarant to pay for expenses which are otherwise covered in the annual budget, but which, due to the requirement of an advance payment, create temporary or seasonal deficits. Accordingly, the following covenants shall apply:

(a) Declarant shall be reimbursed for all amounts paid by Declarant in the funding of deficits caused by the nonpayment of assessments by an Owner or Owners;

(b) Declarant shall be promptly reimbursed by the Association for all refundable deposits made by Declarant on behalf of the Association upon the Association's receipt of any and all such deposits;

(c) For the calendar year in which the Declarant's right to appoint members to the Board of the Association expires or is terminated, Declarant shall be reimbursed for all advance payments made by Declarant on behalf of the Association for which the actual expense is covered in the annual budget. In other words, at the end of the calendar year, the Association shall owe the Declarant an amount to be determined as follows:

(i) Begin by determining the difference between expenses actually incurred for the calendar year and the amount of regular annual assessments actually collected for the calendar year (not including portions allocated to capital reserves);

(ii) If the difference determined in (i) above equals zero, or if there is an excess in regular annual assessments actually collected, then Declarant shall be reimbursed for all deficit payments made by Declarant for the calendar year;

(iii) If the difference determined in (i) above is greater than zero, said difference shall be multiplied by a fraction, the numerator of which equals the number of days Declarant had the right to appoint members to the Board of the Association for the calendar year, and the denominator of which

equals 365. The resulting product shall be reimbursed to Declarant.

(d) Declarant shall be entitled to reimbursement from the Association in accordance with the covenants contained in this Section 5.8 at the time Declarant's right to appoint members to the Board of the Association expires or terminates. With regard to uncollected assessments, Declarant shall not be entitled to reimbursement until the assessment is actually collected. With regard to refunds of deposits, Declarant shall not be entitled to reimbursement until any such refund is received by the Association. The Declarant, however, shall have the right to pursue the collection of any unpaid assessments on behalf of the Association, as well as the right to act on behalf of the Association (if necessary) in obtaining refunds of all deposits paid for by Declarant. With regard to amounts owed to Declarant as provided for in subsection 5.8 above, said amount owed to Declarant shall be fully due and payable by January 31st of the year next following the end of the calendar year in which Declarant's right to appoint members to the Board expires or terminates. In addition, at the time Declarant's right to appoint members to the Board of the Association expires or terminates, Declarant shall have the right to withdraw from the Association reserve account provided for in subsection 5.3(e) an amount equal to one-half of the amount on deposit at that time to cover Declarant's good faith estimate of amounts which shall be owed to Declarant in accordance with subsection 5.8 above. If for any reason the amount withdrawn exceeds the actual amount owed to Declarant as determined at the end of the calendar year then Declarant shall promptly refund such excess to the Association.

(e) In no event shall the Association's obligation to reimburse the Declarant as set forth in this Section 5.8 relieve the Declarant of the obligation to pay assessments in accordance with subsection 5.3 above; however, the Declarant may set off amounts due as assessments against amounts owed Declarant hereunder.

(f) This Section 5.8 may only be amended with the prior written consent of the Declarant. Each Owner, by acceptance of a deed to a Homesite or Lot in the property, and the Association, shall be deemed to have approved of the reimbursements to Declarant required by this Section 5.8.

ARTICLE VI

GENERAL COVENANTS AND RESTRICTIONS

Section 6.1 Application. The covenants and restrictions contained in this Article VI shall pertain and apply to all Homesites and Lots and to Structures erected or placed thereon.

Section 6.2 Maintenance. Notwithstanding the rights and easements reserved by Declarant in Section 7.1(c)(iv), each Owner shall keep and maintain each Homesite and Lot owned by him, as well as all landscaping thereon, in good condition and repair, including, but not limited to (i) the repairing and painting (or other appropriate external care) of all Structures; (ii) the seeding, watering and mowing of all lawns and (iii) the pruning and trimming of all tress, hedges and shrubbery so that the same are not obstructive of a view by motorists or pedestrians of street traffic. If in the opinion of the ACC, any Owner shall fail to perform the duties imposed by this Section, the ACC shall notify the Association. If the Board shall agree with the determination of the ACC with respect to the failure of said Owner to perform the duties imposed by this Section, then the Board shall give written notice to the Owner to remedy the condition in question, setting forth in reasonable detail the nature of the condition and the specific action or actions needed to be taken to remedy such conditions. If the Owner shall fail to take reasonable steps to remedy the condition within thirty (30) days after the mailing of said written notice by certified mail, the Association shall have the Right of Abatement as provided in Section 8.2 hereof. Guidelines relating to the maintenance of Homesites and any Structures thereon, including artwork to be placed on an Owner's lawn, and landscaping (including the addition of tress, shrubbery, plants and fertilizers) shall be included in the Design Standards of the ACC, and Owner shall not undertake any such activities without the authorization of the ACC or the Declarant.

Section 6.3 Restriction of Use. Homesites may be used for single-family residential purposes only, or if conveyed or dedicated to the Association as Common Property, for such purposes as the Association sees fit (subject to such restrictions as may be contained in grant or conveyance of said Homesite or Lot) and for no other purposes provided that Declarant may operate sales offices and/or model homes on any Homesite or Lot owned by Declarant.

Section 6.4 Resubdivision of Property. Once a Lot or Homesite has been conveyed by Declarant to an Owner, the Lot or Homesite shall not be split, divided, or subdivided for sale,

resale, gift, transfer, or otherwise, nor shall its boundary lines be altered, without the prior written approval of the ACC of plans and specifications for such split, division, or subdivision, or boundary line alteration. This provision shall not apply to the Declarant who shall have the right, at its sole discretion, to alter boundary lines of any Homesite or Lot or acreage of any Lot owned by Declarant. Nothing herein contained shall be construed to prohibit the Declarant the right to re-plate any Homesite or Homesites into one (1), two (2) or more Homesites which are owned by the Declarant, by subdivision, consolidation or reconfiguration, and the Declarant may take such other steps as are reasonably necessary to make such replatted Homesites suitable and fit for use for its originally intended purpose. Such steps may include, but are not limited to, the relocation of easements, walkways and rights-of-way to conform to the new boundaries of said re-platted Homesites.

Section 6.5 Erosion Control. No activity which may create erosion or siltation problems shall be undertaken on any Homesite or Lot without the prior written approval of the ACC of plans and specifications for the prevention and control of such erosion or siltation. The ACC may, as a condition or approval of such plans and specifications, require the use of certain means of preventing and controlling such erosion or siltation. Such means may include (by way of example and not of limitation) physical devices of controlling the run-off and drainage of water, special precautions in grading and otherwise change the natural landscape, and required landscaping as provided for in Section 6.6.

