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**DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS
FOR
ARDEN TOWNHOMES**

Hamilton County, Indiana



DEED CROSS-REFERENCE: 200600009454

CHICAGO TITLE

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DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR ARDEN TOWNHOMES (the "**Declaration**") is made as of _____, 2006 by BUCKINGHAM ARDEN, LLC, an Indiana limited liability company ("**Declarant**").

RECITALS:

- A. Declarant is the owner of a certain parcel of real estate located in Hamilton County, Indiana, which is more particularly described on Exhibit A attached hereto and incorporated herein by this reference (the "**Property**"); and
- B. Declarant desires to create on the Property a residential community (the "**Community**") which shall have permanent open spaces and other common facilities for the benefit of the residents of the Community; and
- C. Declarant desires to provide for the preservation of the values of the Community and such other areas as may be subjected to this Declaration, and to provide for the maintenance of the open spaces and other facilities, and, to this end, declare and publish its intent to subject the Property to the covenants, conditions, restrictions, easements, charges and liens hereinafter set forth, it being intended that they shall run with title to the Property and shall be binding on all persons or entities having or acquiring any right, title or interest in the Property or any part thereof and shall inure to the benefit of each owner thereof; and
- D. Declarant has deemed it desirable for the efficient preservation of the values of the Community to create an association to be known as Arden Townhomes Homeowners' Association, Inc., an Indiana not-for-profit corporation (the "**Association**"), to which shall be delegated and assigned the powers of owning, maintaining and administering the common areas and facilities located within the Property, administering and enforcing the covenants and restrictions made in and pursuant to this Declaration with respect to the Property, collecting and disbursing the assessments and charges hereafter created with respect to the Property, and promoting the recreation, health, safety and welfare of the owners of the Property and all parts thereof; and

NOW, THEREFORE, Declarant, for and in consideration of the premises and the covenants contained herein, grants, establishes and conveys to each owner of each Lot (as herein defined), mutual, non-exclusive rights, privileges and easements of enjoyment on equal terms and in common with all other owners of Lots in and to the use of any common areas and facilities; and further, Declarant declares that the Property shall be held, transferred, sold, conveyed, hypothecated, encumbered, leased, rented, used, improved, and occupied subject to the provisions, agreements, covenants, conditions, restrictions, reservations, easements, assessments, charges and liens hereinafter set forth, all of which are for the purpose of protecting the value and desirability of, and shall run with, the Property and be binding on all parties having any right, title or interest in the Property or any part thereof, their respective

successors and assigns, and shall inure to the benefit of Declarant and the successors in title to the Property or any part or parts thereof.

ARTICLE I.

DEFINITIONS

Section 1.1. "Additional Property" shall have the meaning ascribed thereto in **Section 3.2** of this Declaration.

Section 1.3. "Association" shall mean and refer to the Arden Townhomes Homeowners' Association, Inc., an Indiana not-for-profit corporation, and its successors and assigns.

Section 1.4. "Articles" shall mean and refer to the Articles of Incorporation of the Association, as the same may be amended from time to time.

Section 1.5. "Authority Transfer Date" shall have the meaning ascribed thereto in **Section 3.1** of this Declaration.

Section 1.6. "Board of Directors" shall mean the elected body having its normal meaning under Indiana corporate law.

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

Section 1.8. "City" shall mean the City of Carmel, Indiana.

Section 1.9. "Common Area" or "Common Areas" shall mean and refer to all real property (including the improvements thereto) owned by the Association for the common use and enjoyment of the Members. All of the Property which is not included in any particular Lot, as shown on current or future approved plats of the Property and/or as described herein, shall be considered to be a part of the Common Area.

Section 1.10. "Common Expenses" shall mean and refer to expenses of administration of the Association and expenses for the upkeep, maintenance, repair and replacement of Common Areas, and all sums lawfully assessed against the Owners by the Association, and all sums, costs and expenses declared by this Declaration to be Common Expenses.

Section 1.11. "County" shall mean the County of Hamilton, Indiana.

Section 1.12. "Declarant" shall mean and refer to Buckingham Arden, LLC, an Indiana limited liability company, or any successors or assigns to whom the foregoing assigns any or all of its rights as Declarant pursuant to this Declaration by assignment recorded in the Recorder's Office.

Section 1.13. "**Declaration**" shall mean and refer to this Declaration of Covenants, Conditions and Restrictions for the Arden Townhomes, which is to be recorded in the Recorder's Office.

Section 1.14. "**Development Period**" means the period of time commencing with Declarant's acquisition of the Property and ending when Declarant, or an affiliate or subsidiary of Declarant, has completed the development and sale of, and no longer owns, any Lot. The Development Period shall recommence as to the Additional Property each time Declarant acquires any part (or all) of the Additional Property.

Section 1.15. "**Dwelling Unit**" shall mean and refer to any improvement to the Property intended for any type of independent ownership for use and occupancy as a residence by a single household and shall, unless otherwise specified, include within its meaning (by way of illustration but not limitation) a townhouse and a detached home.

