

Declaration of Covenants, Conditions and Restrictions

for

Tanyard Springs Homeowners Association, Inc.

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Exhibits

Exhibit "A" Description of the Property

Exhibit "B" Plan Showing the Development

**Declaration of Covenants, Conditions and Restrictions
for
Tanyard Springs Homeowners Association, Inc.**

THIS DECLARATION, is made on the date set forth on the signature page below by U.S. HOME CORPORATION, a Delaware corporation ("**Declarant**").

RECITALS

A. Declarant is the owner of the real property located in Anne Arundel County, Maryland that is described on Exhibit "A" attached to and made a part of this Declaration.

B. The real property described on Exhibit "A" hereto are certain areas of the mixed-use development known as Tanyard Springs (the "**Development**"). The Development is generally shown on Exhibit "B" to this Declaration, but is subject to change.

C. Declarant desires to adopt and implement a common scheme of development for the Property (defined in Section 1.32 below) to provide for the preservation and enhancement of the real property and improvements within the Property and for the operation and maintenance of the HOA Common Area.

D. Declarant intends that the HOA shall be responsible for the operation, maintenance, repair and replacement of the HOA Common Area. The purposes of this Declaration are, among other things, to establish covenants for the operation, maintenance, repair and replacement of the HOA Common Area and for the payment of the costs of the same and to establish covenants, conditions, easements, and restrictions otherwise applicable to the Property. Each Owner of a Residential Unit subject to this Declaration shall be a member of the HOA.

E. To facilitate these objectives, Declarant believes that it is in the best interests of the Property for Declarant to maintain a significant and influential role in the implementation of the Community Plan and Declarant has therefore retained numerous rights and will exercise significant control and influence over the Community throughout the development process.

In the event of any conflict between the foregoing recitals and any other provision of this Declaration, such other provision shall supersede and control over these recitals.

NOW, THEREFORE, Declarant hereby declares that all of the real property described on Exhibit "A" to this Declaration is subject to the covenants, conditions, restrictions and easements set forth in this Declaration and other Governing Documents and shall be held, conveyed, hypothecated, encumbered, sold, leased, rented, used, occupied and/or improved subject to such covenants, conditions, restrictions and easements, which shall run with such real property and be binding on all parties having any right, title or interest in all or any portion of such real property, their heirs, personal representatives, successors, transferees and assigns, and which shall inure to the benefit of each Owner thereof. Declarant further declares that, upon

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recording of one or more Declaration of Annexations in accordance with Article 2 of this Declaration, all or any portion of the Annexable Property and any other real property annexed within the jurisdiction of the HOA through the recording of such Declaration of Annexation(s), shall thereafter be held, conveyed, hypothecated, encumbered, sold, leased, rented, used, occupied and/or improved subject to the covenants, conditions, restrictions and easements set forth in this Declaration and other Governing Documents.

ARTICLE 1 **DEFINITIONS**

Unless the context shall plainly require otherwise, the following terms when used in this Declaration shall have the following meanings:

Section 1.1. "Annexable Property" has the meaning set forth in Section 2.2 of this Declaration.

Section 1.2. "Annual Assessment" means and refers to the assessment levied against Residential Units on an annual basis to fund the Common Expenses, but not including Special Assessments.

Section 1.3. "Articles of Incorporation" means and refers to the Articles of Incorporation for the HOA filed with the Maryland State Department of Assessments and Taxation, as the same may be amended from time to time.

Section 1.4. "Assessments" means and refers collectively to any Annual Assessment, Neighborhood Assessment, Special Assessment, and all other fees and charges, including all installments thereof, as may be levied by the HOA in accordance with this Declaration.

Section 1.5. "Board of Directors" or "Board" means and refers to the Board of Directors of the HOA, the governing body for the HOA as more particularly described in the Bylaws.

Section 1.6. "Bylaws" means and refers to the Bylaws for the HOA, as may be amended from time to time.

Section 1.7. "Common Expenses" means and refers to the actual and estimated expenses of operating the HOA, including, without limitation, a reasonable reserve for the maintenance, repair, and replacement of the HOA Common Area in accordance with Article 5 below, all as may be found to be necessary or appropriate by the Board of Directors pursuant to the Governing Documents.

Section 1.8. "Community Standards" means and refers to the standards of conduct, maintenance and other activities generally prevailing in the Property. Such standards may be more specifically determined and set forth from time to time by the Board of Directors.

Section 1.9. "Covenants Committee" means and refers to the committee composed of three (3) or more representatives appointed by the Board of Directors. In the event that the Board of Directors elects not to appoint a Covenants Committee, or in the event of the Covenants Committee's absence, resignation or inability or refusal to act, the Board of Directors shall have the power and authority of the Covenants Committee and shall otherwise exercise and discharge the Covenants Committee's duties pursuant to the Governing Documents.

Section 1.10. "Declarant" means and refers to U.S. Home Corporation, a Delaware corporation, its designated successors, transferees and assigns provided, however, that no successor, transferee or assign of Declarant shall have any of the rights or obligations of Declarant as set forth in this Declaration or other Governing Documents unless such rights or obligations are expressly set forth in a written instrument of succession, transfer or assignment.

Section 1.11. "Declarant Control Period" means and refers to that period commencing on the date this Declaration is recorded among the Land Records and ending on the earlier of (a) the date that is fifteen (15) years after the date this Declaration is recorded among the Land Records, or (b) the date that Declarant, in its sole discretion, expressly terminates the Declarant Control Period by a written instrument recorded among the Land Records.

Section 1.12. "Declaration" means and refers to this instrument, as it may be amended from time to time.

Section 1.13. "Declaration of Annexation" means any instrument and any amendment or supplement to such instrument, including, without limitation, any supplementary declaration of covenants, conditions and restrictions, recorded by Declarant or the HOA in accordance with Article 2 of this Declaration, which expressly extends the provisions of this Declaration to any portion of the Annexable Property or any other property which has been or may be annexed within the jurisdiction of the HOA pursuant to Article 2 below.

Section 1.14. "Design Guidelines" has the meaning set forth in Section 7.11 of this Declaration.

Section 1.15. "Design Review Committee" means the entity which may be established pursuant to Article 7 of this Declaration.

Section 1.16. "Development" has the meaning ascribed to it in Recital B of this Declaration.

Section 1.17. "Development Plans" means and refers collectively to all zoning plans, project plans, preliminary plans, site plans, subdivision plats and/or other regulatory plans, as amended, for the Development as may have been or shall be reviewed and approved by the Anne Arundel County Office of Planning and Zoning, including all amendments, modifications, extensions and supplements as may be made from time to time.

Section 1.18. "Director" means and refers to a member of the Board of Directors.

Section 1.19. "Eligible Mortgagee" means and refers to a holder, insurer or guarantor of a First Mortgage on a Residential Unit who has submitted a written request for notice from the

HOA of amendments to the Governing Documents or other significant matters which would affect the interests of such Mortgagee.

Section 1.20. "First Mortgage". means and refers to a Mortgage recorded against any Residential Unit that has priority over any other Mortgages recorded against such Residential Unit.

Section 1.21. "Governing Documents". means and refers to this Declaration, the Articles of Incorporation, the Bylaws, HOA Codes, and any other rules and regulations of the HOA, as any of the foregoing may be amended from time to time.

Section 1.22. "HOA" means and refers to Tanyard Springs Homeowners Association, Inc., a non-stock Maryland corporation, its successors and assigns.

Section 1.23. "HOA Codes" means and refers to the rules, regulations, standards and guidelines as may be promulgated and amended from time to time in accordance with Article 8 of this Declaration and which are, though unrecorded, as binding and as enforceable as this Declaration.

Section 1.24. "HOA Common Area" means and refers to all real property owned, leased or maintained by the HOA and all improvements and facilities located upon such property, that will serve the some or all of residents of the Property. Notwithstanding the foregoing, in the event the HOA maintains all or any portion of any Residential Condominium or Residential Unit, such property shall not be considered HOA Common Area.

Section 1.25. "Land Records" means and refers the land records of Anne Arundel County, Maryland maintained by the Clerk of the Circuit Court or other applicable governmental agency.

Section 1.26. "Mortgage" means and refers to any deed of trust, mortgage, and other security instrument constituting a lien against a Residential Unit, together with all modifications, consolidations, extensions, and replacements of the same made from time to time, provided that any such security instrument has been recorded among the Land Records or in such other place as is, under applicable law, required for such instrument to give constructive notice of the matters set forth therein.

Section 1.27. "Mortgagee" means and refers to the holder or beneficiary of any recorded Mortgage (whether or not an Institutional Mortgage). The term "**Institutional Mortgage**" shall include banks, trust companies, insurance companies, mortgage insurance companies, savings and loan associations, trusts, mutual savings banks, credit unions, pension funds, mortgage companies, Fannie Mae, Government National Mortgage Association ("**GNMA**"), Federal Home Loan Mortgage Corporation ("**FHLMC**"), all corporations and any agency or department of the United States Government or of any state or municipal government, or any other organization or entity which has a security interest in any Residential Unit. In the event any mortgage is insured by the Federal Housing Administration ("**FHA**") or guaranteed by the Department of Veterans Affairs ("**VA**"), then as to such mortgage the expressions "Mortgagee" and "Institutional Mortgagee" include the FHA or the VA as the circumstances may

require, acting, respectively, through the Federal Housing Commission and the Secretary of Veterans Affairs or through other duly authorized agents.

Section 1.28. "Neighborhood" means any group of Residential Units that are designated as such in accordance with Article 6 of this Declaration based on certain features that such Residential Units have in common, including, without limitation, the location and proximity of such Residential Units, special features or amenities within or serving such Residential Units, special services provided to or requested by the Owners of such Residential Units, or the desire for input from the interested Owners of such Residential Units.

Section 1.29. "Neighborhood Assessments" means assessments for those portions of the expenses of the HOA, if any, as may be levied against the Residential Units within a specified Neighborhood for benefits or services that primarily benefit or appertain to the Residential Units within the Neighborhood.

Section 1.30. "Neighborhood Committee" means any committee comprised of the Owners, occupants and/or lessees of Residential Units within a specified Neighborhood, as may be established in accordance with Article 6 of this Declaration.

Section 1.31. "Owner" means and refers to the record owner, whether one or more persons or entities, of fee simple title to any Residential Unit which is a part of the Property, but excluding those having such interest merely as security for the performance of an obligation; provided, however, that the holder of a security interest in all or any portion of a Residential Unit shall be an Owner to the extent that such holder acquires title to such Residential Unit as a result of a foreclosure proceeding or by a deed in lieu of foreclosure.

Section 1.32. "Property" means and refers to the real property within the jurisdiction of the HOA and subject to this Declaration that is described on Exhibit "A" hereto, including all improvements and appurtenances thereto, and any additional property and all improvements and appurtenances thereto that may be annexed within the jurisdiction of the HOA and made subject to this Declaration pursuant to Section 2.2 of this Declaration.

Section 1.33. "Residential Builder" means and refers to any person or entity that acquires any portion of the Property for the purpose of building Residential Units for sale or lease to others in the ordinary course of business of such person or entity.

Section 1.34. "Residential Common Elements" means and refers to the common elements of a Residential Condominium and other components of general use within a Residential Condominium, as defined in the Declaration of Condominium for such Residential Condominium.

Section 1.35. "Residential Condominium" means and refers to any condominium regime containing Residential Units that may from time to time be established within the Property.

Section 1.36. "Residential Condominium Association" means and refers to the council of unit owners of a Residential Condominium.

Section 1.37. "Residential Condominium Governing Documents" means and refers to the Declaration of Condominium, bylaws and condominium plats for a Residential Condominium, as the same may be amended from time to time.

Section 1.38. "Residential Development Plan" means and refers to the plan for the development of the residential sections of the Development. Given its dynamic nature, the Residential Development Plan is subject to change from time to time in the sole discretion of Declarant in order to address the changing needs of the Development, in response to changes in market conditions or for any other reason deemed necessary or desirable by Declarant.

Section 1.39. "Residential Unit" means and refers to any portion of the Property, whether improved or unimproved, that contains or is intended to contain a dwelling designed for use and occupancy by a single household. Each dwelling within the Property and all land and appurtenances thereto, including, without limitation, each dwelling within a multi-unit structure, each single family detached home, and each single-family attached townhouse, shall be deemed to be a separate Residential Unit. The term "Residential Unit" includes, without limitation, residential condominium units within each Residential Condominium and any rental apartment units.

Section 1.40. "Review Entity" means one or more of the design review entities having jurisdiction at any particular time with respect to the matters set forth in Article 7 of this Declaration.

Section 1.41. "Special Assessment" shall mean and refer to any assessment levied by the HOA in accordance with Section 5.5 of this Declaration.

ARTICLE 2 PROPERTY SUBJECT TO DECLARATION; DE-ANNEXATION

Section 2.1. Property Subject to the Governing Documents. All of the real property described on Exhibit "A" to this Declaration, including all improvements and appurtenances thereto, is hereby annexed within the jurisdiction of the HOA and shall be held, conveyed, hypothecated, encumbered, sold, leased, rented, used, occupied and improved subject to this Declaration and the other Governing Documents, including, without limitation, each and every covenant, condition, easement, and restriction set forth or incorporated in this Declaration.

Section 2.2. Annexation of Additional Property.

(a) Any real property that is not included on Exhibit "A" to this Declaration but which is within the Development or located in the vicinity of the Development or in the vicinity of the real property described on Exhibit "A" to this Declaration (collectively the "**Annexable Property**") may be annexed from time to time within the jurisdiction of the HOA by Declarant, thereby subjecting such property to the Governing Documents, without the consent of any Owner or any other party, until the later of (i) fifteen (15) years after the recordation of this Declaration, or (ii) five (5) years after the last recordation of a Declaration of Annexation. The scheme of this Declaration and other Governing Documents shall not, however, be extended to include any Annexable Property unless and until the same is annexed within the jurisdiction of the HOA by the recordation of a Declaration of Annexation as provided in this Section 2.2.

(b) The HOA shall also have the right to annex any real property within its jurisdiction. Annexations by the HOA shall require the consent of the Owner of the property to be annexed, the consent of Owners holding not less two-thirds (2/3) of the votes entitled to be cast by all of the Owners in the HOA, and the consent of Declarant during the Declarant Control Period.

(c) Any annexations made pursuant to this Section 2.2 or otherwise shall be made by recording a Declaration of Annexation among the Land Records, which Declaration of Annexation shall extend the scheme of this Declaration and other Governing Documents to such annexed property. Any Declaration Annexation made pursuant to the provisions of this Article 2 or otherwise may contain such complementary or supplemental additions and modifications to the covenants, conditions, restrictions and easements set forth in this Declaration or other Governing Documents as may be considered necessary or desirable by the maker of such Declaration of Annexation to reflect the different character or use, if any, of the annexed property, including, without limitation, a partial or complete waiver of all or any portion of such covenants, conditions, restrictions and/or easements with respect to the annexed property, or additional or modified covenants, conditions, restrictions and easements that are more or less restrictive than those set forth in this Declaration or other Governing Documents.

(d) Nothing in this Declaration shall be construed to require Declarant, or any successor or assign of Declarant, to annex any portion of the Annexable Property.

Section 2.3. De-annexation. Declarant may de-annex any property annexed within the jurisdiction of the HOA and the provisions of this Declaration and other Governing Documents for a period of fifteen (15) years from the date of recordation of this Declaration, provided, however, that (a) Declarant is the Owner of such property at the time of de-annexation, or (b) if Declarant is not the Owner of such property, Declarant de-annexes such property with the written consent of the Owner thereof. Such de-annexed property shall no longer be subject to the covenants, conditions, restrictions and easements of this Declaration and other Governing Documents except for any easements, rights, reservations, exemptions, powers or privileges that are expressly reserved to Declarant in the instrument effectuating such de-annexation. Such de-annexation shall be made by recording a supplementary declaration among the Land Records withdrawing the effect of the covenants, conditions, restrictions and easements of this Declaration and other Governing Documents from the de-annexed property, and otherwise in accordance with this Section 2.3. Such de-annexed property may be utilized by Declarant, or any successor, assign or transferee of Declarant, for any lawful purpose or use. Nothing in this Section 2.3 or other provisions of the Governing Documents shall be deemed to preclude Declarant from subsequently re-annexing all or any portion of any property de-annexed from the HOA and this Declaration and other Governing Documents, provided the requirements of Section 2.2 are otherwise fulfilled.

ARTICLE 3 **PROPERTY RIGHTS**

Section 3.1. Owners' Easements of Enjoyment. Every Owner of a Residential Unit shall have a non-exclusive right and easement of use, access and enjoyment in and to the HOA Common Area, including an easement for the use and enjoyment of the private streets, parking

areas, sidewalks and open space, if any, within the HOA Common Area, which right and easement shall be appurtenant to and pass with the title to every Residential Unit, subject to the following:

(a) The rights and obligations set forth in the Governing Documents, as amended from time to time, and any other covenants and easements relating to the HOA Common Area;

(b) Any covenants, conditions, easements, restrictions, or reserved rights contained in any record plat of subdivision for the Development or in any deed conveying HOA Common Area to the HOA and all other matters of record affecting the HOA Common Area;

(c) The right of the HOA to charge reasonable and uniform admission and other fees to Owners and their household members, guests, and lessees for the use of the HOA Common Area and any facilities situated thereon to the extent that the use of such HOA Common Area or facilities are not otherwise intended to be funded by Assessments;

(d) The right of the HOA to suspend an Owner's voting rights and right to use the HOA Common Area (i) for any period during which any Assessment against such Owner's Residential Unit remains unpaid, and (ii) after notice and an opportunity for a hearing, for any infraction of its published rules and regulations; provided, however, that the obligation of such Owner to pay Assessments shall continue unabated during such period of suspension of voting rights or right to utilize the HOA Common Area;

(e) The right of the HOA to dedicate, sell or transfer all or any part of the HOA Common Area to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the HOA. No such dedication, sale or transfer shall be effective without the written consent of Declarant during the Declarant Control Period;

(f) The right of the HOA to limit the number of guests of Owners utilizing the HOA Common Area and facilities situated thereon;

(g) The right of the HOA to establish HOA Codes and other uniform rules and regulations pertaining to the use of the HOA Common Area;

(h) The right of the HOA or Declarant to temporarily restrict access and use of the HOA Common Area to some or all of the Owners, lessees, and residents of the Property.