Section 6.6 Landscaping. No construction or alteration of any Structure shall take place without the prior written approval by the ACC of plans and specifications for the landscaping to accompany such construction or alteration.

Section 6.7 Trees. No living tree having a diameter of three (3) inches or more (measured from a point two (2) feet above ground level) shall be removed from any Homesite unless such removal is in conformity with approved landscaping plans and specifications submitted pursuant to the provisions of Sections 6.5 and 6.6 hereof. Guidelines relating to the preservation of trees and other natural resources and wildlife upon the Property may be included in the Design Standards of the ACC.

Section 6.8 Temporary Buildings. No temporary building, trailer, garage or building under construction shall be used, temporarily or permanently, as a residence on any Homesite or Lot except as temporary sleeping or living quarters required or desirable for security purposes in accordance with plans and specifications therefor approved by the ACC. Declarant may use

temporary structures, such as construction trailers, while developing the subdivision or constructing dwellings on Homesites owned by Declarant.

Section 6.9 Signs.

(a) No signs whatsoever (including but not limited to "FOR SALE", commercial and similar signs) shall, without the ACC's prior written approval of plans and specifications thereof, be installed, altered or maintained on any Homesite, or on any portion of a Structure visible from the exterior thereof, except:

(i) such signs as may be required by legal proceedings; and

(ii) directional signs for vehicular or pedestrian safety in accordance with plans and specifications approved by the ACC;

(b) In no event during approved construction of any Structure shall more than one job identification sign be approved by the ACC.

(c) Notwithstanding any other provision in this Declaration, the Declarant may erect and place such signs on any portions of the Property owned by Declarant or on any Common Property, which Declarant in its sole discretion deems appropriate. This Section 6.9(c) may only be amended with the prior written approval of the Declarant.

Section 6.10 Setbacks.

(a) Each dwelling which is erected by any person other than Declarant on a Homesite shall be situated on such Homesite in accordance with the building and setback lines shown on the recorded plat, unless otherwise approved by the ACC. For the purposes of this requirement, for all setbacks other than those established by the ACC, all porches, patios, decks, shutters, awnings, eaves, gutters and other such overhangs will not be considered in violation thereof, even though such Structure shall extend beyond said building and setback lines, unless the ACC has established such a requirement as part of its approval of a Structure or has otherwise established setback requirements.

(b) In approving plans and specifications for any proposed Structure to be caused to be built by any person other than Declarant, the ACC may establish setback requirements for the location of such Structure.

Section 6.11 Fences. No fence or wall of any kind shall be erected, maintained, or altered on any Homesite without the prior written approval of the ACC of plans and specifications for such fences and walls.

Section 6.12 Roads and Driveways. No road or driveway shall be constructed or altered on any Homesite or Lot without the prior written approval of the ACC of plans and specifications for such roads and driveways. The Declarant, however, shall have the right to construct, or to authorize the construction of, such roads and driveways as may be convenient for the development of the Property or the Additional Property through any Homesite or Lot owned by Declarant.

Section 6.13 Antennae/Satellite Dish. Except with the prior written approval of the ACC or Declarant, which approval shall not unreasonably be withheld, no outside television or radio aerial, satellite dish or antennae or other device for the reception or transmission of radio or television or other electronic signals shall be erected or maintained on any Lot or Homesite or upon the exterior of any dwelling or the Common Property appurtenant to any dwelling. The ACC or Declarant shall approve any application for the installation of one (1) television or radio antennae or satellite dish per Homesite or Lot, so long as the application indicates that the installation is for the personal use of the Owner and that the antennae, satellite dish or other receiving device will not be visible from the front of the dwelling. Notwithstanding the above, the ACC or Declarant shall have the power to require specific forms of screening such as fences or shrubbery as it deems appropriate in order to effectuate the intent of this Section 6.13 that such devices not be visible from the front of dwellings and in order to render the installation as inoffensive as possible to other Owners. All installations must comply with local zoning requirements and building codes, if applicable.

Section 6.14 Clotheslines, Garbage Cans, Mailboxes. No clotheslines visible from any street, sidewalk or public area shall be permitted. All equipment, garbage cans, and woodpiles shall be kept in a garage or screened by adequate planting or approved fencing so as to conceal them from view by neighboring residences and streets. Standard mailboxes shall be provided and installed by Declarant at each Homesite at Declarant's sole cost and expense.

Section 6.15 Parking and Related Restrictions.

(a) No vehicles of any type whatsoever shall be permitted to park on the streets of the Development on a permanent basis, but shall be allowed on a temporary basis.

(b) No school bus, truck or commercial vehicle over three-quarters (3/4) ton capacity, house trailer, mobile home, motor home, recreational vehicle, camper, habitable motor vehicle of any kind, boat or boat trailer, trailers of any kind, or like equipment, exceeding twenty-four (24) feet in length shall be permitted on any Homesite or Lot on a permanent basis, but shall be allowed on a temporary basis.

(c) Vehicles and equipment described in Section 6.15(b) above, but which are less than twenty-four (24) feet in length, may be permitted on other than a temporary basis if stored within the garage with garage door closed.

(d) Any trash, firewood, wood scraps, building material or other such materials contained in any vehicle or trailer shall be covered from view.

(e) The purpose of this Section 6.15 is to help maintain the neat and attractive appearance of the Development by requiring the streets of the Development to remain cleared, and for larger vehicles and equipment to be either hidden from view or eliminated altogether if intended to be stored on more than a temporary basis. In effectuating the purpose of this Section, the ACC may adopt guidelines, rules and regulations which shall give greater substance to its provisions, as for example, by defining what shall be considered temporary or permanent in the case of each subsection above.

(f) the provisions of this Section shall not apply to Declarant.

Section 6.16 Recreational Equipment. Recreational and playground equipment shall be placed or installed only upon the side yard of a Homesite unless otherwise approved by the ACC.

Section 6.17. Non-Discrimination. No Owner or person authorized to act for an Owner shall refuse to sell or rent, after receiving a bona fide offer, or refuse to negotiate for the sale or rental of, or otherwise make unavailable or deny the purchase or rental of any Homesite to any persons because of race, color, religion, sex, age or national origin. Anything in this Declaration to the contrary notwithstanding, this covenant shall run with the land and shall remain in effect without any limitation in time.

