

COVENANTS AND RESTRICTIONS

DECLARATION
FOR
STEEPLECHASE OF NORTHVILLE

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COVENANTS AND RESTRICTIONS

DECLARATION FOR STEEPLECHASE OF NORTHVILLE

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SUBMITTED LAND
ADDITIONAL LAND

EXHIBIT A
EXHIBIT B

DECLARATION
FOR
STEEPLECHASE OF NORTHVILLE

THIS DECLARATION is made as of JUNE 26, 2003, by TOLL MI III LIMITED PARTNERSHIP, a Michigan limited partnership ("Declarant").

RECITALS:

R-1 The Declarant owns in fee simple the real estate designated as Submitted Land in the legal description attached as Exhibit A (and incorporated by this reference) and the Declarant desires to subject that real estate to covenants, restrictions, reservations, liens and charges, all of which are more particularly hereinafter set forth in this Declaration.

R-2 The Declarant also wishes to reserve the right to add the real estate designated as Additional Land in the legal description attached as Exhibit B (and incorporated by this reference), as both of the same may be amended by the Declarant from time to time, and may hereafter decide to subject all or any portion of that Additional Land, to the provisions of this Declaration, as amended from time to time.

R-3 The Declarant deems it desirable and in the best interests of all the owners of real estate subject to this Declaration to protect the value and the desirability of such real estate by providing for the development of such real estate in accordance with a common plan and the Upkeep of certain shared facilities.

R-4 To provide a means for meeting the purposes and intents set forth herein, the Declarant has caused Steeplechase of Northville Owners Association to be incorporated under the laws of Michigan.

DECLARATION:

The Declarant hereby covenants and declares, on behalf of itself and its successors and assigns, that from the date this Declaration is recorded, the real estate designated as Submitted Land in Exhibit A shall be held, conveyed, acquired and encumbered subject to the terms and provisions hereof, all of which shall run with the land and bind and inure to the benefit of all Persons who may now or hereafter own or acquire any right, title, estate or interest in or to any of such real estate, or who may now or hereafter occupy or enter upon any portion thereof, subject to the right of the Declarant or the Association to amend this Declaration in accordance with the provisions for amendment set forth herein.

ARTICLE 1

GENERAL PROVISIONS

Section 1.1. Definitions. Terms used herein without definitions shall have the meanings specified for such terms in Sections 105 to 110 of the Act. Capitalized terms used herein shall have the meanings specified for such terms below.

(1) "Act" means the Michigan Nonprofit Corporation Act, MCLA 450.2101, et seq., as the same may be amended, supplemented or replaced from time to time.

(2) "Additional Land" means the real estate so designated in Exhibit B, as amended from time to time, which the Declarant has reserved the right to submit to the Declaration and to the jurisdiction of the Association pursuant to Section 4.1.

(3) "Articles of Incorporation" means the Articles of Incorporation for Steeplechase of Northville Owners Association filed with the Michigan Department of Consumer and Industry Services, Corporation Division, as amended from time to time.

(4) "Assessments" means the sums levied against the Lots to pay Common Expenses and other expenditures by the Association, as provided in Article 6. Assessments include "Annual Assessments," "Additional Assessments" and "Individual Assessments."

(5) "Association" means Steeplechase of Northville Owners Association and, with respect to the rights and obligations of the Association set forth in this Declaration, its successors and assigns.

(6) "Association Documents" means collectively the Articles of Incorporation, this Declaration, Supplementary Declarations and the Bylaws, all as amended from time to time. Any exhibit, schedule, certification or amendment to an Association Document is an integral part of that document.

(7) "Board of Directors" or "Board" means the executive and administrative entity established pursuant to Article 4 of the Bylaws as the governing body of the Association.

(8) "Builder" means a Person (other than the Declarant) who in the regular course of business purchases real estate or a portion of the Submitted Land solely for the purpose of constructing improvements for resale.

(9) "Bylaws" means the Bylaws of the Association, as amended from time to time.

(10) "Common Area" means, at any given time, all of the Property, other than Lots and Public Streets and Roadways, then owned by the Association for the benefit, use and enjoyment of the Owners and includes the Recreational Facilities and private parks; provided, however, that real estate within the Property is not Common Area solely because it is burdened by an easement for utilities, landscaping, storm water management or signage or dedicated as a public street or roadway even though the Association may provide Upkeep for such area.