(i) The rights of the HOA, Declarant, utility companies and other Owners with respect to the easements established by this Declaration;

(j) The right of the HOA, in accordance with the Governing Documents, and with the consent of Declarant during the Declarant Control Period, to borrow money for the purpose of improving the HOA Common Area in a manner designed to promote the enjoyment and welfare of the Owners and, in connection with such borrowing, to mortgage any of the HOA Common Area;

(k) The right of the HOA to take such steps as are reasonably necessary to protect the property of the HOA against mortgage default and foreclosures, provided, however, that the same are in conformity with the other provisions of this Declaration;

(l) The right of Declarant, as more fully set forth in Article 10 of this Declaration, to grant easements, to utilize reserved rights and easements, and to utilize otherwise the HOA Common Area as it deems appropriate in connection with the development of the Property;

(m) The right of the HOA, acting by and through its Board of Directors, to grant easements, licenses or other rights of use of the HOA Common Area to persons or entities that are not Owners for such consideration and on such terms and conditions as the Board of Directors may from time to time consider appropriate or in the interest of the HOA or the Property;

(n) The right of the HOA to be the lessee of all or any portion of the HOA Common Area and the right of the HOA to enforce the terms of the lease with respect to such HOA Common Area against the Owners and their guests, lessees and invitees;

(o) The right of the HOA, acting by and through its Board of Directors, to transfer or convey portions of the HOA Common Area for purposes of adjusting the boundary lines between one or more Residential Units and the HOA Common Area, provided, however, that such transfer or conveyance has been approved, as necessary, by applicable local governmental authorities or agencies, or is otherwise in conformance with applicable law, local zoning ordinances, governmental guidelines, or restrictions; and

(p) Such other rights of Declarant and the HOA as are not inconsistent with the Governing Documents.

Section 3.2. Limitations on HOA. Despite any provision of this Declaration to the contrary:

(a) The HOA shall have no right to suspend the right of any Owner to use any roadways, sidewalks, or walkways located within the HOA Common Area for vehicular and pedestrian ingress and egress to and from such Owner's Residential Unit.

(b) The HOA shall have no right to suspend any easement over the HOA Common Area for storm water drainage, electrical energy, water, sanitary sewer, natural gas, CATV or similar service, telecommunications service or similar utilities and services to the Residential Units.

Section 3.3. Delegation of Use. Any Owner of a Residential Unit may delegate, in accordance with the Governing Documents, such Owner's right of enjoyment to the HOA Common Area to the members of such Owner's family and such Owner's tenants and social invitees.

ARTICLE 4
MEMBERSHIP AND VOTING RIGHTS

Section 4.1. Membership. Every Owner of a Residential Unit shall be a member of the HOA, provided, however, that any person, group of persons, corporation, partnership, limited liability company, trust or other legal entity who or which hold an interest in a Residential Unit solely as security for the performance of an obligation shall not be a member of the HOA solely on account of such interest. Membership in the HOA shall be appurtenant to and may not be separated from ownership of any Residential Unit.

Section 4.2. Voting Rights. The Owner of each Residential Unit shall be entitled to cast one (1) vote in the affairs of the HOA, provided that no Owner of a Residential Unit, other than Declarant, shall have more than ten (10) votes, regardless of the number of Residential Units owned by such Owner. The vote for each Residential Unit shall be exercised as the Owner or Owners of such Residential Unit determine, but in no event shall more than one (1) vote be cast with respect to any Residential Unit. Any Owner of a Residential Unit that leases its Residential Unit may, in the lease or other written instrument, assign the voting right appurtenant to that Residential Unit to the lessee, provided that a copy of such instrument is furnished to the HOA.

ARTICLE 5
COVENANT FOR ASSESSMENTS

Section 5.1. Creation of Lien and Personal Obligation for Assessments. There are hereby created Assessments for Common Expenses as may be from time to time specifically authorized by the Board of Directors to be commenced at the time and in the manner set forth in this Article 5. By acceptance of a deed to any Residential Unit or other transfer of ownership, whether or not it shall be so expressed in such deed or other instrument of transfer, each Owner is deemed to covenant and agree to pay to the HOA: Annual Assessments, Neighborhood Assessments, Special Assessments, and all other Assessments as may be levied by the HOA in accordance with this Declaration. The Assessments, together with interest, costs, late fees and reasonable attorneys' fees, shall be a charge on the Residential Unit and shall be a continuing lien upon the Residential Unit against which each such Assessment is made, provided the requirements of the Maryland Contract Lien Act, if applicable, have been fulfilled. Each such Assessment, together with interest, costs, late fees and reasonable attorneys' fees, shall also be the personal obligation of the person or entity that was the Owner of the Residential Unit at the time when the Assessment became due. The personal obligation for delinquent Assessments shall not pass to a delinquent Owner's successors in title unless expressly assumed by such successors.

Section 5.2. Purpose of Assessments.

(a) Assessments levied by the HOA shall be used to promote the recreation, health and welfare of the residents in the Property and for (i) the operation, improvement, maintenance, repair and replacement of the HOA Common Area, (ii) taxes, assessments, and utility services for the HOA Common Area, (iii) management fees and administration expenses, (iv) insurance, (v) payment of any indebtedness by the HOA to Declarant, or Declarant's

affiliates, for costs incurred by Declarant, or Declarant's affiliates, in connection with the development or operation of the property owned or intended to be conveyed to the HOA or other common areas under the jurisdiction of the HOA, or the funding of operating deficits of the HOA, (vi) all other costs and expenses incurred by the HOA in the proper conduct of its activities, including, without limitation, reserves for replacements or contingencies or charges accruing under any cross-easement or cost-sharing agreement affecting the Property. Assessments may also be used for the operation, maintenance, repair and replacement of any property or facilities serving or appurtenant to the Property that the HOA is obligated or elects to maintain or with respect to which the HOA is obligated to make a maintenance payment, whether or not such property or facilities are owned by the HOA or are located within the Property.

(b) Assessments levied by the HOA shall also be used for maintenance, repair and replacement (including reserves) of any and all storm water management facilities, including, without limitation, drainage pipes, infiltration trenches, ponds, basins, swales, berms, out-flow control devices, drainage areas, filters, inlets, oil/grit separators and underground facilities, if any, whether or not such storm water management facilities are located within the Property, as long as such storm water management facilities are designed to benefit or serve any portion of the Property and are required or intended to be maintained by the HOA pursuant to any easement, agreement or the direction of any governmental authority or agency. The HOA shall not refuse to accept the conveyance of any such facilities from Declarant or its affiliates. Such storm water management facilities may also benefit property not within the jurisdiction of the HOA and the maintenance of such facilities may be set forth in a cross-easement or other agreement, in which event the HOA shall maintain the facilities pursuant to such agreement.

Section 5.3. Annual Assessments; Budgets.

(a) Until January 1 of the year immediately following the first conveyance of a Residential Unit to an Owner other than Declarant, Assessments shall be imposed in amounts established by Declarant in its sole discretion. Thereafter, the Board of Directors shall from time to time set the Assessments in amounts sufficient to meet the Common Expenses of the HOA. Without limiting the generality of the foregoing, the HOA shall, at all times, levy and collect Assessments in sufficient amounts to (i) maintain the HOA Common Area in accordance with sound property management standards, and (ii) establish necessary reserves for the future repair and replacement of any capital improvements within the HOA Common Area. The Board of Directors shall determine the amount of the Assessments before the beginning of each fiscal year in connection with preparation of the HOA's annual budget, and may do so at more frequent intervals should circumstances so require. Annual Assessments may be levied and collected on a monthly, quarterly, semi-annual or annual basis. Any Owner may prepay one or more installments of any Annual Assessment levied by the HOA without premium or penalty.

(b) (i) The Board of Directors shall make a reasonable effort to prepare a budget at least thirty (30) days before the beginning of each fiscal year. The budget shall include the estimated costs of operating the HOA during the coming year and shall also include any expenses to be funded by Neighborhood Assessments that are anticipated for the coming fiscal year and an amount sufficient to establish and maintain a reserve fund in accordance with a reserve fund budget separately prepared by the Board of Directors pursuant to Section 5.12

below. The Board of Directors shall cause a copy of the budget, and the amount of the Assessments to be levied against each Residential Unit for the following year, to be delivered to each Owner at least fourteen (14) days prior to the commencement date of the new Assessments. The budget shall be approved by a majority vote of the Board of Directors, provided, however, that any budget under consideration by the Board pursuant to this Section 5.3 that (A) would result in an increase in the Common Expenses of the HOA in excess of fifteen percent (15%) of the budgeted amount for Common Expenses set forth in the budget for the immediately preceding fiscal year, or (B) would result in an increase in the Annual Assessments payable by the Owners in excess of fifteen percent (15%) of the budgeted amount for Annual Assessments set forth in the budget for the immediately preceding fiscal year, shall be approved by the affirmative vote of Owners entitled to cast at least two-thirds (2/3) of the votes of Owners present, in person or by proxy, and voting at any meeting of the HOA duly called for this purpose.

(ii) Notwithstanding the provisions of Section 5.3(b)(i) above, any increase in Common Expenses or Annual Assessments that results from any of the following may be approved by the Board of Directors without the approval of any Owners: (A) increases in real estate taxes and utility charges applicable to the HOA Common Area, (B) increases in insurance premiums and/or deductibles under insurance policies maintained by the HOA in accordance with this Declaration, (C) increases in federal, state and/or local income taxes, (D) increases in charges due under any management agreement with the HOA's management agent, (E) increases in charges due under any service contracts entered into by the HOA for the provision of landscaping, trash removal, snow removal, or the operation and maintenance of HOA Common Area, (F) increases in utility charges, (G) charges imposed upon the HOA by any governmental agency or authority with jurisdiction over the Property, (H) the amount by which the HOA has incurred or anticipates incurring increased operating expenses by reason of the completion, annexation, or addition of any HOA Common Area, and (I) any cost or expense incurred by the HOA that results from acts of God, fire, earthquake, storm, flood, explosion or other natural catastrophe.

(c) Subject to the foregoing provisions of this Section 5.3, all budgets approved by the Board shall become effective unless a special meeting of the HOA is duly held and at such special meeting the budget is disapproved by a vote of Owners entitled to cast not less than sixty-seven percent (67%) of the votes of Owners present, in person or by proxy, and voting at such meeting. Notwithstanding the foregoing, however, in the event that the Owners disapprove the budget or the Board of Directors fails for any reason to determine the budget for any fiscal year of the HOA, then and until such time as a budget shall have been determined as provided in this Declaration, the budget in effect for the immediately preceding fiscal year shall continue for the succeeding fiscal year.

(d) Any amendment to a previously approved budget shall be approved by majority vote of the Board of Directors. However, any amendment to a budget for the then current fiscal year previously approved in accordance with Section 5.3(b) above that (i) would result in an increase in the Common Expenses of the HOA in excess of fifteen percent (15%) of the budgeted amount for Common Expenses set forth in the budget for the immediately preceding fiscal year (including any increase in Common Expenses adopted in the budget for the then current fiscal year previously approved in accordance with this Section 5.3), or (ii) would

result in an increase in the Annual Assessments payable by the Owners in excess of fifteen percent (15%) of the budgeted amount for Annual Assessments set forth in the budget for the immediately preceding fiscal year (including any increase in Annual Assessments adopted in the budget for the then current fiscal year previously approved in accordance with this Section 5.3), shall be approved by the affirmative vote of Owners entitled to cast at least two-thirds (2/3) of the votes of Owners present, in person or by proxy, and voting at any meeting of the HOA duly called for this purpose. Notwithstanding the foregoing, any budget amendments that increase Common Expenses and/or Annual Assessments and that result from any of the items set forth in Section 5.3(b)(ii) above may be approved by the Board of Directors without approval of the Owners.

Section 5.4. Initial Capital Contribution. An initial working capital contribution may be established by Declarant or the Board for any Residential Unit in an amount not to exceed twelve (12) times the monthly Assessment applicable to the Residential Unit. With respect to each Residential Unit for which a working capital contribution is established, such contribution shall be payable by the first Owner to take title to such Residential Unit from either Declarant or its affiliate or a Residential Builder at the time of such closing on the Residential Unit.

Section 5.5. Special Assessments.

(a) **General Special Assessments.** In addition to the Annual Assessments authorized by this Article, the Board of Directors may levy in any assessment year a Special Assessment or Special Assessments, applicable in that year only, for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction or extraordinary repair of capital improvements located upon or forming a part of the HOA Common Area or other portions of the Property or facilities primarily designed to benefit or serve the HOA as a whole, including any fixtures or personal property related thereto, or for such other purposes as the Board of Directors may consider appropriate in its reasonable discretion; provided, however, that any such Special Assessment that would exceed fifteen percent (15%) of the annual budget for the current year shall be approved by the affirmative vote of Owners subject to the Special Assessment that represent at least two-thirds (2/3) of the votes entitled to be cast by such Owners among those that are present, in person or by proxy, at a meeting of the HOA. Any Special Assessment imposed pursuant to this subsection, regardless of amount, shall also be approved by Declarant during the Declarant Control Period.

(b) **Cluster Special Assessments.** In addition to any Neighborhood Assessments authorized pursuant to this Declaration, the Board may levy in any assessment year a Special Assessment or Special Assessments, applicable in that year only, for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction or extraordinary repair of capital improvements located upon or forming a part of the property located within the Neighborhood or any facilities designed to benefit or serve the Neighborhood, including any fixtures or personal property related thereto, or for such other purposes as the Board may consider appropriate in its reasonable discretion; provided, however, that any such Special Assessment that would exceed fifteen percent (15%) of the annual budget for the current year shall be approved by the affirmative vote of Owners of the Neighborhood subject to the Special Assessment that represent at least two-thirds (2/3) of the votes entitled to be cast by such Owners among those that are present, in person or by proxy, at a meeting of the HOA. Any Special

Assessment imposed pursuant to this subsection, regardless of amount, shall also be approved by Declarant during the Declarant Control Period.

(c) **Individual Special Assessments.** The HOA may also levy a Special Assessment against any Owner to reimburse the HOA for costs incurred in bringing the Owner and/or such Owner's Residential Unit into compliance with the Governing Documents or if the actions or activities of any Owner cause or result in increased expenses to the HOA. Such Special Assessment may only be levied upon the affirmative vote of the Board of Directors, after notice and an opportunity for a hearing has been provided to the Owner. The HOA may also levy a Special Assessment against any Owner to reimburse the HOA for costs related to any services provided to an Owner by the HOA that are in addition to those items covered by Common Expenses or as otherwise provided for in this Declaration, provided that the Owner and the Board of Directors have agreed in writing to the provision of such additional services. Special Assessments levied under this Section 5.5(c) shall not be limited to a fiscal year, but may be imposed for such time period as the circumstances require.

Section 5.6. Assessment Rates. The Board of Directors shall establish Annual Assessments based on Common Expenses, as determined by the Board of Directors in its sole discretion. Each Owner shall pay Assessments at the rate applicable to its Residential Unit as determined from time to time by the Board of Directors. Without limiting the generality of the foregoing, the Board of Directors may impose variable rates of assessments against different Residential Units based on unit types, the level of services provided by the HOA to particular Residential Units, or other factors.

Section 5.7. Declarant Exemption From Assessments. Declarant and its affiliates shall not at any time be subject to nor have any obligation to pay any Assessments or other charges levied by the HOA for any Residential Unit owned by Declarant or its affiliates except that Declarant or its affiliate shall pay Assessments applicable to any Residential Unit owned by Declarant or such affiliate that has been completed and occupied for residential purposes, such Assessments to commence on the date of such occupancy. In no event shall Declarant or its affiliates be subject to any working capital contribution under Section 5.4 above or have any obligation to pay any operating deficits of the HOA. Subject to Section 5.8 below, a Residential Unit formerly owned by Declarant or its affiliate shall cease to be exempt from Assessments and other charges levied by the HOA upon transfer or conveyance of such Residential Unit from Declarant or its affiliate to a non Declarant-affiliated Owner.

Section 5.8. Residential Builder Qualified Exemption.

(a) In lieu of any other Assessments of the HOA but subject to Section 5.8(b) below, Residential Builders other than Declarant or its affiliates shall pay assessments to the HOA in an amount determined from time to time by Declarant, in its sole discretion (the "**Residential Builder Contribution**"). Any Residential Builder Contribution for a Residential Unit shall be payable at the time a Residential Builder closes on the land upon which the Residential Unit is to be constructed, unless otherwise agreed to by Declarant.

(b) A Residential Builder shall pay full Assessments applicable to any Residential Unit owned by such Residential Builder that has been completed and occupied for residential purposes, such Assessments to commence on the date of such occupancy.