Section 6.18 Lagoon Front and Wetlands. On Homesites or Lots adjacent to a Lagoon or Wetland primarily serving the Property:

(a) no refuse of any kind shall be placed on or disposed of into the adjacent waters or wetland which are to be kept clean and free of pollution;

(b) no water shall be removed from a Lagoon by any Owner except in emergencies due to flooding, it being the intention that Lagoons be maintained at their natural level, subject to the control of governmental authorities.

(c) no boats shall be used or permitted therein, except as may be approved by the ACC; and

(d) subject to that easement for maintenance provided for in Section 7.1(e), and except as may be included as part of any Common Property including or adjacent to a Lagoon, no alteration may be made of a Lagoon bottom or edge, nor shall any board canals be dug or excavated, nor shall any bulkheading, barges, docks, pilings, or other marine structures be erected adjacent thereto or thereupon.

Section 6.19 Animals. No animals, livestock, swine or poultry of any kind, including birds, insects and reptiles, may be raised, bred, or kept on any Homesite or Lot other than a maximum of three (3) household pets kept on any one Homesite. No livestock shall be kept on any Homesite or Lot. No animal shall be allowed to become a nuisance or kept, bred or raised for a commercial purpose. No Structure for the care, housing or confinement of any animal shall be constructed, placed or altered on any Homesite unless plans, specifications and location for said Structure have been approved by the ACC. For the purposes of this Section 6.19, the term "household pets" shall exclude those animals, such as cows, horses, snakes, swine, goats, and fowl, all of which are specifically prohibited from being kept on the Property. Also specifically prohibited are all "pit bulldog" breeds, including, but not limited to Staffordshire Bull Terriers, Bull Terriers, Pit Terriers and American Pit Bull Terriers as well as Rottweilers or any dog found to be violent or destructive. In order to preserve the aesthetic qualities of the Property, to maintain sanitary conditions on the Property, to prevent the spread of worms and infectious diseases on the Property, to maintain a proper respect for other Owners and users of the Property, and to maximize the overall use and enjoyment of the Property, each Person who keeps a pet within a dwelling shall abide by rules and regulations established by the Declarant or the ACC from time to time. The breach of any of these rules and regulations shall be a noxious and offensive activity constituting a nuisance.

Section 6.20 Solid Waste.

(a) No person shall dump rubbish, garbage, or any other form of solid waste on any Homesite or Lot or on Common Property.

(b) Except during approved construction, no Person shall burn rubbish, garbage, or any other form of solid waste on any Homesite, Lot, or on Common Property.

(c) Except for building materials employed during the course of construction of any Structure caused to be built by Declarant or approved by the ACC, no lumber, metals, bulk materials or solid waste of any kind shall be kept, stored, or allowed to accumulate on any Homesite or Lot unless screened or otherwise handled in a manner approved by the ACC.

(d) If rubbish, garbage, or any other form of solid waste is to be disposed of by being collected on a regular and recurring basis, containers may be placed in the open on any day persons are making such pick-up. At all other times such containers shall be screened or enclosed.

Section 6.21 Nuisances. No noxious or offensive activity shall be carried on upon any Homesite or Lot, nor shall anything be done thereon which may be or may become an annoyance or nuisance to the community.

Section 6.22 Landscape and Monument Easements. On Homesites subject to a Landscape or Monument Easement as set forth on any recorded plat of survey of the Development, such Homesites are subject to those easements rights set forth in Section 3.5.

Section 6.23 Water/Sewage. Declarant shall make provisions with the appropriate entity for water for each Homesite prior to sale of that Homesite by Declarant. No private water wells for domestic water use may be drilled or maintained on the Property by anyone other than Declarant. Declarant shall make provisions for sewage collection for each Homesite with the appropriate entity prior to sale of any Homesite by Declarant. No septic tank shall be permitted on the Property.

Section 6.24 Permanence of Dwellings. Prior to conveyance of individual Homesites, Declarant shall place upon each Homesite a Dwelling, together with appropriate improvements, such as decks and garages, which Dwellings shall be permanently affixed to their foundation. Such Dwellings shall thereafter be treated as real property for all purposes, and shall not be removed from their respective Homesites. Each Owner, by acceptance of a deed

to a Homesite or Lot, agrees not to demolish or remove any Dwelling from its respective Homesite or foundation without the written approval of the ACC or Declarant and, further, to take all steps necessary to insure the continued treatment or classification of the Homesite as real property for all purposes whatsoever, including, but not limited to, taxation and financing of the Homesite.

ARTICLE VII

EASEMENTS, ZONING AND OTHER RESTRICTIONS

Section 7.1 Easements.

(a) Declarant hereby expressly reserves to the Declarant, its successors and assigns forever, the right to create perpetual easements in, on, over and under any part of the Property owned by Declarant for any purpose which Declarant deems necessary, including, by way of example, and not limitation, the following:

(i) the erection, installation, construction and maintenance of wires, lines, conduits and poles and the necessary or proper attachments in connection with the transmission of electricity, telephone, cable television and other utilities and similar facilities;

(ii) the erection, installation, construction and maintenance of storm-water drains, land drains, public and private sewers, irrigation systems, pipelines for supplying gas, water and heat, and for any other public or quasi-public facility, service or function;

(iii) slope control purposes, including the right to grade and plant slopes and to prevent the doing of any activity which might interfere with slopes or which might create erosion or sliding problems or which might change, obstruct or retard drainage flow;

(iv) the planting or re-planting of hedges, shrubbery, bushes, trees, flowers and plants of any nature; and

(v) the erection, installation, construction and maintenance of fences, walls, monuments, signs, etc. along streets in, around and along, and at entrances to, the Development and the right to landscape such areas, plant, re-plant and prune hedges, shrubbery, bushes, trees, flowers, grass and plants of any nature.

(b) No Owner shall have any right to use any easement created by the Declarant in, on or over any portion of the Property unless such easement has been assigned by the Declarant to the Association.