(11) "Common Expenses" means all expenditures lawfully made or incurred by or on behalf of the Association, together with all funds lawfully assessed for the creation and maintenance of reserves pursuant to the provisions of the Association Documents.

(12) "County" means Wayne County, Michigan. All references to approval by the County mean approval by the appropriate agency or official of the County, as determined by the Office of the County Attorney at that time.

(13) "Covenants Committee" means the committee that may be established pursuant to Article 9 to assure that the Property will be maintained in a manner consistent with the purposes and intents of this Declaration. With respect to initial construction, all references to the Covenants Committee shall mean the Initial Construction Committee.

(14) "Declarant" means Toll MI III Limited Partnership, a Michigan limited partnership. Following recordation of a document assigning to another Person all or some of the rights

reserved to the Declarant under the Association Documents pursuant to Section 5.2, the term "Declarant" shall mean or include that assignee.

(15) "Declarant Control Period" means the period beginning on the date of incorporation of the Association and ending on the earliest of: (1) the later of (i) the tenth anniversary of the date of recordation of the Declaration or (ii) the tenth anniversary of the date of recordation of the most recent Supplementary Declaration adding Additional Land (provided, however, that once the Declarant Control Period has expired, the recordation of a subsequent Supplementary Declaration shall not reinstate the Declarant Control Period; and provided, further, that if the Declarant is delayed in the improvement and development of the Property due to a sewer, water or building permit moratorium or other cause or event beyond the Declarant's control, then the aforesaid period shall be extended for the period of the delay or three years, whichever is less); (2) the date the number of votes of the Class A Owners equals the number of votes of the Class B Owner; or (3) the date specified by the Declarant in a written notice to the Association that the Declarant Control Period is to terminate on that date.

(16) "Declaration" means this Declaration for Steeplechase of Northville made and recorded among the Land Records, as amended from time to time and, except when the context clearly requires otherwise, including all Supplementary Declarations.

(17) "Department of Environmental Quality" means the department of environmental quality for the State of Michigan.

(18) "Design Guidelines" means the standards and guidelines adopted by the Board of Directors pursuant to Article 9 and any standards and guidelines established by the Declarant.

(19) "Development Period" means the period of time that the Declarant or any Builder is engaged in development or sales, or activities relating thereto, anywhere on the Property or the Additional Land and the Declarant is entitled to exercise certain special declarant rights (as described in Article 5) under the Association Documents. When all the Submitted Land is owned by Owners other than the Declarant (or a lender holding special declarant rights) or a Builder, all the Additional Land is owned by Owners other than the Declarant and all bonds held by a governmental agency with respect to the Property and the Additional Land have been released, then the Development Period shall end.

(20) "Land" means, at any given time, the real estate then subject to the Declaration (including Lots and Common Area), but does not include improvements or appurtenances thereto.

(21) "Land Records" means the land records of Wayne County, Michigan.

(22) "Lot" means a portion of the Property designated as a separate parcel of Submitted Land held in separate ownership, occupied by or intended for occupancy by one dwelling and has frontage upon a Public Street or Roadway (but not including any Common Area or real estate dedicated for public purposes) and includes any improvements now or hereafter appurtenant thereto. A Lot may not coincide with a Lot of Record.

(23) "Lot of Record" means a portion of the Submitted Land numbered and described as a lot on the plat of record.

(24) "Majority Vote" means a simple majority (more than fifty percent) of the votes entitled to be cast in person or by proxy at a duly held meeting at which a quorum is present. Any specified percentage vote means that percentage with respect to the total number of votes actually cast by Owners entitled to vote on an issue in person or by proxy at a duly held meeting at which a quorum is

present. Any vote by a specified class of Owners means a Majority Vote of the Owners in such class present in person or by proxy at a duly held meeting at which a quorum of that class of Owners is present. Any vote by a specified percentage of the Board of Directors (or committee) means that percentage with respect to votes entitled to be cast at a duly held meeting of the Board (or committee) at which a quorum is present. Any vote of or approval (whether actual or presumed) by a specified percentage of the Mortgagees is calculated based on one vote per Lot.