Section 5.9. Commencement of Annual Assessments; Due Dates; Certificate of Payment. Except as otherwise provided in this Declaration, the Annual Assessments provided for in this Declaration shall commence as to each Residential Unit on the date that such Residential Unit is conveyed by a Residential Builder to another Owner. The first Annual Assessment for a Residential Unit shall be adjusted according to the number of months remaining in the calendar year. The Board of Directors shall make reasonable efforts to fix the amount of the Annual Assessment against each Residential Unit at least thirty (30) days in advance of each Annual Assessment period. Written notice of the Annual Assessment shall be sent to every Owner subject to the Annual Assessment. The due dates shall be established by the Board of Directors. The HOA shall, upon request and for a reasonable charge, furnish a certificate signed by an officer of the HOA setting forth whether the Assessments on a specified Residential Unit have been paid. A duly executed certificate of the HOA setting forth the status of Assessments on a Residential Unit shall be binding on the HOA as of the date of its issuance.

Section 5.10. Effect of Non-Payment of Assessments; Remedies of the HOA. Any Assessment not paid within thirty (30) days after the due date shall bear interest from the due date until paid at a rate determined by the Board of Directors, up to the maximum rate of interest permitted under the laws of the State of Maryland. The HOA may also charge a reasonable late fee, not to exceed any limit established under applicable law, against any Owner who is more than fifteen (15) days delinquent in the payment of any Assessment. Additionally, the entire balance of the unpaid Assessment for the remainder of the fiscal year may be accelerated at the option of the Board of Directors and be declared due, payable and collectible in the same manner as the delinquent portion of such Assessment. The HOA may bring an action at law against the Owner personally obligated to pay the same and/or foreclose the lien against the Residential Unit (and all improvements therein) provided the provisions of the Maryland Contract Lien Act, if applicable, are substantially fulfilled. No Owner may waive or otherwise escape liability for payment of Assessments by non-use of the HOA Common Area or abandonment of such Owner's Residential Unit. The Owner shall also be obligated to pay all attorneys' fees, court costs and administrative costs incurred in connection with the collection of delinquent Assessments. This Section shall not be deemed to limit or waive, and shall be without prejudice to, any and all rights, remedies, or recourses as may be available to the HOA for non-payment of Assessments.

Section 5.11. Subordination of Lien to First Mortgages. The lien of the Assessments provided for in this Declaration shall be subordinate to the lien of any First Mortgage. Sale or transfer of any Residential Unit shall not affect the Assessment lien. However, the sale or transfer of any Residential Unit pursuant to a First Mortgage foreclosure or any proceeding in lieu thereof shall extinguish the lien of such Assessments as to payments which became due prior to such sale or transfer, except for liens or claims for a pro-rata share of such Assessments resulting from a pro-rata reallocation of such Assessments to all Residential Units, including the mortgaged Residential Unit. No sale or transfer shall relieve the Owner of such Residential Unit from liability for any Assessments thereafter becoming due or from the lien thereof. No amendment to this Section shall affect the rights of the holder of any First Mortgage on any

Residential Unit (or the indebtedness secured thereby) recorded prior to recordation of such amendment unless the holder of the First Mortgage (or the indebtedness secured thereby) shall join in the execution of such amendment.

Section 5.12. Reserve Fund Budget and Contribution.

(a) The Board of Directors shall annually prepare a reserve fund budget which shall take into account the number and nature of the replaceable assets of the HOA, the expected life of each asset, and the expected repair or replacement cost of each asset. The reserve fund budget shall establish a reserve for the substantial periodic repair and replacement of the HOA Common Area and any other improvements which the HOA maintains or for which it is required to make a maintenance payment, including, without limitation, reserves for the routine inspection, maintenance and long term repair of any storm water management facilities serving the Property and maintained by the HOA or others. The Board of Directors shall set the required reserve fund contribution, if any, in an amount sufficient to meet the projected reserve needs of the HOA, as shown on the reserve fund budget, with respect both to amount and timing by the imposition of Annual Assessments over the period of the budget. The reserve fund contribution shall be fixed by the Board of Directors and included within the budget as provided in Section 5.3. Such reserve fund contribution shall be payable as part of the Annual Assessment applicable to each Residential Unit to the extent such reserve fund will be utilized to replace assets which are determined by the Board of Directors to benefit substantially all Owners and shall be part of Neighborhood Assessments to the extent such reserve fund will be utilized to replace assets whose maintenance is paid for through Neighborhood Assessments. Reserves may also be maintained for operating contingencies and insurance deductibles. A copy of the reserve fund budget shall be distributed to each Owner in the same manner as the operating budget.

(b) The proportional interest of an Owner in any reserve fund established under this Article 5 shall be considered an appurtenance of such Owner's Residential Unit and shall not be separately withdrawn, assigned, transferred or otherwise separated from the Residential Unit to which it appertains, and shall be deemed to be transferred with such Residential Unit.

Section 5.13. Extraordinary Actions. Notwithstanding any provision of the Governing Documents to the contrary, from and after termination of Declarant Control Period, the Board of Directors shall not be authorized to take any "Extraordinary Actions" (as defined below) without the affirmative vote of Owners entitled to cast not less than sixty-seven percent (67%) of the votes of the Owners present, in person or by proxy, and voting at any meeting of the HOA duly called for this purpose. As used in this Declaration, the term "Extraordinary Actions" shall mean any and all legal actions or proceedings taken or pursued by or on behalf of the HOA, including, without limitation, commencing or maintaining any litigation, arbitration or similar proceeding on a contingency fee or payment basis that would reasonably require the expenditure of funds in excess of Fifteen Thousand Dollars (\$15,000.00) in the aggregate during any fiscal year of the HOA, except for routine Common Expense or other Assessment collection matters, or actions required to enforce the restrictions on the Residential Units set forth in the Governing Documents, and subject to Article 15 of this Declaration.

Section 5.14. Residential Condominium Assessments. With respect to any Assessments that are payable by the Owners of Residential Units within a Residential Condominium, the Board of Directors may elect by resolution to collect such Assessments directly from the Residential Condominium Association. In such event, payment of the Assessments provided for in this Declaration shall be an obligation of the Residential Condominium Association. However, each Owner shall remain personally liable for all Assessments against such Owner's Residential Unit and each such Residential Unit shall remain subject to the lien for the Assessments established by this Declaration. If the Board of Directors elects to collect Assessments from the Residential Condominium Association, then all notices regarding Assessments against such Residential Units shall be sent to the Residential Condominium Association. However, notice of any action to enforce an Owner's personal obligation to pay Assessments or to foreclose the lien against such Owner's Residential Unit shall also be sent to the Owner of the Residential Unit. This Section shall not be deemed to limit or waive, and shall be without prejudice to, any rights, remedies, or recourses available to the HOA for non-payment of Assessments.

ARTICLE 6

HOA NEIGHBORHOODS

Section 6.1. Designation of Neighborhoods. Any group of Residential Units may be established as a Neighborhood in accordance with this Article 6 in order to, among other things, assist in the administration of the property within the Neighborhood, provide for local control of the Neighborhood and input from the Owners of Residential Units within the Neighborhood, and to allow for Neighborhood Assessments to be imposed for benefits or services that primarily benefit or appertain to the Residential Units within the Neighborhood. The designation of a group of Residential Units as a Neighborhood shall be based on certain features that the Residential Units have in common, including, without limitation, the location and proximity of such Residential Units, special features or amenities within or serving such Residential Units, special services provided to or requested by the Owners of such Residential Units, or the desire for input from the interested Owners of such Residential Units.

(a) **By Declarant:** For the duration of the Declarant Control Period, Declarant, by recording a Declaration of Annexation or other supplementary declaration, or through a duly adopted HOA Code, may establish any group of Residential Units as a Neighborhood.

(b) **By the Board of Directors:** The Board of Directors, by recording a Declaration of Annexation or other supplementary declaration, or through a duly adopted HOA Code, may establish any group of Residential Units as a Neighborhood. Any action by the Board of Directors pursuant to this Section 6.1(b) shall require the affirmative vote of a majority of the entire Board of Directors and the consent of Declarant during the Declarant Control Period.

Section 6.2. Neighborhood Committees. The Owners of the Residential Units within a Neighborhood may establish a Neighborhood Committee. Each Neighborhood Committee shall be responsible for establishing bylaws and other procedures applicable to its activities, provided that the right of all Owners of Residential Units within the Neighborhood to meaningful

participation in the Neighborhood Committee shall not be abridged. Each Neighborhood Committee shall provide reasonable prior notice of all Neighborhood Committee meetings to (a) all Owners of Residential Units within the Neighborhood, (b) the Board of Directors, and (c) Declarant, during the Declarant Control Period. All Neighborhood Committee meetings shall be open to all Owners of Residential Units within the Neighborhood. Each Neighborhood Committee shall designate one of its members as spokesperson for purposes of meetings of the Board of Directors or Design Review Committee. The designated spokesperson shall be the only member of the Neighborhood Committee entitled to express the Neighborhood Committee's views at any such meeting.

Section 6.3. Neighborhood Committee Authority. Neighborhood Committees shall generally be provided with a reasonable prior opportunity to comment, either in person or in writing, on proposed actions by the Board of Directors or Design Review Committee which would impact their Neighborhood. Neighborhood Committees may serve as an advisory committee to the Board of Directors with respect to issues and matters of particular concern to the Owners of Residential Units within the Neighborhood, including, but not limited to, the amount of Assessments and the manner of the maintenance and repair of the Residential Units and HOA Common Area within the Neighborhood. Neighborhood Committees may also serve as an advisory committee to the Design Review Committee with respect to the review and approval or disapproval of applications for Improvements within the Neighborhood. The recommendations of a Neighborhood Committee shall not be binding on the Board of Directors or the Design Review Committee; provided, however, that the Board of Directors and the Design Review Committee shall make a reasonable effort to implement such recommendations unless to do so is determined in the sole discretion of the Board of Directors or the Design Review Committee, as the case may be, not to be in the best interests of any portion of the Property or other Owners, occupants or lessees of Residential Units.

Section 6.4. Further Neighborhood Committee Provisions. The Board of Directors or Declarant may adopt HOA Codes in accordance with Article 8 of this Declaration further defining the authority of Neighborhood Committees, as well as additional rules and procedures to be followed by Neighborhood Committees in connection with the exercise of such authority.

ARTICLE 7

DESIGN REVIEW AND ARCHITECTURAL CONTROL

Section 7.1. Architectural Approval. Complete plans and specifications as determined by Declarant for various design and construction stages for the exteriors of all "Improvements" (defined below) shall be approved in writing in accordance with this Article 7 prior to the commencement of any construction or development activities for such Improvements within the Property. "Improvements" shall mean, collectively, the following items and activities within the Property:

- (a) staking, clearing, landscaping, excavation, grading or other site work;
- (b) the exteriors of buildings, structures and other improvements of any kind;

(c) exterior additions, changes or alterations of any nature to the Residential Units, buildings or other existing improvements, including, without limitation, changes in color, changes or additions to driveway or walkway surfaces, lighting and landscaping modifications.

Section 7.2. Initial Construction. No construction of the initial Improvements within the Property may be commenced, erected or maintained until complete plans and specifications for such Improvements have been reviewed and approved by Declarant, in writing and in its sole discretion, for compliance with any applicable design standards that may be promulgated by Declarant with respect to such Improvements. Notwithstanding any provision of the Governing Documents to the contrary, the approval of Declarant pursuant to this Section 7.2 shall be the only approval required under this Declaration or other Governing Documents with respect to the construction of initial Improvements; however, each Owner shall also be responsible for obtaining all other applicable approvals required by governmental authorities or otherwise. Nothing in this Section 7.2 or otherwise in the Governing Documents shall be deemed to require that any initial Improvements approved by Declarant conform to Design Guidelines or other matters that might otherwise be binding on Owners for any changes to initial Improvements.

Section 7.3. Changes and Modifications to Improvements. Except for initial Improvements which shall be approved by Declarant in accordance with Section 7.2 above, no Owner or any other person or entity shall commence, erect or maintain any Improvements within the Property until complete plans and specifications for such Improvements have been approved, in writing, by the appropriate Review Entity in accordance with this Article 7.

Section 7.4. Review Entity. As used in this Declaration, the term "Review Entity" means one or more of the following entities having jurisdiction at any particular time with respect to the matters described in this Article 7:

(a) **Declarant**, with respect to all architectural review and approval authority under this Article 7 for all Residential Units and HOA Common Area, except to the extent any such rights and powers are assigned or terminated in accordance with Section 7.5. All rights and powers of Declarant under this Article 7 may be exercised on behalf of Declarant by such members, officers, directors, employees, agents, representatives, or other designees of Declarant as Declarant may designate from time to time.

(b) **The Design Review Committee**, but only upon the assignment of such rights and powers from Declarant in accordance with Section 7.5. If a Design Review Committee is not appointed, the Board of Directors shall exercise all rights and powers that could be exercised by the Design Review Committee.

Section 7.5. Declarant as a Review Entity. Declarant shall be exclusively entitled to exercise all rights and powers of the Review Entity under this Declaration for all Residential Units and HOA Common Area, except to the extent such rights and powers are expressly assigned in writing by Declarant. Declarant may assign all or part of its rights and powers under this Article 7 to the Design Review Committee. Notwithstanding the foregoing, upon the termination of the Declarant Control Period, all rights and powers reserved to Declarant under this Article 7 not previously assigned to the Design Review Committee shall automatically terminate and shall be deemed assigned to, and thereafter exercised by, the Design Review

Committee. Each Owner shall be deemed to covenant and agree that (i) neither initial construction of Improvements nor any exterior addition, change or alteration to existing Improvements shall be commenced within the Owner's Residential Unit until approval for such construction, addition, change or alteration is approved in accordance with this Article 7, and (ii) as the developer of the Property, Declarant has a significant and substantial interest in ensuring that all Improvements are consistent with the Development Plans and that the Improvements do not have an adverse impact upon Declarant's ongoing ability to develop, market, sell, and/or lease all or any portion of the Property or other portion of the Development. Accordingly, in its exercise of the rights and powers of the Review Entity under this Declaration, Declarant shall have the right to approve or disapprove any plans and specifications for Improvements in Declarant's sole discretion, and all Owners acknowledge that in reviewing and acting upon any such plans and specifications, Declarant shall be acting in its own interest and shall owe no duty whatsoever to any other individual or entity, including, without limitation, the HOA or any Owners.

Section 7.6. Design Review Committee as a Review Entity. The Design Review Committee shall exercise such rights and powers of the Review Entity as may from time to time be assigned to such Design Review Committee pursuant to Section 7.5 above. The Design Review Committee shall consist of an uneven number of members, at least three (3) in number, who shall serve at the pleasure of and may be removed and replaced at the discretion of Declarant, during the Declarant Control Period, and by the Board of Directors thereafter. The members of the Design Review Committee need not be members of the HOA and may, but need not, include architects, engineers and similar design professionals. Any compensation for members of the Design Review Committee, including architects or other design professionals, shall be established from time to time by the Board of Directors.

Section 7.7. Revocation of Assigned Rights. Until termination of the Declarant Control Period, Declarant may, in its sole discretion, revoke any prior assignment of all or part of the rights and powers under this Article 7 that Declarant may have assigned to the Design Review Committee or other designee. Upon such time that Declarant may revoke any previously assigned rights and powers under this Article 7, Declarant shall automatically have the authority to exercise such rights and powers.

Section 7.8. Application Review.

(a) No Improvement of any kind shall be commenced, erected or maintained upon the Property until a design review application ("**Application**") is submitted to and approved by the Review Entity. The Application shall include detailed plans showing the site layout, exterior elevations, exterior materials and colors, landscaping, drainage, lighting, irrigation, and other relevant features of the Improvements, as required by the Review Entity and any Design Guidelines applicable to the applicant's Residential Unit. The Review Entity may also require the submission of such additional information as it deems necessary to consider any Application. The Review Entity may consider, but shall not be restricted to consideration of, visual and environmental impact, ecological compatibility, natural platforms and finish grade elevation, harmony of external design with surrounding structures and environment, location in relation to surrounding structures and plant life, compliance with the general intent of applicable Design Guidelines and architectural merit. In many instances, decisions will be based solely on

aesthetic considerations and each applicant acknowledges that determinations as to such matters may be highly subjective and opinions may vary as to the desirability and/or attractiveness of particular Improvements.

(b) The Review Entity shall, within twenty-one (21) calendar days after receipt of a complete Application, advise the applicant in writing of the approval or disapproval of the Application. The Review Entity shall provide a reasonable explanation of the objectionable segments or features of any disapproved Application and suggestions for addressing such objections. If the Review Entity fails to advise the applicant by written notice within twenty-one (21) calendar days of receipt of a complete Application of either the approval or disapproval of the Application, the applicant shall give the Review Entity written notice of the Review Entity's failure to respond. The applicant's notice shall include a statement that unless the Review Entity responds within fifteen (15) calendar days of receipt of such applicant's notice, approval of the Application shall be deemed granted. Upon such further failure of the Review Entity to grant an approval or disapproval, approval shall be deemed to have been given. Notwithstanding the foregoing, no approval, whether expressly granted or deemed granted pursuant to this Section 7.8, shall be materially inconsistent with any Design Guidelines applicable to the Residential Unit in question, unless a variance has been granted in writing in accordance with Section 7.14 below. Notices from an applicant to the Review Entity under this Section 7.8 shall be deemed to have been given at the time the envelope containing such notice, properly addressed and postage prepaid, is delivered by the U.S. Postal Service by registered or certified mail, return receipt requested, or by any other delivery or courier service, such as Federal Express or UPS, which can provide tracking information regarding the delivery of such notice. Personal verified delivery of such written notice by any other means shall also be sufficient and shall be deemed to have been given at the time of delivery.