(c) The Declarant hereby expressly reserves to the Declarant, its successors and assigns, across the Property, and across each portion of any Additional Property subsequently submitted to this Declaration by annexation as provided in Article X hereof, perpetual easements appurtenant to all or any portion of the Property and to all or any portion of the Additional Property not subject to this Declaration for the following uses and purposes:

(i) an easement for ingress and egress by vehicular and pedestrian traffic over (1) such drives, roadways, walkways and paths as are shown on the plat or plats recorded in connection with the initial phase of the Property and such portions of the Additional Property as are submitted to this Declaration, and (2) such drives, roadways, walkways and paths as may be constructed in the future;

(ii) an easement for the purpose of installing, operating, maintaining and replacing wires, pipes, conduits and other structures and facilities necessary to the furnishing of gas, water, sewage, storm drainage, electricity, street lights, telephone, and other utilities and services, including the right to connect with and to use in common with the Owners in the initial phase of the Property and portions of the Additional Property subsequently submitted to this Declaration, the wires, pipes, conduits, and other structures and facilities furnishing such utilities and services to such Owners; and

(iii) an easement for the purpose of creating and maintaining satisfactory drainage across Homesites or Lot in the development being ten (10) feet wide along each side line and ten (10) feet wide along the rear line of each Homesite or Lot; however, said easement shall not include any portion of a Homesite upon which the foundation of any dwelling is located;

(iv) an easement for landscaping and maintenance purposes over and under that portion of each Homesite or Lot comprising the front yard for the purpose of maintaining and landscaping such portions of each Homesite or Lot. This right and easement to landscape and maintain the front yard of each Homesite or Lot shall not obligate the Declarant to maintain or landscape any portion of any Homesite or Lot, nor shall it relieve Owner from its obligation to maintain such areas as a portion of his Homesite or Lot. Any maintenance or landscaping performed shall be undertaken at Declarant's sole cost and

expense and with a minimum of interference to the quiet enjoyment of the Homesite by the Owner. Declarant's rights under this Section 7.1(c)(iv) shall terminate for Declarant whenever Declarant shall voluntarily terminate such rights or whenever Declarant shall cease to own at least five (5%) of all Homesite within the Property, whichever shall first occur. At such time as Declarant's rights under this Section cease, Declarant shall notify each Owner, in writing, of the termination of these rights and easements.

(d) In addition to the above, the Declarant hereby grants a general easement in favor of utility, cable television and other such service companies across the initial phase of the Property, and across each portion of any Additional Property subsequently submitted to this Declaration by annexation as provided in Article X hereof, to maintain, repair, replace and service wires, pipes, conduits, street lights and other structures and facilities provided for the benefit of the Owners.

(e) The Declarant hereby expressly reserves a perpetual easement for the benefit of Declarant and its successors and assigns for the use and enjoyment of the surface waters of those portions of any Lagoon or Wetland submitted as part of the Property, as well as a perpetual easement for the maintenance of Lagoons, Wetlands or shorelines, if any, which are within the Development or which are made available for the use and enjoyment of the Owners within the Development. The easement to maintain any Lagoon created hereby shall not relieve any Owner of a portion of a Lagoon from maintaining said area as a portion of his Homesite. The Declarant, its successors and assigns, shall be under no duty to maintain any portion of any Lagoons or Wetlands; however, such an easement is reserved in case maintenance is necessary to facilitate the use and enjoyment of the surface waters. Any maintenance performed shall be undertaken with a minimum of interference to the quiet enjoyment of Property adjacent to any Lagoon or Wetland. The easement area for maintenance shall extend to twenty (20) feet above the shoreline of the Lagoon or Wetland which shall be determined at any time by the water level of the Lagoon or Wetland and shall include those portions of the Lagoon or Wetland which extend over any Homesites adjoining the Lagoon or Wetland. The easement for use and enjoyment created hereby will not include any portion of a Homesite above the water level, it being the intention of this easement to be limited to the waters of any Lagoon or Wetland. The right to use and enjoyment of said water shall be subject to the restrictive covenants set forth in Section 6.18 of this Declaration as well as those regulations which may be promulgated by the Board of the Association from time to time.

(f) The easements created in this Article VII are in addition to any easements or rights created elsewhere in this Declaration or in other easements or record. The provisions of this Article VII may not be amended without the written consent of the Declarant, its successors and assigns.

Section 7.2 Easement Area. The words "Easement Area" as used herein shall mean those areas on any Homesite with respect to which easements are shown on a recorded deed or grant of easement, or on any filed or recorded map or plat relating thereto, or as otherwise set forth in Section 7.1.

Section 7.3 Entry. The Declarant and its employees, agents, successors and assigns, shall have the right at all reasonable times to enter upon all parts of each Easement Area for any of the purposes for which such Easement Area is reserved without being deemed to have committed a trespass or wrongful act solely by reason of such entry and carrying out of such purposes. The Declarant and its employees, agents, successors and assigns shall be responsible for leaving each Homesite in good condition and repair following any work or activity undertaken by the same in an Easement Area pursuant to the provisions of Section 7.1.

Section 7.4 Zoning and Private Restrictions. None of the covenants, restrictions or easements created or imposed by this Declaration shall be construed as permitting any action prohibited by applicable zoning laws, or by the laws, rules or regulations of any governmental body. In the event of any conflict between such laws, rules or regulations and the covenants, restrictions and easements created or imposed by this Declaration, the most restrictive provision shall govern and control. Notwithstanding the foregoing, if these Covenants are included as part of any zoning ordinance or resolution, the adoption of the same shall not prevent the later modification or amendment of these Covenants in accordance with the provisions for amendment contained in this Declaration.

Section 7.5 Landscaping. In all utility easement areas, access to transformers, pedestals, and other above ground utility equipment cannot be impeded by additional fencing or landscaping other than that approved by Declarant and the affected utility company.

Section 7.6 Easement Across Adjacent Residential Lot. The proximity of the Dwellings to the Lot line necessitates the entry into adjacent Lots by Property Owners for the purpose of maintaining their own Dwellings and landscaping. By acceptance of a Deed, each Owner of a Lot (for purposes of this Section 7.6, "Servient Lot") grants the adjacent Property Owner whose Dwelling runs within five feet of the Lot's common boundary line (for

purposes of this Section 7.6, "Dominant Lot"), a maintenance easement which shall run parallel to and five feet inside of the Lot's common boundary lines. This maintenance easement is to permit the maintenance and repair of the Dwelling and landscaping on the Dominant Lot, and to permit reasonable water runoff and general drainage for the Dominant Lot, but for no other purpose. Therefore, this five foot deep maintenance easement shall extend in length only along the distance of the Dwelling plus five additional feet on each end of the Dwelling, and this maintenance easement shall not extend along the entire distance of the common boundary line. All use of this easement shall be in a reasonable manner and at reasonable hours. Any dispute regarding the exercise of such easement rights shall be settled by decision of the Declarant, its successors and assigns. Any damage caused to the Servient Lot or Dwelling thereon by use of this easement by the Owner of the Dominant Lot, shall be repaired or replaced at the expense of the Owner of the Dominant Lot.