(25) "Mortgagee" means an institutional lender (one or more commercial or savings banks, savings and loan associations, trust companies, credit unions, industrial loan associations, insurance companies, pension funds or business trusts, including but not limited to real estate investment trusts, any other lender regularly engaged in financing the purchase, construction or improvement of real estate, or any assignee of loans made by such lender, or any combination of any of the foregoing entities) holding a first mortgage or first deed of trust ("Mortgage") encumbering a Lot. Where the approval of Mortgagees is required, such approval means: (i) written approval; (ii) any written waiver of approval rights; (iii) a letter stating no objection; or (iv) presumptive approval if a Mortgagee does not respond to a notice by certified or registered United States mail, return receipt requested, within thirty days after the date the request for approval is transmitted in accordance with the notice requirements of the Association Documents.

(26) "Officer" means any Person holding office pursuant to Article 6 of the Bylaws.

(27) "Owner" means one or more Persons who own a Lot in fee simple, but does not mean any Person having an interest in a Lot solely by virtue of a contract or as security for an obligation.

(28) "Person" means a natural person, corporation, partnership, limited liability company, association, trust or other entity capable of holding title or any combination thereof.

(29) "Phase" means a portion of the Property designated as provided in Section 4.2.

(30) "Property" means, at any given time, the Submitted Land together with all improvements and appurtenances thereto now or hereafter existing.

(31) "Public Streets and Roadways" means streets and roadways dedicated to public use by a plat or deed of dedication but not including sidewalks, curbs, gutters and parking areas which are part of the Common Area.

(32) "Recreational Facilities" means the swimming pool and associated community buildings and any other facilities owned by the Association.

(33) "Rules and Regulations" means the rules and regulations governing the use, occupancy, operation, Upkeep and physical appearance of the Property adopted from time to time by the Board of Directors.

(34) "Submitted Land" means the real estate designated as such in Exhibit A and all real estate which is from time to time submitted to this Declaration and subjected to the jurisdiction of the Association. Submitted Land includes Common Area and Lots but does not include improvements or appurtenances thereto.

(35) "Supplementary Declaration" means any declaration (i) submitting real estate to the terms of this Declaration and subjecting such real estate to the jurisdiction of the Association, whether or not such Supplementary Declaration contains additional provisions reflecting the unique characteristics

of the real estate being submitted or (ii) submitting a portion of the Property to such supplementary covenants in accordance with the provisions of Article 4. A Supplementary Declaration may be part of a Deed of Subdivision.

(36) "Upkeep" means care, inspection, maintenance, clearing snow and ice, operation, repair, repainting, remodeling, restoration, improvement, renovation, alteration, replacement and reconstruction.

(37) "Visible from Neighboring Property" means with respect to any given object on a Lot, that such object is or would be visible to a person six feet tall, standing on any part of any adjacent Lot or other real estate at an elevation no greater than the elevation of the base of the object being viewed.

Section 1.2. Construction of Association Documents.

(a) Captions and Cross-references. The captions are inserted only for reference, and in no way define, limit or otherwise affect the scope, meaning or effect of any provision. All cross-references are to the Declaration unless otherwise indicated.

(b) Pronouns. The use of the masculine gender shall be deemed to include the feminine and neuter genders, and the use of the singular shall be deemed to include the plural and vice versa, whenever the context so requires.

(c) Severability. Each provision of an Association Document is severable from every other provision, and the invalidity or unenforceability of any one or more provisions shall not change the meaning of or otherwise affect any other provision. To the extent that any provision of the Association Documents is found to be overly broad or unenforceable and a narrower or partially enforceable construction may be given to such provision, then the narrower or partially enforceable construction shall be applied and, to the extent practicable, the provision shall be enforced.

(d) Interpretation. If there is any conflict between the Association Documents, this Declaration and then the applicable Supplementary Declaration shall control. Particular provisions shall control general provisions. The provisions of the Bylaws shall control over any conflicting provision of any rule, regulation or other resolution adopted pursuant to any of the Association Documents. The Association Documents shall be construed together and shall be deemed to incorporate one another in full. Any requirements as to the content of one shall be deemed satisfied if the deficiency can be cured by reference to any of the others.