Section 7.9. Preliminary Applications and Approvals. Notwithstanding any provisions of this Article 7 to the contrary, the Review Entity may review an Application containing preliminary drawings, schematics, specifications or other features or information that is less than what would otherwise be required in order to process a complete Application for proposed Improvements. The Review Entity may issue a preliminary approval with respect to such preliminary Application if the Review Entity determines that such a preliminary approval is appropriate. The purpose of such preliminary Applications is to allow an Owner to receive a determination from the Review Entity as to whether certain architectural or design concepts, features, or specifications are acceptable before such Owner proceeds with additional plans and engineering for the proposed Improvements. The Review Entity may impose such conditions on any preliminary Application or preliminary approval that the Review Entity deems necessary or appropriate. Unless otherwise expressly authorized by the Review Entity in writing, no Owner or other party shall commence construction or any other work on any proposed Improvements based upon a preliminary approval given pursuant to this Section; rather, approval of a complete Application in accordance with this Article 7 shall be required before commencement of construction or other work.

Section 7.10. Application Fees and Reimbursements. The Review Entity may (i) establish and charge reasonable fees for review of Applications hereunder; (ii) retain architects, engineers or other design professionals to assist in its review of any Application; and

(iii) require reimbursement by the applicant of fees charged by any architect, engineers or other design professionals.

Section 7.11. Design Guidelines and Procedures.

(a) The Review Entity may, but shall not be required to, establish design guidelines to provide guidance to Owners, builders and contractors regarding matters deemed to be of relevance or importance to the Review Entity in considering Applications for architectural approval (as the same may be amended from time to time, "**Design Guidelines**"). Subject to Section 7.2, any Design Guidelines shall not be the exclusive basis for decisions hereunder and compliance with the Design Guidelines shall not guarantee approval of an Application. Design Guidelines may contain general provisions applicable to all Residential Units, as well as specific provisions which vary from one Residential Unit to another, depending upon the location, type of construction or use, and unique characteristics of the Residential Units.

(b) Any Design Guidelines adopted pursuant to this Article 7 may be modified and amended from time to time in the sole discretion of the Review Entity subject to Section 7.11(d) below. Modifications and amendments to Design Guidelines shall not apply to or require modifications to or removal of Improvements previously approved once such Improvements have commenced. However, modifications or amendments to Design Guidelines may prohibit an exact replacement of a previously approved Improvement. Any subsequent removal or alteration of any previously approved Improvements shall be subject to the Design Guidelines in existence at the time of such subsequent removal or alteration. There shall be no limitation on the scope of modifications or amendments to any Design Guidelines. All modifications and amendments to Design Guidelines shall be made in accordance with the procedures set forth in Section 8.2 of this Declaration with respect to the adoption, modification or amendment of HOA Codes. The Review Entity shall make copies of Design Guidelines available to Owners, builders and contractors and may charge a reasonable fee to cover the costs of providing the Design Guidelines.

(c) The Review Entity may from time to time adopt and promulgate procedures and requirements for the submission of Applications to the Review Entity, including, without limitation, requirements regarding the number of copies, the content, scale and detail of the plans and specifications to be included with such Applications, and the identification of any required supporting materials; provided, however, that such application procedures shall not contravene any specific requirement established by this Declaration. Any application procedures adopted pursuant to this Article 7 shall be subject to modification and amendment from time to time in the sole discretion of the Review Entity. Such application procedures shall not be construed as a waiver of the provisions of this Article 7 or any other provision or requirement of this Declaration.

(d) Notwithstanding any provision of this Declaration to the contrary, any Design Guidelines or application procedures promulgated by the Design Review Committee shall be (i) subject to Declarant's prior approval during the Declarant Control Period and, (ii) subject to the approval of the Board after the Declarant Control Period provided that the Board is not otherwise acting as the Design Review Committee.

Section 7.12. Completion of Improvements. Construction of Improvements in accordance with the approved Application shall be completed within twelve (12) months following approval of the Application, or within such other period as the Review Entity may specify in its approval. In the event construction is not completed within the period aforesaid, the Review Entity shall have the option to withdraw its approval of the plans and specifications and require the applicant to re-submit an Application and otherwise comply with the requirements of this Article 7. There shall be no material deviations from plans and specifications approved by the Review Entity (as determined by the Review Entity in its sole discretion) without the prior consent in writing of the Review Entity.

Section 7.13. Non-Precedential Nature of Approvals. Each applicant acknowledges that the composition of the Review Entity will change from time to time and that decisions regarding aesthetic matters and interpretation and application of the Design Guidelines applicable to the applicant's Residential Unit may vary from time to time. In addition, each applicant acknowledges that it may not always be possible to identify objectionable features of proposed Improvements until the Improvements are completed, in which case it may be unreasonable to require changes to the Improvements previously approved; however, the Review Entity may refuse to approve similar Improvements in the future. Approval of Improvements for any particular applicant or Residential Unit shall not be deemed a waiver of the right to withhold approval as to any similar Improvements subsequently submitted for approval.

Section 7.14. Waivers and Variances. The Review Entity in its sole discretion may, but shall not be required to, authorize waivers or variances from compliance with any Design Guidelines or for nonconforming Improvements when circumstances such as topography, natural obstructions, aesthetic or environmental considerations, architectural merit, or other reasonable considerations warrant such a waiver or variance. Such waivers and variances shall be granted only if and when the Review Entity determines that some or all of the foregoing circumstances warrant a waiver or variance. No applicant shall have any right to demand or obtain a waiver or variance. Except for a waiver or variance authorized by Declarant, no waiver or variance may (i) be effective unless in writing, (ii) be contrary to this Declaration, or (iii) be inconsistent with the goals or objectives of Declarant. In no event shall any waiver or variance estop the Review Entity from denying a waiver or variance in other circumstances.

Section 7.15. Limited Scope of Approval. The standards and procedures established by this Article 7 are intended to provide a mechanism for maintaining and enhancing the overall aesthetics of the Property. Approval of an Application by a Review Entity shall in no way be construed as to pass judgment on the correctness of the location, structural design, suitability of water flow or drainage, location of utilities, or other qualities of the item being reviewed. No Review Entity, nor any of its members, officers, directors, employees, agents, or representatives, shall bear any responsibility for ensuring structural integrity, soundness or compliance with building codes and other governmental approvals or requirements, or that any Improvements are located so as to avoid negative impacts on other Residential Units including, without limitation, impaired views. No representation is made by any Review Entity with respect to the quality, size, value or design of future Improvements. Approval by any Review Entity shall not be construed as a representation or warranty of any type regarding the design or construction of any Improvement and no Review Entity, nor any of its members, officers, directors, employees, agents, or representatives, shall be liable for (i) soil conditions, drainage or other site work

problems, (ii) defects or errors in any plans or specifications submitted as part of an Application, (iii) any structural or other defects in Improvements constructed according to an approved Application, or (iv) any injury, damages, or loss arising out of the design, quality or manner of construction of any approved Improvements. Approvals by the Review Entity shall in no way be deemed to constitute a determination as to compliance with local zoning ordinances, governmental guidelines or restrictions, or be substituted in lieu of applicable governmental approvals and permits and no construction may commence until all such approvals and permits have been obtained.

Section 7.16. Enforcement.

(a) Any Improvements constructed in violation of this Article 7 or in a manner inconsistent with an approved Application shall be deemed to be nonconforming. Upon written request from the Review Entity, the defaulting Owner shall, at its own cost and expense, promptly either remove any nonconforming Improvement and restore the Residential Unit to substantially the same condition that existed prior to the installation of the nonconforming Improvement or bring the nonconforming Improvement into compliance with the approved Application, as applicable. If an Owner fails to remove any nonconforming Improvement and restore its Residential Unit or bring the nonconforming Improvement into compliance with the approved Application, as applicable, the Review Entity shall have the right to enforce this Article 7 in accordance with Article 16 of this Declaration, including, without limitation, by removing the violation and restoring the Residential Unit to substantially the same condition as previously existed. The Review Entity may preclude any contractor, subcontractor, agent, employee or other invitee of any Owner who fails to comply with the terms and provisions of this Article 7 and the applicable Design Guidelines from continuing any further activities on the Residential Unit or any other portion of the Property. Neither the Review Entity, nor any of its members, officers, directors, employees, agents, or representatives shall be held liable to any Owner or any other person or entity for exercising the rights granted by this Article 7.

(b) During the Declarant Control Period, if a Design Review Committee fails to take enforcement action within thirty (30) calendar days after receipt of a written demand from Declarant identifying the violator and/or specifying the nature of the violation, then Declarant may undertake any appropriate enforcement action and the HOA shall reimburse Declarant for all costs reasonably incurred by Declarant in taking such enforcement action with respect to such violation, but only to the extent Declarant prevails in such action.

Section 7.17. Certificate of Compliance. Upon satisfactory completion of the Improvements on a Residential Unit in accordance with plans and specifications approved by the Review Entity in accordance with the provisions of this Article 7, the Review Entity shall, at the written request of the Owner of the Residential Unit, issue a certificate of compliance. A certificate of compliance shall be prima facie evidence that the Improvements referenced in such certificate have been approved by the Review Entity in full compliance with the provisions of this Article 7 and with such other provisions and requirements of the Governing Documents as may be applicable. The HOA may charge the Owner of the applicable Residential Unit a reasonable administrative fee for issuing a certificate of compliance.

Section 7.18. Appeal of Design Review Committee Decisions. Any decisions made by a Design Review Committee may be appealed to the Board of Directors by the Owner whose Application or other request was subject of the Design Review Committee's decision. Upon written request, such Owner shall be entitled to a hearing before the Board of Directors. A vote of at least two thirds (2/3) of all members of the Board of Directors shall be required to reverse or modify a decision of the Design Review Committee. Notwithstanding the foregoing, when acting as the Review Entity, the decisions of Declarant and the Board of Directors shall be final and shall not be subject to appeal.

ARTICLE 8

HOA CODES

Section 8.1. Objectives and Scope of HOA Codes. Declarant and the Board of Directors may adopt as HOA Codes such additional use restrictions and protective covenants related specifically to the use of the Property or the HOA Common Area as are consistent with this Declaration and the Development Plans and as may be deemed necessary or appropriate by Declarant or the Board of Directors in their reasonable discretion, but subject to their fiduciary responsibilities to the Owners. HOA Codes shall be adopted in accordance with the procedures set forth in this Article 8. HOA Codes shall prescribe rules, policies and/or procedures for implementing provisions of the Governing Documents including, but not limited to, the following:

- (a) Additional covenants and restrictions regarding maintenance standards, permitted uses, prohibited uses and nuisances, or exclusive uses within the Property and any facilities situated thereon;
- (b) Designation of Neighborhoods, provided that the designation of Neighborhoods may also be made by a Declaration of Annexation or other supplementary declaration pursuant to Section 6.1;
- (c) Assumption of additional maintenance responsibilities by the HOA upon all or any portion of the Development or any facilities situated thereon. In such event, the costs of such maintenance shall be assessed only against those Owners of Residential Units receiving or intending to receive the additional services or benefits;
- (d) Non-disturbance, conservation or similar easements over all or any portion of the HOA Common Area for the maintenance and protection of scenic views, natural conditions and open spaces within the HOA Common Area;
- (e) Adoption of architectural guidelines and standards applicable within the Property, provided that such architectural guidelines and standards shall not require the alteration of any previously approved Improvements and are otherwise in accordance with the provisions of Article 7 of this Declaration;
- (f) Rules, guidelines and procedures associated with Applications for exterior additions, changes or alterations to Residential Units submitted to the Review Entity in accordance with Article 7 of this Declaration;

- (g) Parking rules and regulations;
 - (h) Establishment of specific requirements or guidelines for insurance coverage for the Residential Units, HOA Common Areas, and the members and officers of the Board of Directors;
 - (i) Procedures for collection and enforcement of Assessments;
 - (j) Policies related to use and control of HOA Common Area and any facilities situated thereon;
 - (k) Rules and procedures regarding the removal of improperly parked vehicles;
 - (l) Procedures for processing alleged violations of the Governing Documents;
- and
- (m) Repeal and/or modification of previously adopted HOA Codes.

Section 8.2. Adoption of HOA Codes.

(a) HOA Codes may be adopted, modified and amended by Declarant or the Board of Directors in accordance with the procedures of this Section 8.2. Any HOA Codes adopted, modified or amended by the Board of Directors shall require the consent of Declarant during the Declarant Control Period.

(b) Except in the event of an emergency, as determined in the sole discretion of Declarant or the Board of Directors, as the case may be, proposed HOA Codes shall be published in the HOA's principal medium for informing Owners of the HOA's affairs, mailed to affected Owners at their address of record with the HOA, or otherwise distributed to affected Owners and their Eligible Mortgagees in a reasonable manner at least thirty (30) days prior to the effective date of the HOA Code. Actions to adopt, modify or amend HOA Codes by the Board of Directors shall be taken at a meeting of the Board of Directors. At such meeting, all interested Owners shall be provided with a reasonable opportunity for comment and discussion. During the Declarant Control Period, Declarant may adopt, modify or amend HOA Codes without the requirement of holding a meeting for such action; provided, however, that Declarant shall be required to provide notice of HOA Codes in accordance with this Section 8.2(b). HOA Codes shall be distributed to affected Owners in a reasonable manner and shall be retained among the corporate records of the HOA.

Section 8.3. HOA Code Limitations. Except as may be specifically set forth in this Declaration, HOA Codes are subject to the following limitations:

(a) Similarly situated Owners shall be generally treated in a substantially similar manner, provided that HOA Codes may vary from one portion of the Property to another depending upon housing type, Neighborhoods, or similar factors.

(b) No HOA Code shall unreasonably interfere with activities within the interior confines of Residential Units, except that Declarant or the HOA may restrict or prohibit the following:

- (i) Activities not normally associated with residential or home office use;
- (ii) Activities that create monetary costs for the HOA or other Owners;
- (iii) Activities that create a danger to the health or safety of occupants of other Residential Units;
- (iv) Activities that generate excessive noise or traffic;
- (v) Activities that create unsightly conditions visible outside the Residential Unit; and
- (vi) Activities that create an unreasonable source of annoyance.

(c) No HOA Code shall prohibit outright the leasing or transfer of any Residential Unit, or require consent of the HOA for transfer of any Residential Unit.

(d) No Community Code or action by the HOA shall impede or alter Declarant's development rights within the Property or Declarant's rights under this Declaration.

Section 8.4. Binding Effect of HOA Codes. Once duly adopted or amended, HOA Codes shall inure to the benefit of the HOA and the Owners and, though not intended to be recorded, HOA Codes shall be binding restrictions and obligations of Owners to the same extent as the covenants, conditions and restrictions set forth in this Declaration and other instruments recorded against the Property. Without limiting the generality of the foregoing, each Owner shall take title to its Residential Unit subject to all HOA Codes that are or may be promulgated from time to time. Pursuant to Article 16 of this Declaration, the HOA and any Owner shall have the right to enforce all restrictions, conditions, covenants, reservations, easements, liens, charges or other obligations imposed by the provisions of any duly adopted HOA Code.

Section 8.5. Owners' Acknowledgement and Notice to Purchasers. All Owners are given notice that use of their Residential Units is subject to all HOA Codes as they may be modified from time to time in accordance with this Article 8. Each Owner, by acceptance of a deed or other interest in a Residential Unit, acknowledges and agrees that the use, enjoyment and marketability of such Owner's Residential Unit may be impacted by the HOA Codes and that the HOA Codes may change from time to time.

Section 8.6. Other Actions. This Article 8 shall not be construed to limit the powers of Declarant or the Board of Directors and the foregoing entities shall have full power and authority to take any action as may be authorized under the Governing Documents or applicable law, regardless of whether such action may otherwise constitute an HOA Code.

ARTICLE 9
USE RESTRICTIONS

In addition to all other covenants, conditions and restrictions contained in this Declaration or other Governing Documents, the Property is subject to the following:

Section 9.1. Permitted Uses. Each Residential Unit shall be used for residential purposes exclusively and may be used for a "no-impact home-based business", except that no-impact home-based businesses may be prohibited under any Residential Condominium Governing Documents, in which case such prohibition shall control with respect to the Residential Units in such Residential Condominium. As used in this Declaration, the term "**no-impact home-based business**" shall have the meaning defined in Section 11B-111.1 of the Maryland Homeowners Association Act, Title 11B of the Real Property Article of the Annotated Code of Maryland. Notwithstanding the foregoing, nothing contained in this Article or elsewhere in the Governing Documents shall be construed to prohibit Declarant from using any Residential Unit for promotional or display purposes, for "model homes", a sales and/or construction office, or for any other lawful purpose.

Section 9.2. Prohibited Uses and Nuisances. In addition to such other rules, regulations, HOA Codes, or other restrictions that the Board of Directors may from time to time enact or amend, the following restrictions apply to the Property and Owners, occupants, guests and invitees upon the Property:

(a) No noxious or offensive activity shall be allowed within or upon any Residential Unit or the HOA Common Area that may be or become an annoyance or nuisance to the community or other Owners. The restrictions of this subsection (a) shall not apply to matters exempted with the prior written approval of the Board of Directors or Declarant during the Declarant Control Period or to activities that may be necessary in connection with reasonable and necessary repairs or maintenance of any Residential Unit or the HOA Common Area.