Section 7.7 Easements for Eaves, Landscaping and other Projections. Due to the proximity of the Dwellings to the Lot lines, the eaves and other similar projections of some Dwellings or garages may encroach upon adjacent Lots. Therefore, the Declarant hereby reserves and the Owner of each Lot (for purpose of this Section 7.7, the "Servient Lot"), by acceptance of a Deed, grants to the Owner of each adjacent Lot (for purposes of this Section 7.7., the "Dominant Lot") a perpetual easement over such portions of each Servient Lot as is necessary to accommodate the eaves, landscaping and other similar projections as originally constructed by the Declarant to permit the existence of such encroachments. The easement granted hereby, however, shall not intrude more than three feet into any Servient Lot. In the event of destruction of the Dwelling on the Dominant Lot, the easement granted hereby shall permit the eaves and other similar projections of any replacement Dwelling constructed on the Dominant Lot in accordance with this Declaration to encroach upon the adjacent Servient Lot to the same extent as the Dwelling originally constructed on the Dominant Lot by the Declarant.

ARTICLE VIII

ENFORCEMENT

Section 8.1 Right of Enforcement. This Declaration and the restrictions contained herein shall inure to the benefit of and shall be enforceable by (i) the Declarant so long as it is an Owner or maintains the right to annex Additional Property in accordance with Article X hereof, (ii) the Association, and (iii) each Owner, his legal representatives, heirs, successors and assigns.

Section 8.2 Right of Abatement.

(a) Except where different notice provisions are provided in Section 6.2, in the event of a violation or breach of any restriction contained in this Declaration the Association shall give written notice by certified mail to the Owner setting forth in reasonable detail the nature of such violation or breach and the specific action or actions needed to be taken to remedy such violation or breach. If the Owner shall fail to take reasonable steps to remedy such violation or breach within thirty (30) days after the mailing of such written notice, then the Association shall have the Right of Abatement. If any assessment, interest, cost or charge required by this Declaration is not paid within sixty (60) days after such assessment is due or such charge is imposed, the Association shall have the right to notify any or all Mortgagees having a security interest in the Owner's Homesite or Lot that such Owner is in default in the performance of his obligations under these Covenants, and of those actions taken or proposed to be taken by the Association as a result of the default.

(b) The Right of Abatement, as used in this Section and Section 6.2 hereof, means the right of the Association, through its agents and employees, to enter at all reasonable times upon any Homesite or Lot, as to which a violation, breach or other condition to be remedied exists, and to take the actions specified in the notice to the Owner to abate, extinguish, remove, or repair such violation, breach or other condition which may exist thereon contrary to the provisions of this Declaration or the rules and regulations adopted by the Association, without being deemed to have committed a trespass or wrongful act solely by reason of such entry and such actions; provided such entry and such actions are carried out in accordance with the provisions of this Section, and with the cost thereof, including the costs of collection and reasonable attorneys' fees, together with interest thereon at the lower of the highest rate permitted by law or 18% to be a binding personal obligation of such Owner enforceable in law, as well as a lien on such Owner's Homesite or Lot enforceable pursuant to the provisions of Section 8.5 hereof. Such lien shall be superior to any and all charges, liens, or encumbrances which may in any manner arise or be imposed upon the Homesite or Lot after such entry whether arising from or imposed by judgment or decree or by any agreement, contract, mortgage or other instrument, excepting only (i) such liens for taxes or other public charges as are by applicable law made superior, (ii) the liens created by Section 5.1 hereof, and (iii) the lien or charge of all first and second Mortgages of record (meaning any recorded Mortgages with first or second priority over other Mortgages) made in good faith and for value.

Section 8.3 Fines and Penalties and Creation of Lien.

(a) Except for nonpayment of any annual or special assessments, which is controlled by Section 5.6, in addition to all other remedies set forth in this Declaration, the Association, acting through its Board of Directors, may establish fines and penalties for any or all violations of these Covenants.

(b) The Association, acting through its Board of Directors, shall have the authority to establish different degrees or categories of violations and to further establish fines or penalties which vary in amount, or method of application, from category to category. All fines within any one category shall be set at a standard amount and shall be applied by a standard method.

(c) Except for violations of rules governing the use, operation and maintenance of the Common Property, no fine or penalty provided for herein shall begin to accrue unless the Owner has been given notice in accordance with Section 8.2(a). This provision shall not supersede any other provision of this Declaration requiring different notice.

(d) Due to the recognition that fines and penalties are often not established until after a violation has occurred, the Association, acting through its Board of Directors, shall have the authority to assess any fines or penalties established in accordance with these provisions against any and all violations of these Covenants, regardless of when the violation occurred; however, no fines or penalties can begin accruing until after they are adopted and notice of the penalty has been given to the Owner.

(e) Any fines or penalties assessed pursuant to this Section 8.3 for violations of these Covenants, including any fines or penalties assessed for violation of rules and regulations relating to the use, operation and maintenance of the Common Property, together with the cost of collection and reasonable attorneys' fees, shall be a binding personal obligation of the Owner enforceable in law, as well as a lien on such Owner's Homesite enforceable pursuant to the provision of Section 8.5 hereof. Such lien shall be superior to any and all subsequent charges, liens or encumbrances which may in any manner arise or be imposed upon the Homesite whether arising from or imposed by judgment or decree or by any agreement, contract, mortgage, or other instrument, excepting only (i) such liens for taxes or other public charges as are by applicable law made superior, (ii) the liens created by Section 5.1 hereof, and (iii) the lien or charge of all first and second Mortgages of record

(meaning any recorded Mortgages with first or second priority over other Mortgages) made in good faith and for value.

Section 8.4 Specific Performance. Nothing contained in this Declaration shall be deemed to affect or to limit the rights of the Declarant, the Association or any Owner to bring suit for and collect damages. However, it is hereby declared that it may be impossible to measure accurately the damages which will accrue to a beneficiary hereof, its transferees, successors or assigns, by reason of a violation of or failure to perform any of the obligations provided by this Declaration; and therefore, any beneficiary hereof shall be entitled to relief by way of injunction or specific performance, as well as any other relief available at law or in equity, to enforce the provisions hereof.

Section 8.5 Collection of Assessments and Enforcement of Lien. If any assessment, interest, cost or other charge is not paid as required by this Declaration, the Association may bring either an action at law against the Owner personally obligated to pay the same, or an action to foreclose any lien created by this Declaration against any Homesite or Lot subject to the lien, or both, for the purpose of collecting such assessment, cost or charge, plus any interest thereon and costs of collection, including reasonable attorneys' fees.

Section 8.6 No Waiver. The failure of the Declarant, the Association, or the Owner of any Homesite, his or its respective legal representatives, heirs, successors and assigns, to enforce these Covenants shall in no event be considered a waiver of the right to do so thereafter, as to the same violation or breach or as to any violation or breach occurring prior or subsequent thereto.