(e) Ambiguities Resolved by Declarant. If there is any ambiguity or question as to whether any Person, real estate or improvement falls within any of the definitions set forth in Article 1, the determination made by the Declarant (as evidenced by a recorded Supplementary Declaration) or practice of the Association during the Declarant Control Period shall be binding and conclusive.

(f) Use of New Technology. Due to the ongoing development of new technologies and corresponding changes in business practices, to the extent permitted by law now or in the future: (1) any notice required to be sent or received; (2) any signature, vote, consent or approval required to be obtained; or (3) any payment required to be made, under the Association Documents may be accomplished using the most advanced technology available at that time if such use is a generally accepted business practice. The use of technology in implementing the provisions of this Declaration dealing with notices, payments, signatures, votes, consents or approvals shall be governed by Section 1.2 of the Bylaws.

Section 1.3. The Association.

(a) Creation. The Association is a nonstock corporation organized and existing under the laws of Michigan, charged with the duties and vested with the powers prescribed by law and set forth in the Association Documents.

(b) Membership. Members of the Association shall at all times be, and be limited to, the Declarant (during the Development Period) and other Persons who constitute Owners of the Lots. If more than one Person owns a Lot, then all such Persons shall collectively constitute one Owner and be one member of the Association. Each member and the Persons constituting each Owner are entitled to attend all meetings of the Association. Membership in the Association is mandatory and automatic with ownership of a Lot.

(c) Classes of Owners; Voting Rights. The Association shall have two classes of Owners (members), Class A and Class B, with the voting rights set forth in the Bylaws and as follows.

The Class A Owners shall be the Owners of Lots, other than the Declarant or a Builder during the Declarant Control Period. Each Class A Owner shall have one vote for each Lot owned by such Owner.

The Class B Owner shall be the Declarant. The Declarant shall have 1,100 votes less the number of votes held by all other classes of Owners when a vote is taken. If the Declaration is amended from time to time to include additional real estate that was not originally described on Exhibits A and B to the Declaration when the Declaration was recorded or if the Development Plan is amended to increase the maximum number of dwellings permitted on the Submitted Land or the Additional Land, then the number of votes of the Class B Owner described above shall be increased by one and one-half times the number of votes that would be appurtenant to any additional Lots that could be created on such real estate if such real estate were fully developed under the applicable zoning and submitted to the Declaration.

After the Declarant Control Period expires, the Declarant shall have one vote as a Class B Owner and the Declarant shall also become a Class A Owner and have Class A votes with respect to the Lots owned by the Declarant. The Class B membership shall expire at the end of the Development Period. Any Person qualifying as a member of more than one voting class may exercise those votes to which such Person is entitled for each such class; provided, however, that such Person shall not simultaneously have more than one class of vote for the same Lot.

(d) Board Authority to Act. The Board of Directors is responsible for the management and Upkeep of the Property and the administration of the Association. Unless otherwise specifically provided in the Association Documents, all rights, powers, easements, obligations and duties of the Association may be performed by the Board of Directors on behalf of the Association without the joinder or approval of any other Person.

(e) Merger or Consolidation. Upon merger or consolidation of the Association with another association formed for similar purposes, the Association's properties, rights and obligations may be transferred to the surviving or consolidated Association, or alternatively, the properties, rights and obligations of the other association may be assumed by the Association, as the surviving entity. No such merger or consolidation shall effect any revocation, termination, change or addition to this Declaration except pursuant to Articles 15 and 16.

ARTICLE 2

COMMON AREA

Section 2.1. Conveyance; Title. The Declarant shall convey the Common Area in each Phase of the Property to the Association in fee simple, released from any encumbrance securing the repayment of monetary obligations incurred by the Declarant, but subject to all easements and other encumbrances then of record (including those created by this Declaration). The Association shall accept title to any real estate or personal property offered to the Association by the Declarant and the Association shall obtain title insurance for any real estate acquired in its own name. The Declarant will try to identify specifically the Common Area, but such identification shall not be required in order for the real estate to be Common Area. If the Declarant determines that a particular parcel of real estate is or is not Common Area, such determination shall be binding and conclusive. The Common Area may change from time to time. Accordingly, references to Common Area shall be deemed to refer to the Common Area existing at the relevant time.