(b) Pets shall be attended at all times and shall be registered, licensed and inoculated as may from time to time be required by law. Pets shall not be permitted upon the HOA Common Area unless accompanied by a responsible person and unless they are carried or leashed. All persons that bring pets upon the HOA Common Area shall be responsible for the clean-up and proper disposal of any waste deposited on the HOA Common Area by such pets. The HOA shall not be liable for any loss, damage, or injury caused by any animal within or in the vicinity of the Property. Any person who keeps or maintains any pet upon any portion of the Property shall indemnify and hold harmless the HOA, Declarant, and each Owner against any loss, damage, injury, claim or liability of any kind or character whatever arising by reason of keeping or maintaining such pet within the Property. Pets that are permitted to roam free or that are determined by the Board in its sole discretion to endanger the health and safety of any other Owner(s), make objectionable noise, or constitute a nuisance or inconvenience to any other Owner(s), shall be promptly removed from the Property upon request by the Board of Directors. The Board of Directors shall have the right to adopt or amend additional rules and regulations regarding pets, consistent with this subsection, as it may from time to time consider necessary or appropriate.

(c) No Owner shall make any private, exclusive or proprietary use of any of the HOA Common Area except for any parking space reserved for the exclusive use of such Owner, and no Owner shall engage or direct any employee of the HOA on any private business of the Owner during the hours such employee is employed by the HOA, nor shall any Owner direct, supervise or in any manner attempt to assert control over any employee of the HOA.

Section 9.3. Vehicle and Parking Restrictions.

(a) (i) Except as otherwise provided in this Section 9.3(a) or elsewhere in this Declaration or as may be determined by the Board of Directors or Declarant during the Declarant Control Period, parking spaces within the Property shall be used for parking passenger cars, including sport utility vehicles (SUVs) and vans, and for no other purpose. No junk vehicle, commercial vehicle, truck (as defined by the Maryland Department of Motor Vehicles and/or by common usage and practice except for light pick-up trucks of three-quarter (3/4) ton capacity or less used for non-commercial purposes), unlicensed or inoperable motor vehicle (which shall include, without limitation, any vehicle which would not pass applicable state inspection criteria), trailer, mobile home, recreational vehicle, boat or other similar vehicles, machinery or equipment of any kind or character (except for such equipment and machinery as the HOA may require in connection with the maintenance and operation of the Property) shall be kept in any parking space or other area of the Property. Except for bona fide emergencies, maintenance or repair of automobiles or other vehicles shall not be permitted within any parking spaces or other areas of the Property.

(ii) Notwithstanding the provisions of subsection 9.3(a)(i) above, the Board of Directors or Declarant, during the Declarant Control Period, may designate certain parking spaces that are exempt from some or all of the restrictions of this subsection, including, without limitation, parking spaces for use by commercial vehicles providing services to the Residential Units or the HOA.

(b) Parking within the Property shall be subject to the following restrictions:

(i) Any rules and regulations governing parking that may be adopted in accordance with Section 9.3(c) below, including, without limitation, involuntary removal of any vehicle violating the provisions of this Declaration and/or such rules and regulations.

(ii) No vehicle belonging to any Owner, or to any tenant, guest, invitee or family member of any Owner, shall be parked in a manner that unreasonably interferes with or impedes ready vehicular access to any adjoining parking space.

(c) The Board of Directors and Declarant, during the Declarant Control Period, are each authorized to adopt and amend rules and regulations regarding parking and traffic control within the Property, provided such rules and regulations are not inconsistent with the provisions of this Declaration or other Governing Documents. Each Owner shall comply in all respects with such rules and regulations. Notwithstanding any provision of the Governing Documents to the contrary, for so long as Declarant (and its successors and assigns to whom Declarant's rights under this Section have been specifically assigned by an instrument in writing)

owns any parking spaces within the Property, no such rule or regulation shall be adopted or amended without the prior written consent of Declarant.

Section 9.4. Rules. There shall be no violation of any HOA Codes or other rules for the use of the HOA Common Area or other community rules and regulations not inconsistent with the provisions of this Declaration, including, without limitation, such rules that from time to time may be adopted by the Board of Directors and promulgated among the membership by the Board in writing, and the Board of Directors is hereby and elsewhere in this Declaration authorized to adopt such rules and regulations.

Section 9.5. Exemptions. Unless expressly provided otherwise in this Article 9, none of the restrictions in this Article 9 shall be applicable to (a) improvements constructed by or to the activities of Declarant or its officers, employees, agents, assigns, and designees in its development, renovation, marketing, leasing and sales activities within the Property, or (b) the HOA, its officers, employees and agents, in connection with the proper operation, maintenance, repair, replacement and improvement of the HOA Common Area.

ARTICLE 10

DECLARATION OF EASEMENTS AND RIGHTS

Section 10.1. Declaration of Easements and Rights. Except to the extent waived in writing by Declarant and subject to the provisions of Section 10.15 below, the easements and rights set forth in this Article 10 are hereby declared or reserved.

Section 10.2. Development Easements.

(a) There is hereby reserved unto Declarant and to such other parties as Declarant may specifically, and in writing, assign such rights, for the benefit of the real property shown on the Development Plans, blanket easements upon, across and under the Property for (i) vehicular and pedestrian ingress and egress, (ii) curb cuts, slope, and grading easements, (iii) street lighting, architectural lighting, irrigation, and landscaping, (iv) the installation, replacement, repair and maintenance of all utilities, including, but not limited to, water, sewer, drainage, storm water detention and/or sediment control, electricity, gas, cable television, telephones, telecommunication, and internet, and further including the right to connect to and use any such utilities, (v) the placement of signs within the HOA Common Area, including, without limitation, signs relating to the Property and signs used for sales and marketing purposes, (vi) entry features, promotional and sales displays and other similar items within the HOA Common Area. By virtue of this utility easement, it shall be expressly permissible to install and maintain the necessary, pipes, lines and other equipment within the Property, to affix and maintain electrical, telephone and telecommunications wires and conduits, sewer and water drainage lines within any portion of the Property (subject to Sections 10.6 and 10.15 below), including any improvements constructed thereon, and to have construction vehicles, equipment and the like exercise the aforesaid right of ingress and egress. There is further reserved unto Declarant the right to grant specific easements, both temporary and permanent, to any person or entity including, without limitation, all public authorities and utility companies, over any part of the Property in furtherance of the blanket easements created by this subsection. Declarant may grant such easements for the duration of the Declarant Control Period.

(b) There is hereby reserved unto Declarant and to such other parties as Declarant may specifically, and in writing, assign such rights, for the benefit of the Development, and for the benefit of Declarant and its agents, a non-exclusive perpetual blanket easement upon, across and under the Property (provided such easement does not encroach upon any building within the Property or unreasonably interfere with the use and enjoyment of the Property) for the following purposes: (i) ingress and egress to and from any and all portions of the Development by trucks, construction equipment, construction personnel and the like; (ii) to construct, install, reconstruct, alter, modify, remove and replace streets, roads, driveways, lanes, sidewalks and parking spaces within the Property; (iii) to excavate, fill and coordinate the height, grade, slope and contour of the Property and to add and remove soil from the Property; and (iv) for the conduct of all other development, construction, renovation, marketing, sales, leasing and related activities as may be deemed necessary or desirable by Declarant or to comply with requirements imposed by Anne Arundel County, Maryland, or any governmental or quasi-governmental agency or authority having regulatory jurisdiction over the Development, and/or to comply with applicable laws or regulations.

(c) A blanket easement is hereby reserved to Declarant and its agents to enter the HOA Common Area during the period of development of the Property, and to maintain such facilities and perform such operations as in the sole opinion of Declarant may be reasonably required, convenient or incidental to the development of the Property, including, without limitation, a business office, sales/leasing office, storage area, construction yards, advertisement and other signs, displays and model units.

Section 10.3. Other Development Easements. Declarant reserves the right to enter any portion of the Property for the purpose of carrying out any obligations it may have, or assume, with respect to the curing of any defects in workmanship or materials in the Property or the improvements thereon or to fulfill the requirements of the Development Plans. There is further reserved unto Declarant and its agents a non-exclusive easement over, across and through all of the HOA Common Area for the purpose of access, the storage of building supplies and materials and equipment and, without any limitation, for any and all purposes reasonably related to the construction, development, and maintenance of the Property.

Section 10.4. Grading Easements. Declarant reserves a blanket easement and right of access on, over and under the Property to establish, maintain, change and correct drainage of surface or subsurface water in order to maintain reasonable standards of health, safety and appearance, provided, however, that Declarant shall have no obligation to exercise such right. Such right expressly includes the right to cut any trees, bushes or shrubbery, make any gradings of the soil, or to take any other similar action reasonably necessary, following which Declarant shall restore the affected property to its original condition as near as practicable. There is further reserved unto Declarant the right to grant specific easements, both temporary and permanent, to any person or entity including, without limitation, all public authorities and utility companies, over any part of the Property in furtherance of the blanket easement created by this subsection. Declarant shall give reasonable notice of intent to take such action to all affected Owners. Declarant may exercise the reserved rights under this Section 10.4 for the duration of the Declarant Control Period. Thereafter, all rights of Declarant under this Section 10.4 may be exercised by the HOA.

Section 10.5. Easements for Public Authorities and Utility Companies. Declarant reserves the right to grant easements, both temporary and permanent, to all public authorities and utility companies over any part of the Property, subject to Section 10.15 below. Declarant may grant such easements for the duration of the Declarant Control Period.

Section 10.6. Easements for Utility Systems. The rights and duties with respect to storm water management facilities, sanitary sewer and water, electricity, gas, cable television, security and surveillance systems, telephone, telecommunications, internet, and similar utilities (individually and collectively, "Utility Systems") shall be governed by the following:

(a) Each Owner is granted a non-exclusive, easement to connect to and use any Utility Systems located in the Property that serve such Owner's Residential Unit, provided the location of such Utility Systems has been approved by the Review Entity. All Utility Systems shall be located underground to the extent reasonably feasible. The easement under this subsection 10.6(a) shall also benefit the HOA with respect to Utility Systems serving the HOA Common Area.

(b) Each Owner and the HOA shall have the right, and are hereby granted a perpetual easement to the extent necessary therefore, to enter upon or have a utility or repair company enter upon any portion of the Property in which the Utility Systems lie, to repair, replace and generally maintain the Utility Systems that serve the Residential Unit of such Owner or the HOA Common Area with respect to the HOA. Such easement shall include, without limitation, the right to enter upon any portion of the Property, including private streets, for the installation, replacement, repair and maintenance of water and sewer lines.

(c) The rights granted in subsection 10.6(b) above shall be only to the extent necessary to entitle the HOA or the Owner serviced by the Utility Systems to the full and reasonable use and enjoyment of its property and provided further that anyone exercising said rights shall be responsible for reasonably restoring the surface of the easement area so used to its condition prior to such use.

(d) In the event of a dispute between Owners with respect to the repair or rebuilding of any Utility Systems, or with respect to the sharing of the cost thereof, upon written request of one of such Owners addressed to the HOA, the matter may be submitted to the Board of Directors, who may, but shall not be required to, decide the dispute. Any decision of the Board of Directors made pursuant to this subsection shall be final and conclusive as to the parties.

(e) The Property is hereby subject to an easement upon and across the Property for the drainage and discharge of water from any properly installed and functioning storm drain or downspout. No Owner shall alter or obstruct such drainage or flow of water to the detriment of any Residential Unit or the HOA Common Area.

(f) A mutual right and easement for the Utility Systems is hereby established for the benefit of all Owners such that no Owner shall take any action which would interfere with the Utility Systems being provided to other Owners within the Property. If a Residential Unit contains any utility pipes, ducts, conduits, wires or other Utility Systems that are for the benefit,

in whole or in part, of other Owners within the Property, then the Owner of such Residential Unit shall promptly, at such Owner's expense, repair any damage to such Utility Systems caused by the Owner.

Section 10.7. Easements for Encroachments. Each Residential Unit and all HOA Common Areas are hereby declared to have an easement, not exceeding three feet (3') in width, over all adjoining portions of the Property for the purpose of accommodating any encroachment due to engineering errors, errors in original construction, roof overhangs, gutters, architectural or other appendages, draining of rainwater from roofs, or any other similar cause. There shall be valid easements for the maintenance of said encroachments so long as they shall exist, and the rights and obligations of Owners shall not be altered in any way by said encroachment, settlement or shifting; provided, however, that in no event shall a valid easement for encroachment be created in favor of an Owner or Owners if said encroachment occurred due to the willful misconduct of said Owner or Owners. In any Residential Unit is partially or totally destroyed and then repaired or rebuilt, the Owners of each Residential Unit agree that minor encroachments over adjoining Residential Units shall be permitted and that there shall be valid easements for the maintenance of said encroachments so long as they shall exist.

Section 10.8. Encroachments into HOA Common Area. With respect to any improvements approved by the Review Entity that may benefit any Residential Unit and which may encroach upon any portion of the HOA Common Area, there is hereby reserved, for the benefit of such Residential Unit, an easement for the location, maintenance, repair and use of such improvements within the HOA Common Area, but only to the extent that the original construction of such improvements encroaches within the HOA Common Area.

Section 10.9. HOA Common Areas Within Residential Unit Enclosures. If an Owner encloses any portion of its Residential Unit, in whole or in part, by any wooden, brick, stone or other similar fence and/or wall that has been duly approved for such Residential Unit by the Review Entity in accordance with Article 7 of this Declaration (each of the foregoing being referred to as a "**Residential Unit Fence**"), an easement is hereby declared and granted for the benefit of such Residential Unit to use any portion of the HOA Common Area that may be located between a Residential Unit Fence and the record platted lot line for such benefited Residential Unit. The Owner of such benefited Residential Unit shall be obligated to maintain the Residential Unit Fence and such portion of the HOA Common Area between the Residential Unit Fence and the record platted lot line of such benefited Residential Unit.

Section 10.10. HOA's Right of Entry on Residential Units. The HOA, its agents and employees, shall have an irrevocable right and an easement to enter the exterior areas of the Residential Units but only to the extent necessary to exercise the rights and fulfill the obligations established by this Declaration or other Governing Documents including, without limitation, the exercise of any other easements expressly provided for in this Article 10. The HOA and its agents or employees shall not enter the interior of any structure situated on a Residential Unit at any time without the prior consent of the Owner of such Residential Unit.

Section 10.11. Storm Water Management Easements.

(a) Each Owner is hereby granted a non-exclusive easement and right of use, in, through, on, over, under, across and within the Property for the drainage, discharge, and transmission of storm water runoff through and into any storm water management facilities approved by the Review Entity that are intended to benefit the Residential Unit of such Owner. Each Owner shall also have the right to connect to such storm water management facilities. The HOA shall have the benefit of all easements and rights granted pursuant to this subsection with respect to HOA Common Area.

(b) The HOA is hereby granted a non-exclusive easement and right of passage on, through, over and across the Residential Units and the HOA Common Area to maintain, repair and replace any storm water management area or facilities located therein for which it has maintenance responsibilities including, without limitation, ponds, basins, bio-retention or similar devices, recharge facilities, storm drainage pipes, infiltration trenches, inlets, oil grit separators, drainage areas and underground facilities.

Section 10.12. HOA Easements for the HOA Common Area. The Board of Directors shall have the right to grant easements, rights-of-way, licenses and similar interests over any part of the HOA Common Area for any lawful purpose which the Board determines, in its sole discretion, to be in the best interests of the HOA. Any such easements, rights-of-way, licenses and similar interests shall require the written consent of Declarant during the Declarant Control Period.

Section 10.13. Conservation Easements and Other Restrictions. The HOA shall be responsible for monitoring compliance with the requirements of any conservation easements and any other restrictions imposed on the HOA Common Area by the County or other governmental authorities, and for periodically reminding the Owners of these restrictions. The HOA may exercise all of its rights and remedies available under the Governing Documents for violations of the HOA's covenants with respect to any Owner that violates the conservation requirements of the County or other governmental authority.

Section 10.14. Walkway Easement. The Property is hereby subject to a non-exclusive, perpetual easement and right of passage, for the benefit of the Owners, for ordinary and reasonable pedestrian ingress and egress over, across and upon any sidewalk or walkway constructed within the Property that may reasonably be deemed to have been constructed or intended for pedestrian use.

Section 10.15. Exercise of Easement Rights. Unless expressly provided otherwise, all easements created and granted under this Declaration shall be perpetual. All such easements shall be exercised in a reasonable manner, shall be subject to all applicable laws and regulations, and shall be located consistent with all applicable site plans for the Property approved by the County. Any parties exercising any of such easements shall restore any disturbed property to substantially the condition existing prior to the exercise of such easement and shall indemnify and hold harmless the owner of the property burdened by the easement from any damage, loss or claims relating to the use of the easement. No easement shall be located under the footprint of a building, or upon the proposed footprint of a building as shown on an approved site plan without

the prior written consent of the owner of such building, which consent shall not be unreasonably withheld. No easement shall be established or utilized in a manner that causes an unreasonable interruption of an existing use or which has a material adverse impact upon any Owner or lessee for an unreasonable length of time.

Section 10.16. Owners' Cooperation. With respect to Declarant's reserved rights to grant easements or enter into agreements pursuant to this Article 10, Declarant may unilaterally execute and record such additional easements and agreements in accordance with such reserved rights without the consent or joinder of any Owner or other party having an interest in the Property, provided, however, that if requested by Declarant, any Owner or other party having an interest in the Property shall promptly join in and execute such easements and other agreements.

Section 10.17. Declarant's Reserved Rights with Respect to the HOA Common Area. For the duration of the Declarant Control Period, Declarant reserves the right to modify or alter the size, number, type and location of the HOA Common Area as well as Residential Units owned by Declarant, as well as the improvements thereon, as it deems necessary or desirable in conjunction with the development of the Property. Without limiting the generality of the foregoing, Declarant reserves the right to resubdivide all or a portion of the Property, to convey HOA Common Area, to modify the site plans, to construct improvements on the HOA Common Area, and to take whatever other action with respect to the HOA Common Area and Residential Units owned by Declarant as Declarant may deem necessary or desirable.