ARTICLE IX

DURATION AND AMENDMENT

Section 9.1 Duration and Perpetuities. All covenants, restrictions and affirmative obligations set forth herein shall run with the land and shall be binding on all parties and persons claiming under them to specifically include, but not be limited to, the successors and assigns, if any, of Declarant, for a period of forty (40) years from the execution of this Declaration, subject to the right reserved unto Declarant, its successors and assigns, to add additional restrictive covenants with respect to the Property subject to this Declaration and the further right to limit or amend the application of these Covenants. After the initial forty (40) year period of duration, all said covenants, restrictions and obligations shall be automatically extended for successive periods of ten (10) years,

unless an instrument, signed by a majority of the then Owners of Homesites or Lots substantially affected by such change of Covenants, restrictions and obligations has been recorded, agreeing to change or terminate this Declaration, in whole or in part.

If any of the covenants, conditions, restrictions, easements or other provisions of these Covenants shall be unlawful, void or voidable for violation of the Rules Against Perpetuities, then such provisions shall continue only until twenty-one (21) years after the death of the survivor of those decedents of Her Majesty Queen Elizabeth II, the Queen of England, which are living as of the date this Declaration is executed.

Section 9.2 Amendment.

(a) By Declarant. So long as Declarant owns at least one (1) Homesite or Lot held primarily for sale, or has an unexpired option to add Additional Property to the Development these Covenants may be amended unilaterally at any time and from time to time by Declarant (i) if such amendment is necessary to bring any provision hereof into compliance with any applicable governmental statute, rule or regulation or judicial determination which shall be in conflict therewith, (ii) if such amendment is necessary to enable any reputable title insurance company to issue title insurance coverage with respect to the Homesites or Lots subject to these Covenants, (iii) if such amendment is required by an institutional or governmental lender or purchaser of Mortgage loans, including, for example, the Federal National Mortgage Corporation, to enable such lender or purchaser to make or purchase Mortgage loans on the Homesites or Lots subject to these Covenants, (iv) if such amendment would enable any governmental agency, such as the Veterans Administration or reputable private mortgage insurance company to insure Mortgage loans on the Homesites and Lots subject to these Covenants or (v) if such amendment is necessary to correct a scrivener's error in the drafting of this Declaration; provided any such amendment shall not adversely affect the title to any Owner's Homesite or Lot, unless such Owner shall consent thereto in writing.

(b) By Owners and Declarant. These Covenants may be amended at any time and from time to time by the affirmative vote of at least two-thirds (2/3) of the Owners at a special or annual meeting of the Owners, where a quorum is present; provided, however, such amendment by the Owners shall not be effective unless also signed by the Declarant, if the Declarant is the Owner of any real property subject to these Covenants or any portion of the Additional Property; and provided further, however, no amendment affecting the Declarant's right to add

Additional Property shall be effective unless also signed by the Declarant.

(c) Effect. No amendment to the provisions of these Covenants shall materially and adversely alter, modify, change or rescind any right, title, interest or privilege herein granted or accorded to the holder of any Mortgage encumbering any Homesite or Lot affected thereby unless such holder shall consent in writing thereto. Notwithstanding the foregoing, nor the other provisions contained in this Declaration, no amendment to the Declaration, the Articles of Incorporation or the Bylaws, which modifies or affects the rights, privileges, options or exemptions of the Declarant shall be effective unless consented thereto in writing by the Declarant. Any such amendment shall not become effective until the instrument evidencing such change has been filed for record in the Office of the Register of Mesne Conveyances for Beaufort County. The written consent thereto of any Mortgage holder affected thereby shall also be filed with such amendment. Every purchaser or grantee of any interest in any real property now or hereafter subject to these Covenants, by acceptance of a deed or other conveyance thereof, thereby agrees that these Covenants may be amended as provided in this Section 9.2.

ARTICLE X

ANNEXATION

Section 10.1 Submission of Additional Property. Declarant shall have the option and right from time to time, without the necessity of consent by the Association, the Board or the Owners, but subject to Section 10.2 of this Article, to submit all or portions of the Additional Property to this Declaration and thereby to cause the Additional Property, or such portions thereof as may be submitted, to become part of the Property. This option may be exercised by the Declarant in accordance with the conditions and limitations set out in Section 10.2 of this Article, which are the only conditions and limitations on such right.

Section 10.2 Conditions of Annexation. Any annexation as permitted in Section 10.1 of this Article shall be in accordance with the following terms and conditions:

(a) The option to submit portions of Additional Property may be exercised at any time and from time to time until ten (10) years from the date of this Declaration is recorded; provided, however, that the Owners of Homesites to which two-thirds of the Class A votes in the Association appertain, exclusive of any vote or votes appurtenant to Homesites or Lots

then owned by Declarant, may consent to the extension of such option by vote taken not more than one (1) year prior to the date upon which such option will expire.

(b) The legal description of the Additional Property is set forth in Exhibit "B". Portions of the Additional Property may be added at different times, and there are no limitations fixing the boundaries of those portions or regulating the order in which any such portions may become part of the Property.

(c) All Homesites or Lots created on portions of the Additional Property which are added to the Property will be restricted exclusively to residential purposes, in accordance with Article VI of this Declaration, unless otherwise used as Common Property. The exercise of the option to submit a portion of the Additional Property to the Declaration shall not bar further exercise of this option as to other portions or the balance of the Additional Property.

(d) If the Additional Property or any portion thereof is subjected to this Declaration, Declarant reserves the rights to designate the boundaries of the Homesites, Lots, and Common Property, if any, in accordance with Article II of this Declaration.

(e) The option reserved by Section 10.1 of this Article may be exercised by the Declarant alone (without the consent of the Association or any Owner) by the execution by the Declarant of an amendment to this Declaration which shall be filed for record in the Office of the Register of Mesne Conveyances for Beaufort County.

(f) In addition to the procedure outlined hereinabove, the option reserved by Section 10.1 of this Article may be exercised with respect to any portions of the Additional Property, notwithstanding that such Additional Property may be owned by Persons, including any individual, individuals, corporations, partnerships or any other type of entity, other than Declarant. Declarant shall exercise this option by an amendment expressly submitting such property to this Declaration, which amendment shall be filed for record in the Office of the Register of Mesne Conveyances for Beaufort County. Any such amendment shall contain a statement consenting to the annexation of any such Additional Property, together with a reference to the Declaration, (citing the specific Deed Book and Page in which such Declaration is recorded) executed by the owner or owners thereof submitting such Additional Property to this Declaration. Upon exercise of the foregoing procedure, the provisions of this Declaration shall be understood and construed as embracing all of the Property, including the initial phase and such portions of

the Additional Property as have become part of the Property by annexation in this manner.