Section 2.2. No Dedication. Nothing contained herein or in the other Association Documents shall be construed as a dedication to public use or as an assumption of responsibility for Upkeep of any Common Area by any public or municipal agency, authority or utility, nor shall it be construed to prevent the Board of Directors of the Association from permitting public access to or use of any Common Area.

Section 2.3. Regulation of Common Area. The Board of Directors shall have the right to regulate use of the Common Area pursuant to Section 8.3 and to charge fees for the use of Common Area. The Board of Directors may also mortgage, dedicate or convey Common Area subject to the restrictions in Section 15.4.

Section 2.4. Transfer of Responsibility for Upkeep. When the Declarant transfers any portion of the Common Area to the Association, the Declarant shall provide written notice to the Association, specifying the Common Area or improvements for which responsibility is being transferred, and the Association shall be deemed to have accepted such portion of Common Area and responsibility for upkeep thereof.

Section 2.5. Additional Improvements on Common Area. After the initial improvement and conveyance of any Common Area to the Association, the Declarant may, but is not obligated to, construct additional improvements on the Common Area for the benefit of the Property.

Section 2.6. Right to Use Common Area.

(a) Use and Enjoyment. The Declarant hereby reserves to itself during the Development Period and, on behalf of itself and its successors and assigns, grants to each Owner and each Person lawfully occupying a Lot a non-exclusive right of use and enjoyment in common with others of the Common Area. Such right of use and enjoyment shall be appurtenant to each Lot, whether or not mentioned in the deed thereto.

(b) Recreational Facilities. Each Owner is hereby granted a non-exclusive right of use and enjoyment in common with others of such Recreational Facilities which constitute a portion of the Common Area and a right of access over and through the Common Area to such Recreational Facilities. The rights granted hereby shall be subject to all rights and powers of the Association, when exercised in accordance with the applicable provisions of the Association Documents.

(c) Limitations. The rights of enjoyment and use created in this Section shall be subject to all rights and powers of the Declarant and the Association when exercised in accordance with the other applicable provisions of the Association Documents, including without limitation the Association's right to regulate the use of the Common Area and to establish reasonable charges therefor, and to mortgage the Common Area subject to Section 15.4.

(d) Delegation. Subject to the Rules and Regulations and such other restrictions as may be adopted by the Association, any Person having the right to use and enjoy the Common Area may delegate such rights to such Person's household, guests, employees, tenants, agents and invitees and to such other Persons as may be permitted by the Association. The rights granted by this Declaration shall not be enforceable by Persons to whom such rights may be delegated by Owners, including without limitation the household, tenants, guests, employees, agents and invitees of any Owner. This section does not affect, however, the rights of Mortgagees in possession or court-appointed officers in possession and control of a Lot acting in the name, place and stead of Owners, or any Person's right to enforce any rights granted in any lease or agreement between such Person and an Owner.

ARTICLE 3

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ARTICLE 4

DEVELOPMENT OF THE PROPERTY

Section 4.1. Expansion by the Declarant.

(a) Designated Additional Land. The Declarant hereby reserves an option until the fifteenth anniversary of the date of recordation of this Declaration to expand the Property from time to time without the consent of any Owner or Mortgagee (except the owner of or holder of a deed of trust on such real estate) by submitting all or any portion of the Additional Land to the provisions of this Declaration and the jurisdiction of the Association whether or not such real estate is owned by the Declarant. The option to expand may be terminated only upon the recordation by the Declarant of an instrument relinquishing such option. The Declarant reserves the unilateral right, without the approval of any Owner or Mortgagee, to execute and record a Supplementary Declaration, subjecting any Lot to such additional covenants and restrictions as may be necessary to reflect the different characteristics of such Lot as are not inconsistent with the overall scheme of the Declaration; provided, however, that the Declarant shall not have such right after the conveyance of such Lot to an Owner other than the Declarant without the written consent of such Owner (and the Mortgagee of such Lot). The Declarant shall add Additional Land in accordance with the procedures set forth in Section 4.2. There are no limitations on the option to expand except as set forth in this Article.