ARTICLE 11
MAINTENANCE

Section 11.1. HOA Maintenance.

(a) The HOA shall operate, maintain, repair and replace the HOA Common Area and keep such items in good order at all times. This obligation shall include, without limitation, (i) the maintenance, repair and, as necessary, replacement of any private roadways within the HOA Common Area, (ii) the maintenance, repair and, as necessary, replacement of any sidewalks and walkways within the HOA Common Area, (iii) the removal of accumulated snow and ice from within all private roadways and parking areas within the HOA Common Area, (iv) the operation, maintenance, repair and, as necessary, replacement of all recreational facilities comprising part of the HOA Common Area, and (v) the trimming, mowing, watering, and other maintenance of all landscaped areas comprising part of the HOA Common Area so as to keep the same in good and attractive condition. Further, the HOA shall maintain, repair and replace (A) any rights-of-way, entry strips, signage, and entrance features or improvements that are situated within or appurtenant to and serve the Property and that the HOA is otherwise obligated to maintain, including, without limitation, any landscaping and other flora and improvements situated thereon, and (B) any other real and personal property, facilities and equipment as the HOA is obligated or elects to maintain pursuant to this Declaration, or any lease, easement or agreement, or the direction of any governmental authority or agency. The expenses of all such operation, maintenance, repair and replacement shall be Common Expenses of the HOA, including, but not limited to, reserves for the maintenance, repair and replacement of any such property or improvements.

(b) The HOA shall be responsible for the maintenance, repair and replacement of any storm water management area or facilities situated within the HOA Common Area, including, without limitation, any drainage pipes, infiltration trenches, ponds, basins, swales, berms, out-flow control devices, drainage areas, filters, inlets, oil/grit separators and underground facilities. The HOA shall also be responsible for the maintenance, repair and replacement of any storm water management area or facilities that serve and/or benefit the Property whether or not located within the HOA Common Area if the HOA is responsible for doing so pursuant to any easement, agreement or the direction of any governmental authority or agency. Such responsibility may be in the form of contributing the HOA's share of the maintenance costs of any storm water management area, facility or equipment pursuant to an easement or agreement, which maintenance costs shall be Common Expenses of the HOA. The Board of Directors may enter into any such easements or other agreements as the Board may deem necessary or desirable for purposes of allocating or sharing the costs associated with the maintenance of any storm water management areas, facilities or equipment that serve or benefit the Property. The HOA shall not refuse to accept the conveyance of any such storm water management area, facilities or equipment from Declarant.

(c) The HOA may be responsible for the maintenance of a cemetery that is located within the Development. The HOA shall not refuse to assume such maintenance obligations that may be required pursuant to the Development Plans, pursuant to any agreement entered into by Declarant or its affiliates with respect to such cemetery, or pursuant to any other agreements or instruments that contemplate that the HOA will assume any such maintenance obligations for the cemetery. Unless otherwise provided in any such agreements or instruments, the costs incurred by the HOA in maintaining the cemetery shall be a Common Expense.

Section 11.2. Residential Common Elements. Residential Common Elements shall be maintained by each Residential Condominium Association in accordance with its Residential Condominium Governing Documents, provided, however, that the HOA may elect to perform maintenance with respect to Residential Common Elements as set forth in this Declaration or as otherwise determined by the Board of Directors and a Residential Condominium Association may elect to assign or delegate any or all of its maintenance responsibilities regarding the Residential Common Elements to the HOA, subject to the written acceptance of any such assignment or delegation by the Board of Directors. In such event, costs incurred by the HOA in connection with maintenance of Residential Common Elements shall be assessed by the HOA against the appropriate Residential Condominium Association, subject to Section 5.14 of this Declaration.

Section 11.3. Additional HOA Maintenance Responsibilities. The HOA may, in the discretion of the Board of Directors, provide additional services and/or assume additional maintenance responsibilities with respect to all or any portion of the Property. In such event, all costs of such services and/or maintenance shall be assessed only against those Owners receiving the additional services in such amounts as the Board reasonably determines. This assumption of responsibility may take place either by contract or because, in the opinion of the Board, the level and quality of service or maintenance then being provided is not consistent with the Community Standards.

Section 11.4. Limitation of HOA Liability. The HOA shall not be liable for any damage to any Residential Units or improvements thereon which may result in connection with any maintenance or other activities performed by the HOA pursuant to this Declaration or the other Governing Documents, except to extent due to the gross negligence or willful misconduct of the HOA. Notwithstanding any other provision of this Declaration, each Owner shall indemnify, hold harmless and defend the HOA and its employees and agents from and against all claims, losses, damages, costs and expenses, including reasonable attorneys' fees, arising out of such maintenance and other activities performed by the HOA on such Owner's Lot, unless due to the gross negligence or willful misconduct of the HOA.

Section 11.5. Owners' Maintenance. Except as otherwise specifically provided in this Declaration or other Governing Documents, each Owner, at its sole expense, shall keep its Residential Unit and all improvements therein or thereon in a safe and slightly condition, in good order and repair and free of debris in a manner and with such frequency as is consistent with good property management, all applicable laws, and the Community Standards, including applicable HOA Codes.

ARTICLE 12 **INSURANCE**

Section 12.1. Required Coverage.

(a) The Board of Directors shall cause to be maintained a policy of property insurance covering the HOA Common Area and any property required to be insured by the HOA pursuant to any easement or lease agreement (except land, foundation, excavation and other items normally excluded from coverage), including fixtures and building service equipment to the extent that they are a part of the HOA Common Area of the HOA or such other property which the HOA may insure, as well as common personal property and supplies.

(b) The HOA's property insurance policy shall be so-called "special form", affording protection against loss or damage by fire and all other perils normally covered by "all risk" insurance, and shall name the HOA as a named insured. The insurance should cover one hundred percent (100%) of the current replacement cost (less a reasonable deductible) of the insured property, excluding foundations, excavations and other items that are usually excluded from such insurance coverage. Unless a higher maximum amount is required pursuant to the law of the State of Maryland, the maximum deductible amount for coverage of the HOA Common Area is the lesser of Ten Thousand Dollars (\$10,000.00) or one percent (1%) of the policy face amount. The funds to cover this deductible amount should be included in the HOA's operating reserve account.

(c) Each property insurance policy must be written by a property insurance carrier which has a current rating by the Best's Key Rating Guide of B or better (or its equivalent). Each insurer must be specifically licensed or authorized by law to transact business within the State of Maryland. The policy contract shall provide that no assessment may be made against a Mortgagee and that any assessment made against others may not become a lien on a Residential Unit superior to a First Mortgage.

(d) The property insurance policy must provide that the insurance carrier shall notify the HOA and each Mortgagee named in the Mortgagee clause in writing at least ten (10) days before it cancels or substantially changes the HOA's coverage. In addition, each Eligible Mortgagee shall receive timely written notice of any lapse, material modification or cancellation of any insurance policy covering the HOA Common Area.

(e) All policies of property insurance must contain or have attached the standard Mortgagee clause commonly accepted by Institutional Mortgagees in the area in which the mortgaged premises are located. The following endorsements are also required: (i) an Inflation Guard Endorsement (if reasonably available); (ii) a Construction Code Endorsement if the HOA Common Area are subject to a construction code provision that would become operative and require changes to undamaged portions of any structures, even when only part of a structure is destroyed by an insured hazard or peril, and (iii) a Steam Boiler and Machinery Coverage Endorsement if any structure within the HOA Common Area has central heating or cooling, which shall provide for the insurer's minimum liability per accident per location to be at least equal to the lesser of Two Million Dollars (\$2,000,000.00) or the insurable value of the structure(s) housing the boiler or machinery.

(f) If the HOA Common Area are located in a Special Flood Hazard Area designated as A, AE, AH, AO, A1-30, A-99, V, VE, or V1-30 on a Flood Insurance Rate Map, the HOA must maintain a "master" or "blanket" policy of flood insurance on the HOA Common Area. The amount of flood insurance shall be at least equal to the lesser of one hundred percent (100%) of the insurable value of all structures and improvements situated in such Special Flood Hazard Area or the maximum coverage available under the applicable National Flood Insurance Administration program. Unless a higher deductible amount is required under the laws of the State of Maryland, the maximum deductible amount for flood insurance policies shall be the lesser of Five Thousand Dollars (\$5,000.00) or one percent (1%) of the policy's face amount. The funds to cover this deductible amount should be included in the HOA's operating reserve account.

(g) The Board of Directors shall cause to be maintained commercial general liability insurance covering all of the HOA Common Area and any other areas that are under the HOA's supervision. The policy shall also cover any commercial space owned by the HOA, even if such space is leased to others. The policy shall provide coverage for bodily injury (including death) and property damage that results from the operation, maintenance or use of the HOA Common Area. Such insurance policy shall contain a "severability of interest" endorsement which shall preclude the insurer from denying the claim of an Owner because of negligent acts of the HOA or other Owners. Liability coverage shall be at least One Million Dollars (\$1,000,000) per occurrence and Three Million Dollars (\$3,000,000), annual aggregate, combined single limit, for bodily injury and property damage. Such limits may be increased by the Board of Directors from time to time as economic conditions warrant and to conform to limits then customarily maintained in similar projects. The Board of Directors shall also cause to be maintained, in such limits as it determines, liability insurance protecting against any liability that may result from lawsuits related to employment contracts to which the HOA is a party. The liability policies must provide that the insurance carrier shall notify the HOA in writing at least thirty (30) days before it cancels or substantially modifies the HOA's coverage.

Section 12.2. Fidelity Coverage. To the extent reasonably available, blanket fidelity insurance may be maintained by the Board of Directors for all officers, directors, managers, trustees, employees and volunteers of the HOA and all other persons handling or responsible for funds held or administered by the HOA, whether or not they receive compensation for their services. Where the Board of Directors has delegated some or all of the responsibility for the handling of funds to a management agent, such management agent shall be covered by its own fidelity insurance policy which must provide the same coverage as fidelity insurance maintained by the Board of Directors. Except for fidelity insurance that a management agent obtains for its personnel, all other fidelity insurance policies should name the HOA as the insured and should have their premiums paid as a Common Expense by the HOA. Fidelity insurance obtained by a management agent shall name the HOA as an additional insured. The total amount of fidelity coverage required should be sufficient to cover the maximum funds (including reserve funds) that will be in the custody of the HOA or management agent at any time while the fidelity insurance policy is in force, and should at least equal the sum of three (3) months aggregate Assessments on all Residential Units within the HOA, plus any reserves. Fidelity insurance policies should contain waivers by the insurers of all defenses based upon the exclusion of persons serving without compensation from the definition of "employees", or similar terms or expressions. The fidelity insurance policies should provide that they cannot be canceled or materially modified (including cancellation for non-payment of premium) without at least ten (10) days prior written notice to the HOA.

Section 12.3. Repair and Reconstruction of HOA Common Area After Fire or Other Casualty. In the event of damage to or destruction of any portion of the HOA Common Area covered by insurance payable to the HOA as a result of fire or other casualty, the Board of Directors shall arrange for the prompt repair and restoration thereof, and shall have the right and obligation to disburse the proceeds of all insurance policies to the contractors engaged in such repair and restoration, as appropriate. Promptly after a casualty causing damage or destruction of any portion of the HOA Common Area for which the HOA has the responsibility of maintenance, repair, and/or replacement, the Board of Directors shall obtain reliable and detailed estimates of the cost to restore the damaged portions of the HOA Common Area to as good a condition as existed prior to the casualty. Such costs may include, without limitation, professional fees and premiums for such bonds as the Board of Directors may desire.

ARTICLE 13 MANAGEMENT

Section 13.1. Management Agent. The Board of Directors shall employ for the HOA a professional management agent or manager at a rate of compensation established by the Board of Directors to perform such duties and services as the Board of Directors shall from time to time authorize in writing, including, but not limited to, the following:

(a) To establish and provide for the collection of the Assessments provided for in this Declaration, with the approval of the Board of Directors, and to provide for the enforcement of liens for Assessments in a manner consistent with the law and the provisions of this Declaration;

(b) To provide for the operation, upkeep, and maintenance of the HOA Common Area; and

(c) To designate, hire and dismiss such personnel as may be required for the good working order, maintenance and efficient operation of the HOA Common Area; and

(d) With the approval of the Board of Directors, to promulgate and enforce such rules and regulations and such restrictions or requirements, "house rules" or the like as may be deemed proper respecting the use of the HOA Common Area; and

(e) to provide such other services, including legal and accounting services, for the HOA as may be consistent with law and the provisions of this Declaration.

Section 13.2. Duration of Management Agreement.

(a) Any management agreement entered into by the HOA shall provide, among other things, that such agreement may be terminated for cause by either party upon thirty (30) days written notice to the other party. The term of any such management agreement shall not exceed one (1) year. However, the term of any such management agreement may be renewable by mutual agreement of the parties for successive one (1)-year periods.

(b) Any Management Agreement entered into while Declarant is in control of the HOA must be terminable, without cause, any time after transfer of control, on not less than thirty (30) nor more than ninety (90) days notice, and no charge or penalty may be associated with such termination.

ARTICLE 14
COVENANTS COMMITTEE

Section 14.1. Purpose and Powers of the Covenants Committee. The purpose of the Covenants Committee shall be to ensure compliance with the Governing Documents. To this end, the principal powers of the Covenants Committee shall be as follows:

(a) To make reasonable efforts to resolve conflicts relating to the Governing Documents between and among Owners and/or the HOA on an informal and amicable basis.

(b) To investigate and render decisions on alleged violations of the Governing Documents.

(c) To issue cease and desist requests to any Owner whose actions are deemed to be inconsistent with the provisions of the Governing Documents or otherwise detrimental to the Property.

(d) To provide interpretations of the Governing Documents when requested to do so by a member of the Board of Directors or on its own initiative.

(e) To impose reasonable fines for violations of the Governing Documents, subject to the approval of the Board of Directors.

(f) To propose HOA Codes for hearing alleged violations of the Governing Documents, for adoption by the Board of Directors, which shall incorporate reasonable concepts of due process and fundamental fairness. Such HOA Codes, and amendments thereto, may also be proposed and approved by Declarant or by the Board of Directors, either acting alone, without action by the Covenants Committee. No such HOA Codes shall be construed as a waiver of any provision or requirement of the Governing Documents.

(g) Such additional powers as may be granted by the Board of Directors to enable the Covenants Committee to fulfill its duties under the Governing Documents.

Section 14.2. Selection of Covenants Committee. The Covenants Committee shall consist of an uneven number of at least three (3) but no more than seven (7) persons. Members of the Covenants Committee shall be appointed by, shall serve at the pleasure of, and may be removed, with or without cause, by the Board of Directors. The number, qualifications, tenure, and manner of selection of the members of the Covenants Committee shall be as determined from time to time by the Board of Directors, in the Board's sole discretion. Covenants Committee members need not be Owners. In the event of any failure to appoint a Covenants Committee, or in the event of the Covenants Committee's absence, resignation or inability or refusal to act, the Board of Directors shall have the power and authority of the Covenants Committee and shall otherwise exercise and discharge the Covenants Committee's duties under the Governing Documents.

Section 14.3. Appeal. Subject to such procedures as may be established by the Board of Directors, any Owner may appeal an adverse Covenants Committee decision to the Board of Directors. The Board of Directors may uphold, modify or reverse the decision of the Covenants Committee. Notwithstanding the foregoing, when the Board of Directors acts as the Covenants Committee, the decision of the Board shall be final and shall not be subject to appeal.

Section 14.4. Jurisdiction of Covenants Committee. Any provision of the Governing Documents to the contrary notwithstanding, the Covenants Committee shall have no jurisdiction over Declarant. The Board of Directors may from time to time, in its sole discretion, restrict the jurisdiction or authority of the Covenants Committee, either generally or on a case-by-case basis.

ARTICLE 15

DISPUTE RESOLUTION

Section 15.1. Claim Notice; Inspection. Every claim against Declarant (including any of Declarant's employees, agents or contractors) by the HOA or any Owner (each of the foregoing a "Claimant") regarding the design, construction, or warranty of the HOA Common Area shall be resolved pursuant to the requirements of this Article 15.

(a) The Claimant shall mail or otherwise deliver written notice to Declarant specifying the defect or defects that are the subject of its claim, including specific identification of all portions of the HOA Common Area that have manifested damage or otherwise indicate existence of a defect (the "Claim Notice").

(b) Within twenty (20) days after the receipt of the Claim Notice, Declarant may make a written request to the Claimant to inspect the property identified in the Claim Notice (the "**Inspection Request**").

(c) Within ten (10) days after receipt of the Inspection Request, the HOA shall make available for inspection the property identified in the Claim Notice during normal working hours or other mutually agreed upon times. If the Claimant has engaged the services of a professional to prepare the contents of the Claim Notice, then the Claimant shall make the professional available to meet with and/or accompany Declarant in inspecting the items in the Claim Notice.

(d) Such inspection shall be completed within forty-five (45) days after the date the subject property is first made available to Declarant by the HOA for inspection pursuant to Section 15.1(c). The HOA shall continue to make the property available to Declarant for inspection throughout the forty-five (45) day period. However, if such inspection is not reasonably capable of being completed within such forty-five (45) day period but Declarant commences good faith efforts to commence such inspection within such forty-five (45) day period and thereafter diligently prosecutes such efforts to completion, such forty-five (45) day period shall be extended for the period of time reasonably necessary for Declarant to commence and complete such inspection. Declarant shall pay the costs of such inspection and shall restore the subject property to the condition that existed immediately before such inspection, if practicable, within a commercially reasonable period of time.