(g) Should the option to add Additional Property or any portions thereof, not be exercised within the term specified herein or be otherwise released or terminated by Declarant, Declarant shall not be obligated to impose on the Additional Property or any portion thereof any covenants, conditions or restrictions whatsoever.

Section 10.3 Effect of Annexation.

(a) From and after the date of annexation of any portion of any Additional Property, each Homesite and Lot so added to the Property and the Owners thereof, shall have the same vote, shall share the same obligations and responsibilities, and shall have the same rights and privileges afforded every other Homesite or Lot previously comprising part of the Property. Upon annexation of each portion of the Additional Property, as herein provided, the Association shall be deemed to have assumed, automatically, and without the necessity of consent by the Association, the Board or any individual Owner, the covenant to maintain the Common Property and the other obligations imposed by this Declaration, as amended from time to time, with respect to that portion of the Additional Property which is the subject of annexation.

(b) Each Owner, by acceptance of a deed to a Homesite or Lot in the Property, and the Association, shall be deemed to have approved annexation in the manner provided in this Article X.

Section 10.4 Proposed or Future Development of Additional Property. Notwithstanding any other provision contained in this Declaration, or any language contained upon any plat of survey of the Development, Declarant is under no obligation to submit any portion of the Additional Property to the Declaration, or to develop any portion of the Additional Property. Any references to "proposed" or "future" development are for the Declarant's reference only, and any portion of the Additional Property may be developed by Declarant as Declarant in its sole discretion sees fit.

Section 10.5 Withdrawal of Property. Declarant reserves the right to amend this Declaration unilaterally at any time so long as Declarant holds an unexpired option to expand the Development pursuant to this Article, without prior notice and without the consent of any Person, for the purpose of removing certain portions of the Development then owned by the Declarant from the provisions of this Declaration to the extent originally

included in error or as a result of any changes whatsoever in the plans for the Development desired to be effect by the Declarant.

ARTICLE XI

MORTGAGEE REVISIONS

The following provisions are for the benefit of holders of first Mortgages on Homesites and Lots in the Development. The provisions of this Article apply to both this Declaration and to the Bylaws notwithstanding any other provisions contained therein.

Section 11.1 Notices of Action. An institutional holder, insurer, or guarantor of a first Mortgage, who provided written request to the Association (such request to state the name and address of such holder, insurer, guarantor and the Homesite or Lot number, therefore becoming an "eligible holder"), will be entitled to timely written notice of:

(a) any condemnation loss or any casualty loss which affects a material portion of the Development or which affects any Homesite or Lot on which there is a first Mortgage held, insured or guaranteed by such eligible holder;

(b) any delinquency in the payment of assessments or charges owned by an Owner of a Homesite or Lot subject to the Mortgage of such eligible holder if such delinquency has continued for a period of sixty (60) days; provided, however, notwithstanding this provision, any holder of a first Mortgage, upon request, is entitled to written notice from the Association of any default in the performance by an Owner of a Homesite or Lot of any obligation under the Declaration or Bylaws of the Association which is not cured within sixty (60) days;

(c) any lapse, cancellation, or a material modification of any insurance policy maintained by the Association; or

(d) any proposed action which would require the consent of a specified percentage of eligible Mortgagees.

Section 11.2 Right to Records. Upon written request in accordance with Section 11.1, all eligible holders shall:

(a) be entitled to attend and observe all meetings of Owners, but not meetings of the Board;

(b) be furnished with copies of annual financial reports made to the Owners; and

(c) be entitled to inspect the financial bonds and records of the Association during reasonable business hours.

Section 11.3 Insurance.

(a) Policies. At all times during the term of this Declaration, the Association, its successors and assigns, shall be required to keep any and all recreational facilities and any other improvements located on the Common Property fully insured by a reputable insurance company authorized to transact business in the State of South Carolina with (i) fire, vandalism, malicious mischief and extended coverage insurance in an amount adequate to cover the cost or replacement of such improvement in the event of loss of any and/or all of such improvements, fixtures and contents thereof; and (ii) public liability insurance in such amounts as shall be determined by the Board of Directors as appropriate for the type of recreational activities which shall be allowed on the Common Property. Any such policies of insurance shall require that the certificate holders are and continue to be insured by giving thirty (30) days prior written notice of any cancellation of such policies.

(b) Destruction or Damage. Immediately after the damage or destruction by fire or other casualty to all or any portion of any improvement covered by insurance written in the name of the Association, the Board or its duly authorized agent shall proceed with the filing and adjustment of all claims arising under such insurance and obtain reliable and detailed estimates of the cost of repair or reconstruction of the damaged or destroyed property. Repair or reconstruction, as used in this Section 11.3, means repairing or restoring the property to substantially the same condition and location that existed prior to the fire or other casualty.

(c) Reconstruction. Any damage or destruction shall be repaired or reconstructed unless, within sixty (60) days after the casualty, at least seventy-five percent (75%) of the total Association vote entitled to vote thereon, and, for so long as the Declarant owns at least one (1) Homesite or Lot, the Declarant, otherwise agree. If for any reason either the amount of the insurance proceeds to be paid as a result of such damage or destruction, or reliable and detailed estimates of the cost of repair or reconstruction, or both, are not made available to the Association within such period, then the period shall be extended until such information shall be made available; provided, however, such extension shall not exceed one hundred and twenty (120) days. No Mortgagee shall have the right to participate in the determination of whether damage or destruction shall be repaired or reconstructed.

(d) Special Assessments. If the damage or destruction for which the insurance proceeds are paid is to be repaired or reconstructed and such proceeds are not sufficient to defray the cost thereof, the Board shall, without the necessity of a vote of the Association's Members, levy a special assessment. Additional assessments may be made in like manner at any time during or following the completion of any repair or reconstruction. If the funds available from insurance exceed the costs of repair or reconstruction or if the improvements are not repaired or reconstructed, such excess shall be deposited for the benefit of the Association.

(e) No Reconstruction. In the event that it should be determined by the Association in the manner described above that the damage or destruction shall not be repaired or reconstructed and no alternative improvements are authorized, then in that event, the Property shall be restored to its natural state and maintained as an undeveloped portion of the Community in a neat and attractive condition.

(f) Deductible Allocation. The deductible for any casualty insurance policy carried by the Association shall, in the event of damage or destruction, be allocated among the persons who are responsible hereunder for maintenance of the damaged or destroyed property.