(b) Undesignated Additional Land. The Declarant may unilaterally amend the description of Additional Land set forth in Exhibit B without the approval of any Owner or Mortgagee to expand the area referred to as Additional Land whether or not such real estate is owned by the Declarant; provided, however, that such additional real estate is immediately adjacent to the Property or across a public right-of-way from the Property.

Section 4.2. Procedure for Expansion; Additional Covenants. The Declarant may record one or more Supplementary Declarations. Each Supplementary Declaration adding real estate shall: (i) include a legally sufficient description of the real estate added, (ii) designate such real estate with the term "Phase" and a unique identifier so as to differentiate between each portion of the Property; and (iii) describe any real estate being conveyed to the Association as Common Area and describe any new Lots. The real estate designated as Submitted Land on Exhibit A shall be known by the Phase designations shown in Exhibit A. Any Supplementary Declaration may contain such additional covenants and restrictions as may be necessary to reflect the different characteristics of the Lots or the land uses if consistent with the overall scheme of this Declaration. Upon recording a Supplementary Declaration submitting real estate to the Declaration, the provisions of the Declaration shall apply to the real estate thereby added as if such real estate were originally part of the Submitted Land.

Section 4.3. Association Consent Not Required. During the Development Period, the exercise of any right by the Declarant under this Article 4 shall not require the consent of the Association.

Section 4.4. Declarant's Right to Modify the Property. The Declarant shall have the right to modify the topography, grading, landscaping, site improvements, water features, views and general appearance of the Property in the normal course of development and no Owner shall have any rights at common law or otherwise to object to such modifications or to make any claims relating thereto.

Section 4.5 Rights to Facilitate Sales. The Declarant hereby reserves to itself and its designees the right to: (i) use any Lots owned or leased by the Declarant, any other Lot with the written consent of the Owner thereof or any portion of the Common Area (including any buildings thereon) as models, management offices, sales offices, a visitors' center, construction offices, customer service offices, or sales office parking areas (provided, however, that the Declarant or its designee, as appropriate, shall remain responsible for the Upkeep of that portion of the Common Area used for the foregoing purposes); (ii) place and maintain in any location on the Common Area and on any Lot (for a distance of ten feet behind any Lot line which parallels a public street), street and directional signs, temporary promotional signs, temporary construction and sales offices, plantings, street lights, entrance features, "theme area" signs, lighting, stone, wood or masonry walls or fences and other related signs and landscaping features; provided, however, that all signs shall comply with applicable governmental regulations; and (iii) relocate or remove all or any of the above from time to time at the Declarant's sole discretion.

ARTICLE 5

SPECIAL DECLARANT RIGHTS; TRANSFER

Section 5.1. Special Declarant Rights. "Special Declarant Rights" are those rights reserved for the benefit of the Declarant as provided for in the Association Documents, and shall include without limitation the following rights: (1) to use easements over and through the Property for the purpose of making improvements within the Property; (2) to maintain models, management offices, visitor centers, construction offices, sales offices, customer service offices and signs advertising the Property; (3) to exercise the rights and votes of the Class B Owner; (4) to remove and replace any director or committee member appointed or elected by the Class B Owner; (5) to make unilateral amendments to the Association Documents as provided in Sections 4.1, 4.3 and 15.1; (6) to add Additional Land; (7) to withdraw Submitted Land; and (8) to exercise any other rights given to the Declarant.

Section 5.2. Transfer of Special Declarant Rights.

(a) Procedure. The Declarant may unilaterally transfer Special Declarant Rights created or reserved under the Association Documents to any Person acquiring Lots or Additional Land by an instrument evidencing the transfer recorded in the Land Records. The instrument is not effective unless executed by the transferor and transferee; provided, however, that a Person acquiring Lots or Additional Land pursuant to Subsection 5.2(c) may unilaterally execute and record an instrument to acquire some or all of the Special Declarant Rights. A partial transfer of Special Declarant Rights does not prevent the transferor declarant from continuing to exercise Special Declarant Rights with respect to real estate retained by such declarant. The instrument providing for a partial transfer of Special Declarant Rights shall allocate voting rights between the transferor and the transferee. To the extent provided in the transfer instrument, each Person having special declarant rights under the Association Documents has the right to transfer such rights unilaterally with respect to real estate owned by such Person. If at any time no Declarant (or holder of Special Declarant Right) exists, a successor may be appointed by an amendment to the Declaration made pursuant to Section 15.2.