Section 15.2. Settlement Statement and Conference; Declarant's Right to Repair.

(a) Within thirty (30) days after completion of the inspection under Section 15.1 above, Declarant shall submit a written statement to the Claimant stating Declarant's position regarding the items in the Claim Notice as well as a proposed settlement of the claim or claims identified in the Claim Notice and stating whether Declarant proposes to do any repair work, pay the HOA a cash amount, or both (the "**Settlement Statement**"). Declarant shall have the right, in its sole discretion, to repair any items listed in the Claim Notice provided that such repair is undertaken and completed within a reasonable period of time and is performed within acceptable industry standards in effect when the building or other improvement was constructed. The Claimant shall provide Declarant with all necessary access to the HOA Common Area to perform such repairs.

(b) If Declarant delivers a timely Settlement Statement, then, within thirty (30) days after receipt of the Settlement Statement, the Claimant shall hold a settlement conference with Declarant to discuss the claim or claims identified in the Claim Notice and the proposed settlement stated in the Settlement Statement (the "**Settlement Conference**"). The HOA shall be represented by at least a majority of the members of the Board of Directors at the Settlement Conference. The Claimant and Declarant may be represented by attorneys and consultants at the Settlement Conference and any mutually agreed upon continuation thereof.

(c) If a settlement of the claim or claims identified in the Claim Notice is not reached within thirty (30) days after the Settlement Conference, or at any mutually agreed upon continuation thereof, the Claimant or Declarant may deliver to the other party, within thirty (30)

days after the Settlement Conference, or any mutually agreed upon continuation thereof, a written request for nonbinding mediation. Either party to any such nonbinding mediation may elect to terminate such nonbinding mediation at any time, but not before the mediation has lasted at least three (3) hours, upon that party's determination that the nonbinding mediation has been unable to resolve the dispute, by giving written notice to the other party of such determination.

(d) Any notice, request, statement, or other communication required to be sent to Declarant or the Claimant under this Article shall be mailed by first-class registered or certified mail, return receipt requested, sent by facsimile (provided the original is sent to the addressee on the same day by one of the other methods of delivery set forth in this Section), or personally served on the party entitled to receive such notice, request statement or other communication.

Section 15.3. Commencement of Action by the HOA; Notice to Owners. Before the HOA may bring an action for damages against Declarant based on any claim or claims identified in a Claim Notice, the HOA shall make reasonable efforts to disseminate to each Owner:

- (a) A statement of the claim of the HOA against Declarant;
- (b) A copy of the written response of Declarant to the claim of the HOA, including any proposed settlement delivered by Declarant to the HOA;
- (c) Summary information about the Settlement Conference and the mediation;
- (d) A statement of the reasonably anticipated consequences of proceeding with litigation, including the estimated costs of pursuing litigation (the form and content of such statement to be subject to the reasonable judgment of the Board of Directors); and
- (e) A statement that if Owners representing at least ten percent (10%) of the total votes in the HOA (other than Declarant) request a special meeting of the HOA to discuss the proposed litigation within thirty (30) days after the date the notice is mailed or otherwise delivered to the Owners, then a special meeting must be held.

Section 15.4. Waiver of Jury Trial. ANY ACTION AGAINST DECLARANT BY A CLAIMANT SHALL BE SOLELY BEFORE A JUDGE IN THE JURISDICTION WHERE THE PROPERTY IS LOCATED. THE HOA AND ALL INDIVIDUAL OWNERS WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY THE HOA OR ANY INDIVIDUAL OWNER AGAINST DECLARANT IN CONNECTION WITH ANY RIGHTS OR OBLIGATIONS BETWEEN THE HOA AND/OR AN OWNER AGAINST DECLARANT REGARDLESS OF THE FORM OF THE CLAIM(S) MADE OR DAMAGES SOUGHT. THIS WAIVER OF JURY TRIAL WILL EXTEND TO ANY THIRD PARTY NAMED IN ANY PROCEEDING BY THE HOA, ANY OWNER OR DECLARANT. BY ACQUIRING AN INTEREST IN ANY PORTION OF THE PROPERTY, EACH CLAIMANT ACKNOWLEDGES THAT THIS WAIVER IS MADE KNOWINGLY, VOLUNTARILY, AND AFTER CONSULTING WITH, OR HAVING HAD THE OPPORTUNITY TO

CONSULT WITH, COUNSEL OF ITS OWN CHOOSING AS TO THE MEANING OF THIS WAIVER.

Section 15.5. Compliance. Declarant and any Claimant may assert a substantial failure by the other to substantially comply with a material requirement of this Article 15 as a procedural deficiency in any action or proceeding, at law or in equity, involving Declarant and such Claimant. If the court before which such action or proceeding is pending shall find that Declarant or a Claimant has failed to substantially comply with a material requirement of this Article 15 and that the rights of a party have been substantially impaired, the parties shall be deemed to have consented to a stay in such action or proceeding, not to exceed ninety (90) days, during which Declarant and the Claimant shall, in good faith, establish compliance with such material requirement.

Section 15.6. Amendment. Notwithstanding any provision of this Declaration or the Bylaws to the contrary, no amendment to this Article 15 shall be made without the prior written consent of Declarant, which consent shall be recorded among the Land Records, provided, however, that the Claimant and Declarant may mutually agree, in writing, to modify or excuse any of the conditions or time periods set forth in this Article 15.

ARTICLE 16
ENFORCEMENT; REMEDIES

Section 16.1. Enforcement. The Governing Documents shall apply to all Owners residents, agents, guests, lessees, and invitees of any Residential Unit and their respective representatives, employees, agents, and contractors. Declarant, the HOA, and any Owner shall have the right to enforce, by any proceeding at law and/or in equity, all restrictions, conditions, covenants, reservations, easements, liens, charges or other obligations or terms now or hereafter imposed by the provisions of the Governing Documents and any rule or regulation promulgated by the HOA pursuant to its authority as provided in the Governing Documents. Failure by Declarant, the HOA, or any Owner to enforce any covenant or restriction of the Governing Documents or rules and regulations of the HOA shall in no event be deemed a waiver of the right to do so thereafter. There shall be and there is hereby created and declared to be a conclusive presumption that any violation or breach or attempted violation or breach of any provision of the Governing Documents or rules and regulations of the HOA cannot be adequately remedied exclusively by action at law or by recovery of damages. If the HOA or any Owner successfully brings an action to extinguish a violation or otherwise enforce the provisions of the Governing Documents or rules and regulations of the HOA, the costs of such action, including legal fees, shall become a binding, personal obligation of the Owner committing or responsible for such violation, and such costs shall also be collectible in the same manner as any other Assessment under the Governing Documents.

Section 16.2. Self-Help.

(a) If any Owner (a "Defaulting Owner") fails to perform any of its obligations under this Declaration or the other Governing Documents with respect to such Owner's Residential Unit, the HOA shall have the right, but not the obligation, to cure such default in accordance with this Section. If the HOA elects to pursue such self-help remedy, the

HOA shall give the Defaulting Owner and any Eligible Mortgagee of the Defaulting Owner written notice advising of the specific items that need to be remedied (the "Initial Notice"). If the Defaulting Owner fails to remedy such item(s) within ten (10) days after delivery of the Initial Notice (or fails to promptly commence and diligently pursue any of such item(s) that cannot reasonably be completed within such ten (10)-day period), then the HOA may give further written notice to the Defaulting Owner and any Eligible Mortgagee of the Defaulting Owner of the HOA's intention to take over and perform such item(s) itself ("Cure Notice"). If the Defaulting Owner fails to commence to remedy such item(s) within five (5) days after delivery of the Cure Notice or if, following such commencement, the Defaulting Owner fails diligently to prosecute the work, the HOA may perform or cause to be performed such item(s) and the HOA and its designees shall have all easements necessary to perform such work and such actions shall not be deemed a trespass. If the HOA is entitled to perform and does perform any such item(s) pursuant to this Section, the Defaulting Owner shall reimburse the HOA for the direct and reasonable out-of-pocket costs incurred by the HOA to perform the work, plus twenty percent (20%) of such costs as an administrative fee. Reimbursements under this Section shall be due and payable by the Defaulting Owner within fifteen (15) days after written request by the HOA, accompanied by written evidence of the reimbursable costs. Any reimbursable costs payable pursuant to this Section shall be collectible to the same extent as any other Assessment under this Declaration and shall not be deemed a Special Assessment.

(b) Notwithstanding the provisions of subsection 16.2(a), if the HOA in good faith deems that an emergency exists which requires the prompt cure of a default, the HOA shall only be required to give such prior notice as is reasonable under the circumstances, which notice need not be written if written notice is not feasible under the circumstances.

(c) Declarant may exercise all rights and remedies of the HOA under this Section 16.2 for the duration of the Declarant Control Period.

Section 16.3. Fines. In addition to the means for enforcement provided elsewhere in this Declaration, the HOA shall have the right to levy fines against an Owner or such Owner's guests, relatives, lessees or invitees, in the manner set forth in this Section 16.3, and such fines shall be collectible in the same manner as any other Assessment such that the HOA shall have a lien against the Residential Unit of such Owner as provided in the Governing Documents and such fine(s) shall also become the binding personal obligation of such Owner.

(a) The Board of Directors or the Covenants Committee shall be charged with determining whether there is probable cause that any of the provisions of the Governing Documents regarding the use of the Residential Units, HOA Common Area or other HOA property are being or have been violated. In the event that the Board of Directors or the Covenants Committee determines an instance of such probable cause, the Board or the Covenants Committee shall provide written notice to the person alleged to be in violation, and the Owner of the Residential Unit which that person occupies or is visiting if such person is not the Owner, of the specific nature of the alleged violation and of the opportunity for a hearing before the Board of Directors or the Covenants Committee upon a request made within five (5) days of the sending of such notice. The notice shall also specify, and it is hereby provided, that each recurrence of the alleged violation or each day during which it continues shall be deemed a separate offense subject to a separate fine not to exceed a reasonable amount established by the

Board for each offense. The amount of the fine shall be based upon the costs and inconvenience caused to the HOA and shall not be a penalty. The notice shall also specify, and it is hereby provided, that in lieu of requesting a hearing, the alleged violator or Owner may respond to the notice within five (5) days of its sending, acknowledging in writing that the violation occurred as alleged and promising that the violation will henceforth cease and will not recur, and that such acknowledgment and promise, and performance in accordance therewith, shall terminate the enforcement activity of the HOA with regard to such violation.

(b) If a hearing is timely requested, the Board of Directors or the Covenants Committee shall hold the same and shall hear any and all defenses to the charges, including any witnesses that the alleged violator, Owner, the Board of Directors or the Covenants Committee may produce. Any party at the hearing may be represented by counsel.

(c) Subsequent to any hearing, or if no hearing is timely requested and if no acknowledgment and promise is timely made, the Board of Directors or the Covenants Committee shall determine whether there is sufficient evidence of a violation or violations. If the Board of Directors or the Covenants Committee determines that there is sufficient evidence, it may levy a fine for each violation in the amount provided in this Declaration.

(d) A fine pursuant to this Section shall be assessed against the Residential Unit which the violator occupied or was visiting at the time of the violation, whether or not the violator is an Owner of that Residential Unit, and shall be collectible in the same manner as any other Assessment, including by the HOA's lien rights as provided in the Governing Documents. Nothing in this Declaration shall be construed to interfere with any right that an Owner may have to obtain payment of the amount of any fine(s) assessed against his or her Residential Unit from a violator occupying or visiting such Residential Unit.

(e) Nothing in this Declaration shall be construed as a prohibition of or limitation on the right of the HOA to pursue any other means of enforcement of the provisions of the Governing Documents, including, but not limited to, legal action for damages or injunctive relief.

ARTICLE 17

COMMON FACILITIES AND COST SHARING WITH COMMERCIAL LOTS

It is intended that certain entrance features and possibly other areas and improvements that benefit the Property and the commercial sections of the Development will be maintained by the HOA or other party and that the costs for such common facilities shall be equitably apportioned between the HOA and owners of commercial lots within the Development. The HOA shall not refuse to assume any maintenance obligations that may be required pursuant to the Development Plans, pursuant to any agreement entered into by Declarant or its affiliates with respect to such common facilities, or pursuant to any other agreements or instruments that contemplate that the HOA will assume any such maintenance obligations for such common facilities. The HOA's share of costs for maintaining such common facilities shall be a Common Expense.

ARTICLE 18
GENERAL PROVISIONS

Section 18.1. HOA Common Area Responsibilities. The HOA, subject to the rights of the Owners as set forth in this Declaration, shall be responsible for the exclusive management and control of the HOA Common Area and any property, real or personal, for which the HOA is delegated the responsibility pursuant to the Governing Documents, or any easement or lease agreement, and all improvements thereon, including, without limitation, furnishings and equipment related thereto, private drainage facilities and common landscaped areas. The HOA shall keep the HOA Common Area and such other property in good, clean, attractive, and sanitary condition, order, and repair, pursuant to the terms and conditions of this Declaration. The HOA shall accept title to any real estate or personal property offered to the HOA by Declarant.

Section 18.2. Security and Safety; Limitation of Liability.

(a) Neither the HOA, Declarant, any affiliate of Declarant, nor any of their respective successors or assigns, shall in any way be considered insurers or guarantors of security within the Property, nor shall any of them be held liable for any loss or damage by reason of failure to provide adequate security or any ineffectiveness of security measures undertaken. No representation or warranty is made or implied that any fire protection system, burglar alarm system or other surveillance system or measures, including, without limitation, any mechanism or system for limiting access to the Property, cannot be compromised or circumvented, nor that any such systems or security measures undertaken will in all cases prevent loss or provide the detection or protection for which the system or security measures were designed or intended. Nothing in this Section shall be deemed in any way to obligate the HOA, Declarant, any affiliate of Declarant, nor any of their respective successors or assigns, to provide for or insure the general safety of any persons or property within any portion of the Property or to provide any fire protection system, burglar alarm system or other surveillance system, security access system, or similar measures with respect to any portion of the Property.

(b) Each Owner acknowledges, understands and covenants to inform its lessees, and all employees, occupants, guests, agents, and invitees of its Residential Unit that the HOA, Declarant, any affiliate of Declarant, and their respective successors and assigns, are not insurers and that each person using or present within the Property assumes all risks of personal injury and loss or damage to property, by theft or otherwise, including loss or damage to Residential Units or personal property, whether such personal property is maintained within a Residential Unit or the HOA Common Areas.

(c) The HOA shall not be liable for any failure of any services to be obtained or provided by the HOA or paid for by Assessments, or for injury or damage to person or property caused by the elements or resulting from water which may leak or flow from any portion of the HOA Common Areas, or from any pipe, drain, conduit or the like. No diminution or abatement of Assessments shall be claimed or allowed for inconvenience or discomfort arising from the making of repairs or improvements to the HOA Common Areas, or from any action taken by the HOA.

Section 18.3. Personal Property and Real Property for Common Use. The HOA may acquire, lease, hold, and dispose of tangible and intangible personal property and real property, subject to the requirements of this Declaration. The Board of Directors, acting on behalf of the HOA, will accept any real or personal property, leasehold, or other property interests within the Property conveyed to it by Declarant.

Section 18.4. Implied Rights. The HOA may exercise any right or privilege granted to the HOA expressly by the Governing Documents, or any lease, easement or other agreement or document affecting the HOA, as well as every other right or privilege reasonably to be implied from the existence of any right or privilege granted to the HOA in this Declaration or reasonably necessary to effectuate any such right or privilege.

Section 18.5. Severability. Invalidation of any one of the covenants, conditions, restrictions, or other provisions of this Declaration by judgment or court order shall in no way affect any other provisions of this Declaration, which shall remain in full force and effect.

Section 18.6. Duration and Amendments. All covenants, conditions and restrictions set forth in this Declaration shall run with and bind the land and shall be perpetual unless expressly stated otherwise in this Declaration. Except as otherwise provided in this Declaration, including, without limitation, Section 18.7 below, this Declaration may be amended by an instrument signed by or on the affirmative vote of Owners entitled to cast not less than two thirds (2/3) of the total votes in the HOA and with the consent of Declarant during the Declarant Control Period. Any amendment must be recorded in the Land Records.

Section 18.7. Changes and Modifications by Declarant.

(a) Notwithstanding Section 18.6 above but subject to Section 18.10 below, Declarant shall have the right, during the Declarant Control Period, without the consent of any Owner or any other party, to modify, amend or change any of the provisions of this Declaration or other Governing Documents as Declarant may reasonably deem necessary or desirable (i) to correct errors or omissions herein; (ii) to bring any provision of this Declaration into compliance with any applicable governmental statute, rule, regulation, or judicial determination which is in conflict therewith; (iii) in response to changes in the Development Plans or Residential Development Plan; (iv) to enable any reputable title insurance company to issue title insurance coverage with respect to any portion of the Development; (v) to enable any institutional or governmental lender, purchaser, insurer or guarantor of mortgage loans to make, purchase, insure or guarantee such mortgage loans; (vi) to satisfy the requirements of any governmental or quasi-governmental agency or public or private utility company; and (vii) to assign any of Declarant's rights under this Declaration. Declarant also has the right, without the consent of any Owner or any other party, to record Declarations of Annexation and instruments of de-annexation pursuant to Article 2 of this Declaration and to assign any of Declarant's rights pursuant to Section 18.12 below.