Section 11.4 No Priority. No provision of this Declaration or the Bylaws gives or shall be construed as giving any Owner or other party priority over any rights of the first Mortgagee of any Homesite or Lot in the cases of distribution to such Owner of insurance proceeds or condemnation awards for losses to or a taking of the Common Property.

Section 11.5 Professional Management. Any agreement for professional management of the Association, or any other contract providing services of the Declarant, may not exceed three (3) years. Any such agreement must provide for termination by either party without cause and without payment of a termination fee with ninety (90) days written notice.

Section 11.6 Notice to Association. Upon request, each Owner shall be obligated to furnish to the Association the name and address of the holder of any Mortgage encumbering such Owner's Homesite or Lot.

Section 11.7 FHA/VA Approval. As long as there is a Class "B" Membership, the following actions shall require the prior approval of the Federal Housing Administration or the Veterans Administration, if either such agency is insuring or guaranteeing

a Mortgage on any Homesite or Lot: annexation of Additional Property other than that described on Exhibit "B", dedication of Common Property, mortgaging of Common Property, or material amendment of this Declaration.

Section 11.8 Amendment by Board. Should the Veterans' Administration, the Federal Housing Administration, the National Mortgage Association, or the Federal Home Loan Mortgage Corporation subsequently delete any of their respective requirements which may have necessitated the provisions of this Article XI or make such requirements less stringent, the Board, without approval of the Owner, may cause an amendment this Article XI to be recorded to reflect such changes.

Section 11.9 Applicability of Article XI. Nothing contained in this Article shall be construed to reduce the percentage vote that must otherwise be obtained under the Declaration, Bylaws, or South Carolina law for any of the acts set out in this Article.

Section 11.10 Failure of Mortgagee to Respond. Any Mortgagee who receives a written request from the Board to respond to or consent to any action shall be deemed to have approved such action if the Association does not receive a written response from the Mortgagee within thirty (30) days of the date of the Association's request.

ARTICLE XII

MISCELLANEOUS

Section 12.1 No Reverter. No restriction herein is intended to be, or shall be construed as, a condition subsequent or as creating a possibility of reverter.

Section 12.2 Severability. A determination by a court that any provision hereof is invalid for any reason shall not affect the validity of any other provisions hereof.

Section 12.3 Headings. The headings of the Articles and Sections hereof are for convenience only and shall not affect the meaning or interpretation of the contents of this Declaration.

Section 12.4 Notices. All notices, requests, objections, waivers, rejections, agreements, approvals, disclosures or consent of any kind made pursuant to this Declaration, whether by the Declarant, the Association, the ACC, the Owner, or any other Person, shall be in writing. Unless and until a different address is provided in writing to the party seeking to provide

notice, all such writings shall be delivered, as may be appropriate, to the following addresses:

- (a) Declarant: Sawmill Forest, LLC
P.O. Box 22748
Hilton Head Island, SC 29925
- (b) Owners: Each Owner's address as registered
with the Association in accordance
with the Bylaws.

Any written communication transmitted by the United States Mail, with sufficient postage affixed, shall be deemed received on the third (3rd) day following the day such written notice is deposited in the United States Mail.

Section 12.5 Throughout this Declaration, the masculine gender shall be deemed to include the feminine and vice versa, and the singular shall be deemed to include the plural and vice versa.

Section 12.6 No Liability. Declarant has, using best efforts and all due diligence, prepared and recorded this Declaration so that each and every Owner shall have the right and the power to enforce the terms and provisions of this Declaration against every other Owner. However, in the event that this Declaration is, for any reason whatsoever, unenforceable by an Owner (or any other person) in a court of law or otherwise, Declarant shall have no liability of any kind as a result of such unenforceability, and each and every Owner, by acceptance of a deed conveying a Homesite or Lot, acknowledges that Declarant shall have no such liability.

Section 12.7 Trademarks. Declarant intends to register the mark "Sawmill Forest" or a similar mark as a registered trademark under the laws of the State of South Carolina. Each Owner, by acceptance of a deed to any Lot or Homesite within the Property hereby acknowledges that "Sawmill Forest", "Sawmill Forest, LLC", "Sawmill Forest Owners' Association" and any associate designs are service marks and trademarks of Declarant. Each Owner agrees to refrain from misappropriating or infringing on the rights of Declarants to these marks.

IN WITNESS WHEREOF, the Declarant has caused this Declaration to be duly executed and sealed this 2nd day of December, 1996.

WITNESSES:

[Signature]
Baris M. Cimino

DECLARANT:
SAWMILL FOREST, LLC

By: [Signature]
J. John Cardamone,
Managing Member

STATE OF SOUTH CAROLINA)
)
COUNTY OF BEAUFORT)

PROBATE

PERSONALLY appeared before me the undersigned witness who, on oath, says that he saw the within named SAWMILL FOREST, LLC, by J. John Cardamone, its Managing Member, sign the within Declaration of Covenants, Conditions, Restrictions for Sawmill Forest, LLC and Provisions for Sawmill Forest Owners' Association, and the said Corporation, by said officer, seal said Declaration, and, as its act and deed, deliver the same, and that he with the other witness subscribing above witnessed the execution thereof.

[Signature]

SWORN to before me this
2nd day of December, 1996.
[Signature] (L.S.)
Notary Public for South Carolina
My Commission Expires: 2/6/06

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EXHIBIT "A"

ALL that certain piece, parcel or lot of land situate, lying and being in Bluffton Township, Beaufort County, South Carolina, having containing 14.66 acres, more or less, and being more particularly shown and designated on a Plat entitled "Subdivision Plat of Sawmill Forest Phase I Located Near U.S. Highway 278, Property Owned by Sawmill Forest, LLC, Bluffton Township, Beaufort County, South Carolina," said plat being prepared by Connor and Associates, Inc., Bluffton, South Carolina, Matthew M. Crawford, S.C.R.L.S. No. 9756, said plat being dated May 6, 1996, last revised July 23, 1996, and recorded in the Office of the Register of Mesne Conveyances for Beaufort County, South Carolina in Plat Book 57 at Page 102. For a more detailed description as to the courses, metes and bounds of the above mentioned lot, reference is had to said plat of record.

A: SAWMILL FOREST: COVENANTS

BAW 6415
FILED
JOHN A. SULLIVAN, JR.
R.M.C.
BEAUFORT COUNTY, S.C. *1/ML*
96 DEC -3 AM 10:36
BK *905* PG *916*
FOLDER #

965