(b) Liability of Transferor. Upon transfer of any Special Declarant Right, the transferor has no liability for any act or omission, or any breach of a contractual or warranty obligation arising from the exercise of a Special Declarant Right by a successor declarant who is not an Affiliate of the transferor.

(c) Effect of Foreclosure on Successor. Unless otherwise provided in a Mortgage, in case of foreclosure of a Mortgage (or deed in lieu of foreclosure), tax sale, judicial sale, sale by a trustee under a deed of trust or sale under the Bankruptcy Code or receivership proceedings, of any Lots or Additional Land owned by a declarant, a Person acquiring title to all the Lots or Additional Land being foreclosed or sold, but only upon such Person's request, succeeds to all Special Declarant Rights related to such Lots or Additional Land or only to any rights reserved in the Association Documents to maintain models, management offices, construction offices, sales offices, customer service offices and signs advertising the Property. The judgment, instrument conveying title or other instrument recorded in the Land Records shall provide for transfer of only the Special Declarant Rights requested.

(d) Effect of Foreclosure on Declarant. Upon foreclosure (or deed in lieu of foreclosure), tax sale, judicial sale, sale by a trustee under a deed of trust, or sale under the Bankruptcy Code or receivership proceedings, of all Lots and Additional Land owned by a declarant (1) the declarant ceases to have any Special Declarant Rights, and (2) the Declarant Control Period terminates unless the judgment, instrument conveying title or other instrument recorded among the Land Records provides for transfer of the Special Declarant Rights held by that declarant to a successor declarant.

(e) Liability of Successor. The liabilities and obligations of Persons who succeed to Special Declarant Rights are as follows:

(1) A successor to any Special Declarant Right who is an Affiliate of a declarant is subject to all obligations and liabilities imposed on the transferor by the Association Documents.

(2) A successor to any special declarant right, other than a successor described in paragraphs (3) or (4) of this subsection or a successor who is an Affiliate of a declarant, is subject to all obligations and liabilities imposed by the Association Documents: (A) on a declarant which relate to such declarant's exercise or non-exercise of Special Declarant Rights; or (B) on the transferor, other than: (i) misrepresentations by any previous declarant; (ii) warranty obligations, if any, on improvements made by any previous declarant, or made before the Association was created; (iii) breach

of any fiduciary obligation by any previous declarant or such declarant's appointees to the Board of Directors; or (iv) any liability or obligation imposed on the transferor as a result of the transferor's acts or omissions after the transfer.

(3) A successor to only a right reserved in the Association Documents to maintain models, sales offices, customer service offices and signs, if such successor is not an Affiliate of a declarant, may not exercise any other Special Declarant Right, and is not subject to any liability or obligation as a declarant.

(4) A successor to all Special Declarant Rights held by a transferor who succeeded to those rights pursuant to foreclosure, a deed in lieu of foreclosure or a judgment or instrument conveying title under Subsection (c), may declare the intention in an instrument recorded in the Land Records to hold those rights solely for transfer to another Person. Thereafter, until transferring all Special Declarant Rights to any Person acquiring title to any Lots owned by the successor, or until recording an instrument permitting exercise of all those rights, that successor may not exercise any of those rights other than any right held by the transferor to vote as the Class B Owner in accordance with the provisions of the Association Documents, and any attempted exercise of those rights is void. So long as a successor declarant may not exercise Special Declarant Rights under this subsection, such successor is not subject to any liability or obligation as a declarant.

(f) Limitation. Nothing in this Article subjects any successor to a Special Declarant Right to any claim against or other obligation of a transferor declarant, other than claims and obligations arising under the Association Documents.