(b) Notwithstanding Section 18.6 above but subject to Section 18.10 below, Declarant shall have the right, during the Declarant Control Period, without the consent of any Owner or any other party, to enter into any and all zoning approvals, preliminary plans, site plans, plats, public works agreements, dedication deeds and agreements, development

agreements, applications, permits, easements, licenses, and amendments to any of the foregoing, and any other instruments as Declarant may from time to time be deemed necessary or desirable by Declarant in connection with the development of the Property and other portions of the Development.

(c) Notwithstanding any provision of the Governing Documents but subject to Section 18.10 below, there is hereby reserved unto Declarant an irrevocable power of attorney, coupled with an interest, for the purpose of executing, acknowledging and delivering on behalf of all Unit Owners, contract purchasers of any portion of the Property (including, without limitation, contract purchasers of Residential Units), Mortgagees, other lienholders, and any other parties having any legal or equitable interest in any portion of the Property (collectively "**Interested Parties**" and individually an "**Interested Party**"), any and all instruments contemplated in Sections 18.7(a) and (b) above. Each Interested Party shall be deemed to have consented to all such instruments and shall be deemed to have granted unto Declarant an irrevocable power of attorney, coupled with an interest, to effectuate, execute, acknowledge and deliver any such instruments. Further, each Interested Party shall be deemed to have agreed and covenanted to execute such further assurances and instruments, if any, as may be required by Declarant and its successors or assigns, to properly accomplish such purposes. The power of attorney provided for in this Section is expressly declared and acknowledged to be coupled with an interest and the same shall run with the title to all Residential Units and shall be binding upon the heirs, personal representatives, successors, transferees and assigns of all Interested Parties. Further, such power of attorney shall not be affected by the death or disability of any principal and is intended to deliver all right, title and interest of the principal in and to the power of attorney.

Section 18.8. Casualty Losses. In the event of substantial damage or destruction to any of the HOA Common Area, the Board of Directors shall give prompt written notice of such damage or destruction to the Eligible Mortgagees who hold First Mortgages of record on affected Residential Units. No provision of the Governing Documents shall entitle any Owner to any priority over the holder of any First Mortgage of record on such Owner's Residential Unit with respect to the distribution to such Owner of any insurance proceeds paid or payable on account of any damage or destruction of any of the HOA Common Area.

Section 18.9. Condemnation or Eminent Domain. In the event any part of the HOA Common Area is made the subject matter of any condemnation or eminent domain proceeding, or is otherwise sought to be acquired by any condemning authority, then the Board of Directors shall give prompt written notice of any such proceeding or proposed acquisition to the Eligible Mortgagees who hold First Mortgages of record on affected Residential Units. No provision of the Governing Documents shall entitle any Owner to any priority over the holder of any First Mortgage of record on such Owner's Residential Unit with respect to the distribution to such Owner of the proceeds of any condemnation or settlement relating to a taking of any of the HOA Common Area.

Section 18.10. Notice to Eligible Mortgagees; Deemed Consent.

(a) The HOA shall give prompt written notice to each Eligible Mortgagee of (and each Owner hereby consents to, and authorizes such notice):

(i) Any condemnation loss or any casualty loss which affects a material portion of the HOA Common Area or any Residential Unit subject to a First Mortgage or security interest held, insured, or guaranteed by such Eligible Mortgagee.

(ii) Any delinquency in the payment of Assessments or other charges of the HOA owed by an Owner whose Residential Unit is subject to a First Mortgage or security interest held, insured, or guaranteed, by such Eligible Mortgagee which remains uncured for a period of sixty (60) days.

(iii) Any lapse, cancellation, or material modification of any insurance policy or fidelity coverage maintained by the HOA.

(iv) Any other matter with respect to which Eligible Mortgagees are entitled to notice or to give their consent as provided in this Declaration.

(b) To be entitled to receive notice of the matters in Section 18.10(a) above, the Eligible Mortgagee must send a written request to the HOA, stating both its name and address and the Residential Unit designation or address of the Residential Unit on which it has (or insures or guarantees) a First Mortgage.

(c) Any Eligible Mortgagee that is notified of any matter for which it is entitled to notice under this Section 18.10 (such notice to be delivered by certified or registered mail, return receipt requested), and that fails to respond within thirty (30) days of receipt of such notice shall be deemed to have consented, if applicable, to the matter of which the Eligible Mortgagee was provided notice. In addition, to the extent the HOA seeks the consent of any other Mortgagee for any matter, notice of such matter shall be delivered by certified or registered mail, return receipt requested to such Mortgagee and if such Mortgagee fails to respond within thirty (30) days of receipt of such notice, such Mortgagee shall be deemed to have consented, if applicable, to the matter of which the Mortgagee was provided notice. Any notice requesting the consent of any Eligible Mortgagee or other Mortgagee shall contain a conspicuous statement that such Mortgagee's consent shall be deemed to have been given if the Mortgagee fails to respond within the time period set forth in this Section.

Section 18.11. Taxes and Assessments. It is the intent of this Declaration that inasmuch as the interests of each Owner to use and enjoy the HOA Common Area, and any other property to which such Owner may have a right of use and enjoyment, are interests in real property appurtenant to the Residential Units, the value of the interest of each Owner in the HOA Common Area or other property shall be included in the tax assessment for each such Residential Unit. As a result, any tax assessment directly against the HOA Common Area or other property for which the HOA is responsible for the payment of real estate taxes shall be of a nominal nature reflecting that the full value of the same should be included in the several tax assessments of the various Residential Units.

Section 18.12. Successors of Declarant. Any and all rights, reservations, easements, interests, exemptions, privileges and powers of Declarant under this Declaration or other Governing Documents, or any part of them, may be expressly assigned and transferred,

exclusively or non-exclusively, by Declarant by an instrument in writing without notice to the HOA.

Section 18.13. No Dedication to Public Use. Nothing in this Declaration shall be construed as (i) a dedication of any portion of the Property to the general public or for any public use, or (ii) an acceptance for maintenance of any HOA Common Area by any public or municipal agency, authority, or utility and no public or municipal agency, authority or utility shall have any responsibility or liability for the maintenance or operation of any of the HOA Common Area.

Section 18.14. Declarant Reserved Rights; Declarant Consent. No amendment to the Governing Documents may remove, revoke, or modify any right, reservation or privilege of Declarant without the prior written consent of Declarant or any successors or assignees of Declarant pursuant to Section 18.12 of this Declaration. Whenever the consent of Declarant is required under the Governing Documents, such consent may be given or withheld in the sole discretion of Declarant and any affirmative consent shall be in writing.

Section 18.15. Limitation on Opposition to Development. As long as Declarant has an interest in developing the Property or other portions of the Development, the HOA may not use its financial resources, directly or indirectly, to defray the costs of opposing any development activities reasonably consistent with the general intention of the Development Plans or Residential Development Plan. Nothing in this Section shall be construed to limit the rights of Owners to act as individuals or in affiliation with other Owners or other groups.

Section 18.16. Non HOA Disputes.

(a) The HOA expressly has no right or obligation to intervene in any disputes between or among Owners or in any other matters that do not directly involve HOA or other issues for which the HOA has been conferred responsibility pursuant to the Governing Documents.

(b) Without limiting the generality of Section 18.16(a) above and notwithstanding any provision of the Governing Documents to the contrary, the HOA shall have no authority or standing whatsoever to sue, complain, intervene, pursue or otherwise participate with respect to any right, claim, demand, action, cause of action, controversy or other matter of any kind or nature whatsoever, whether at law, in equity, or otherwise, accruing to or for the benefit of, or otherwise exercisable by or on behalf of, a Residential Condominium Association or any Owner of a Residential Unit within a Residential Condominium in their capacity as such, whether contractual, statutory, or otherwise, including, without limitation, any such claim regarding the development, design, construction or warranty of the Residential Units and/or the Residential Common Elements within the Residential Condominium. The HOA shall not otherwise directly or indirectly support, encourage or promote any such claim.

(c) This Section shall not be amended without the express prior written approval of Declarant.

Section 18.17. Combined Residential Units. Unless otherwise approved in writing by Declarant during the Declarant Control Period, or by the Board of Directors after the Declarant

Control Period, if any Residential Units within a Residential Condominium are at any time combined into a single dwelling unit, the Owner of such combined Residential Units shall continue to pay Assessments and shall have the same number of votes in the HOA as would have been applicable had such Residential Units not been combined.

Section 18.18. Conveyance of HOA Common Areas by Declarant. Declarant or its affiliates may convey unimproved or improved land to the HOA to be held as HOA Common Area and may construct improvements on any HOA Common Area. The consent of the HOA shall not be required for such conveyance or construction. Declarant or its affiliates shall have the right to permit the HOA and its members to enjoy and utilize property that has not been conveyed to the HOA but which is intended to become HOA Common Area. The HOA shall have the right to maintain such property and levy Assessments for maintenance costs, notwithstanding that such property has not yet been conveyed to the HOA.

Section 18.19. Estoppel Certificates. The HOA shall, upon request by any Owner or Mortgagee, issue such Owner or Mortgagee a written estoppel certificate signed by an officer of the HOA stating that, to the best of such officer's knowledge, either (i) the Owner is in compliance with the Governing Documents, or (ii) that the executing officer has reason to believe that the Owner is in default or otherwise not in compliance with the Governing Documents and the basis for such belief. Any estoppel certificate may also contain such additional provisions that the Board of Directors agrees to in its reasonable judgment. A properly executed estoppel certificate issued pursuant to this Section 18.19 shall be binding on the HOA as of the date of issuance. The HOA may charge a reasonable fee for the issuance of each such estoppel certificate.

Section 18.20. Notices. Unless expressly provided otherwise, all notices, requests, demands or other communications under this Declaration or the other Governing Documents shall be in writing and deemed given (i) when delivered personally, with signed receipt of delivery, (ii) the business day after it is deposited with a recognized overnight courier service which requires signed receipt of delivery, (iii) when sent by facsimile with evidence of transmission and receipt, provided the original is sent on the same day by one of the other methods set forth in this Section, (iv) when delivered or deemed delivered by such other method as may be approved by the Board of Directors from time to time by notice to all Owners and consistent with all applicable laws. However, all notices of a change of address shall be deemed to have been given when received.

(a) All notices to Declarant shall be sent to U.S. Home Corporation, c/o Lennar, 16701 Melford Boulevard, Suite 400, Bowie, Maryland 20715, or to such other address as Declarant may provide to the HOA from time to time.

(b) All notices to the HOA and/or the Board of Directors shall be sent c/o the Management Agent for the HOA.

(c) All notices to an Owner shall be sent to the Residential Unit address for such Owner or such other address as the Owner may provide to the HOA.

(d) All notices to Eligible Mortgagees shall be sent to the address provided to the HOA in accordance with Section 18.10 above.

Section 18.21. Non-Merger. Notwithstanding that all or any portion of the Property may now or in the future be owned by the same person or entity, the easements and rights granted under this Declaration shall not be deemed extinguished by merger or otherwise.

Section 18.22. Perpetuities. If any of the covenants, restrictions, or other provisions of this Declaration shall be unlawfully void, or voidable for violation of the rule against perpetuities, then such provision shall continue only until twenty-one (21) years after the death of the last survivor of the now living descendants of Elizabeth II, Queen of England.

Section 18.23. Recitals. The recitals to this Declaration are incorporated into and made a substantive part of this Declaration.

Section 18.24. Exhibits. All Exhibits attached to this Declaration are made a part of this Declaration and are incorporated into this Declaration by reference.

Section 18.25. Captions and Gender. The captions contained in this Declaration are for convenience only and are not a part of this Declaration and are not intended in any way to limit or enlarge the terms and provisions of this Declaration. Whenever the context so requires, the male shall include all genders and the singular shall include the plural, and vice versa.

Section 18.26. Conflict. In the event of any conflict between this Declaration and/or the Articles of Incorporation or the Bylaws, the provisions of this Declaration shall control.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused these presents to be duly executed with the intention of making this Declaration a sealed instrument, this 15 day of June, 2007.

DECLARANT:

U.S. HOME CORPORATION, a Delaware corporation

WITNESS:

[Handwritten signature]

By: *[Handwritten signature]* (SEAL)

Name: ROBERT J. JACOBY

Title: DIVISION PRESIDENT

STATE OF Maryland
COUNTY OF Prince Georges

*
* to wit
*

I HEREBY CERTIFY that on this 15th day of June, 2007, before me, a Notary Public in and for the aforesaid jurisdiction, personally appeared Robert J. Jacoby, known to me (or satisfactorily proven) to be the Division President of U.S. Home Corporation, and that such person, in such capacity and being authorized to do so, executed the foregoing and annexed instrument for the purposes therein contained.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

[Handwritten signature]
Notary Public

My Commission Expires: 6/1/2010

[NOTARIAL SEAL]

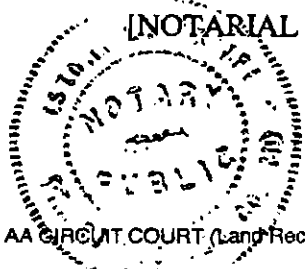


EXHIBIT "A"

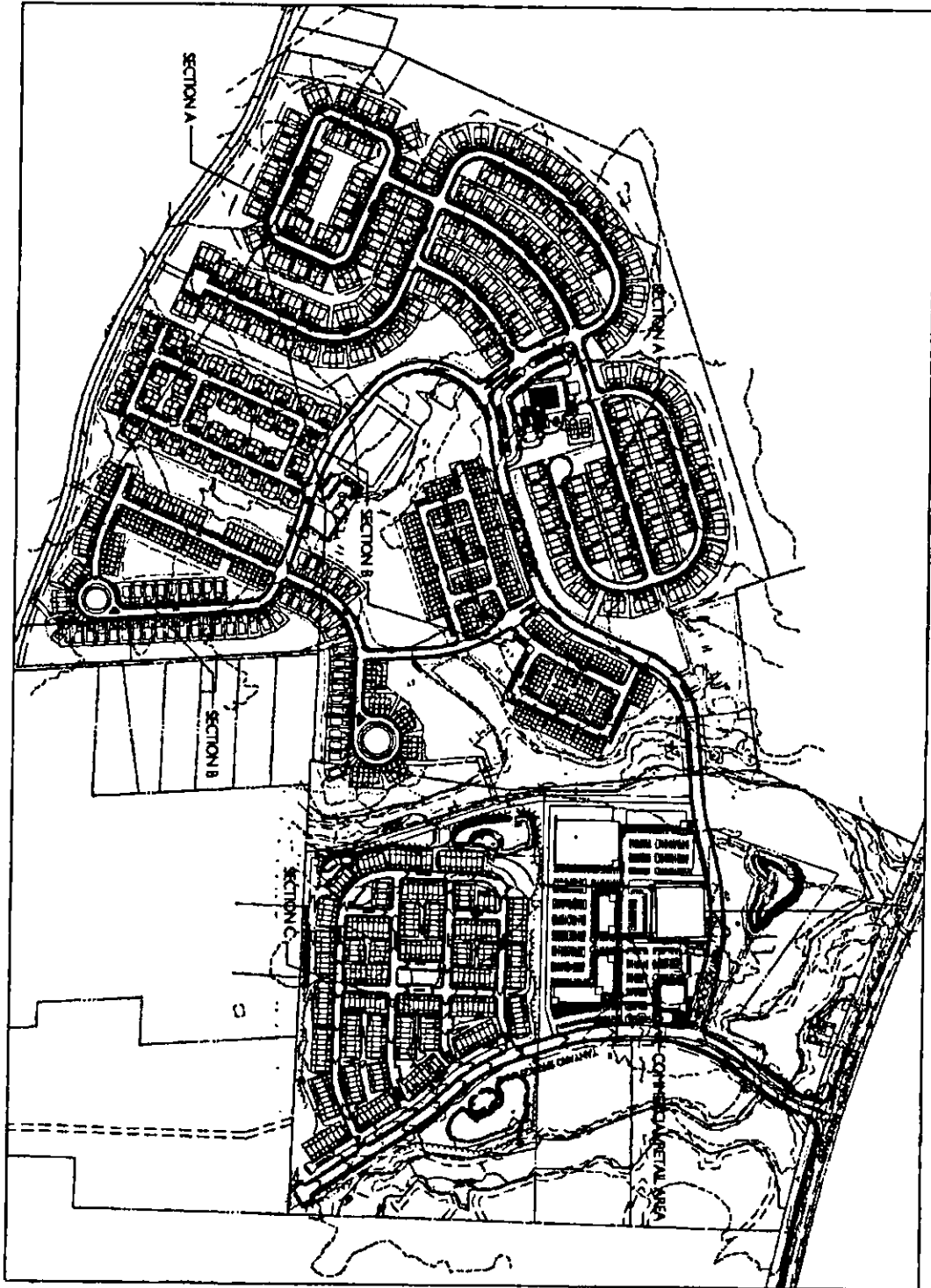
All those lots and parcels of ground designated as Lot 2, Lot 3, Lot 4, Lot 5, Lot 6, Lot 7, Lot 10, Parcel 45, Parcel 46, Parcel 368, open space A, B, and C and that 15 ft. private right-of-way consisting of .445 acres all of which are shown and located on the Infrastructure Plat for Tanyard Springs recorded among the Plat Records of Anne Arundel County in Book 274 at pages 27 through 33, inclusive.

Exhibit "B"

Plan Showing the Development

LandDesign

Tanyard Springs
Anne Arundel County, Maryland



After recording, please return to:
Ballard Spahr Andrews and Ingersoll, LLP
4800 Montgomery Lane, 7th Floor
Bethesda, Maryland 20814