(g) Affiliate. For the purposes of this section, "Affiliate" or "Affiliate of a declarant" means any Person who controls, is controlled by, or is under common control with a declarant. A Person controls a declarant if the Person (i) is a general partner, officer, director or employer of the declarant, (ii) directly or indirectly or acting in concert with one or more Persons or through one or more subsidiaries, owns, controls, holds with power to vote, or holds proxies representing more than twenty percent of the voting interests in the declarant, (iii) controls in any manner the election of a majority of the directors of the declarant, or (iv) has contributed more than twenty percent of the capital of the declarant. A Person is controlled by a declarant if the declarant (i) is a general partner, officer, director or employer of the person, (ii) directly or indirectly or acting in concert with one or more other Persons or through one or more subsidiaries, owns, controls, holds with power to vote or holds proxies representing more than twenty percent of the voting interest in the Person, (iii) controls in any manner the election of a majority of the directors of the Person, or (iv) has contributed more than twenty percent of the capital of the Person. Control does not exist if the powers described in this paragraph are held solely as security for an obligation and are not exercised.

Section 5.3. No Obligations. Nothing contained in the Association Documents shall impose upon the Declarant or its successors or assigns any obligation of any nature to build, construct, warrant, renovate or provide any improvements. Neither the Declarant nor its successors or assigns shall be liable to any Owner or occupant by reason of any mistake in judgment, negligence, nonfeasance, action or inaction or for the enforcement or failure to enforce any provision of this Declaration. No Owner or occupant of any portion of the Property shall bring any action or suit against the Declarant to recover any damages or to seek equitable relief because of the enforcement or failure to enforce any provision of the Declaration against a third party.

ARTICLE 6

COMMON EXPENSES AND ASSESSMENTSSection 6.1. Determination of Common Expenses and Budget.

(a) Fiscal Year. The first fiscal year of the Association shall be as determined in accordance with Section 9.4 of the Bylaws.

(b) Preparation and Approval of Budget.

(1) At least sixty-five days before the beginning of each fiscal year, the Board of Directors shall adopt a budget for the Association containing an estimate of the total amount considered necessary for the ensuing fiscal year to pay the cost of management and Upkeep of the Common Area and, to the extent provided in the Association Documents, Upkeep of the Lots, and the cost of other expenses that may be declared to be Common Expenses by the Association Documents or by a resolution of the Board of Directors, including without limitation services provided to the Owners, Lots or Common Area.

(2) Such budget shall also include such reasonable amounts as the Board of Directors considers necessary to provide working capital (available cash for day-to-day expenses which is otherwise uncommitted), a general operating reserve (including an amount to cover operating losses due to insurance deductibles) and reserves for contingencies (potential costs or liabilities which have not been incurred but which should be planned for) and reserves for replacements. At least fifty-five days before the beginning of each fiscal year, the Board of Directors shall make available a copy of the budget in a reasonably itemized form which sets forth the amount of the Common Expenses and provide a copy of such budget to each Owner. Such budget shall constitute the basis for determining the Assessment against each Lot.

(c) Installment Payments and Due Dates. Any and all such Assessments and other charges shall be a lien against each Owner's Lot as provided in Section 12.2. On or before the first day of each fiscal year or such other date established by the Board of Directors, each Owner shall pay to such Person at such place as the Board of Directors may direct the Annual Assessment which is due for such year. All sums collected by the Board of Directors with respect to Assessments against the Lots or from any other source may be commingled into a single fund.

(d) Initial Budget and Initial Assessments.

(1) Upon taking office, the first Board of Directors shall determine the budget, as defined in this section, for the period commencing thirty days after taking office and ending on the last day of the fiscal year in which such directors take office.

(2) The first Annual Assessment for Common Expenses shall be prorated based upon the number of days remaining in the fiscal year and shall be due on the earlier of: (i) the date the Lot is conveyed to an Owner other than the Declarant or a Builder or (ii) the date the Lot is occupied for the first time. Such Assessment shall be levied and become a lien as set forth in Section 12.2.

(3) Notwithstanding the foregoing, the Declarant may, at the Declarant's sole option, decide to pay all ordinary operating costs of the Association for a period of time not to exceed two years. If the Declarant so elects, the Association will incur no Common Expenses and thus no regular Annual Assessments will be collected during such time.