Section 1.16. "**Federal Agencies**" shall mean (by way of illustration but not limitation) the Federal Housing Authority, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Department of Housing and Urban Development, the Veterans Administration or any other governmental agency.

Section 1.17. "**Local Governing Authority**" shall mean the City and/or the County, individually or collectively.

Section 1.18. "**Lot**" shall mean and refer to any discrete plot of land created by and shown on a lawfully recorded subdivision plat of the Property upon which a Dwelling Unit could be constructed in accordance with applicable zoning ordinances; provided, however, that where a Dwelling Unit (i) is separated from an adjacent Dwelling Unit by a Party Wall, or (ii) shares a Party Wall with an adjacent Dwelling Unit, the center line of such Party Wall and its vertical extensions shall constitute the common boundary line (lot line) between adjacent Lots, and the closure of the boundary lines of such adjacent Lots shall be accomplished by extending perpendicular lines from the horizontal extremities of such Party Wall to the closest boundary line or lines for such Lots as shown on any Plat or any part thereof, provided, however, further that where any exterior wall of a Dwelling Unit is not a Party Wall, but extends outside the boundary lines (lot lines) of any Lot (as shown on any such Plat or part thereof) upon which such Dwelling Unit is primarily located, the boundary lines of such Lot shall be deemed to include all of the ground area occupied by such Dwelling Unit. It is the intent hereof that, in any and all events in which a boundary line as shown on any Plat or part thereof does not coincide with the actual location of the respective wall of the Dwelling Unit because of inexactness of construction, settling after construction, or for any other reason, this Declaration and any Plat or any part thereof shall be interpreted and construed so that all ground area underlying beneath a Dwelling Unit shall be and constitute part of the Lot upon which such Dwelling Unit is primarily located to the end that all of such ground area shall be subject to fee simple ownership by the Owner of such Dwelling Unit; to the extent necessary to accomplish and implement such intention, interpretation and construction, the boundary lines of the Lots shall be determined in accordance with the foregoing definitional provisions and boundary lines as so determined shall supercede the boundary lines for Lots shown on any Plat or part thereof.

Section 1.18. "**Maintenance Costs**" means all of the costs necessary to keep the facilities to which the term applies operational and in good condition, including but not limited to the cost of all upkeep, maintenance, repair, replacement, of all or any part of any such facility, payment of all insurance with respect thereto, all taxes imposed on the facility and on the underlying land, leasehold, easement or right-of-way, and any other expense related to continuous maintenance, operation or improvement of the facility.

Section 1.19. "**Member**" shall mean and refer to every person or entity who holds a membership in the Association, as more particularly set forth in Article II below.

Section 1.20. "**Mortgagee**" shall mean and refer to any person or entity holding a first mortgage on any Lot or the Common Area who has notified the Association of this fact in writing. An "**Eligible Mortgagee**" shall be a Mortgagee who has given notice to the Association of its interest and requested all rights afforded Eligible Mortgagees under Article XII.

Section 1.21. "**Owner**" shall mean and refer to the record owner, whether one (1) or more persons or entities, of the fee simple title to any Lot, including a contract seller but excluding those holding such interest in a Lot solely by virtue of a contract to purchase a Lot or as security for the performance of an obligation. If more than one (1) person or entity is the record owner of a Lot, the term Owner as used herein shall mean and refer to such owners collectively, so that there shall be only one (1) Owner of each Lot.

Section 1.22. "**Permitted Signs**" shall mean (i) customary real estate sale or lease signs which have received the prior written approval of the Architectural Review Board (as defined in Article VII); and (ii) temporary construction and wooden home signage.

Section 1.23. "**Person**" shall mean an individual, firm, corporation, partnership, association, trust, or other legal entity, or any combination thereof.

Section 1.24. "**Property**" shall mean that certain real property located in Hamilton County, Indiana, which is more specifically described on Exhibit A attached hereto and incorporated herein by reference, as the same may be duly subdivided and platted, and any additions thereto which, from time to time, may be subjected to the covenants, conditions, restrictions, reservations, easements, charges and liens of this Declaration.

Section 1.25. "**Recorder's Office**" shall mean the Office of the Recorder of Hamilton County, Indiana.

Section 1.26. "**Regular Assessments**" shall mean and refer to assessments levied against all Lots to fund Common Expenses.

Section 1.27. "**Restrictions**" shall mean and refer to the agreements, conditions, covenants, restrictions, easements, assessments, charges, liens, and other provisions set forth in this Declaration with respect to the Property, as the same may be amended from time to time.

Section 1.28. "**Special Assessments**" shall mean and refer to assessments levied in accordance with Section 5.7 of this Declaration.

Section 1.29. "Structure" shall mean any temporary or permanent improvement or building or portion thereof, including, without limitation, walls, decks, patios, stairs, windows, window boxes, doors, fences, play equipment, trampolines, greenhouses, skylights, address markers, mail boxes, name plates, flag poles, lawn ornaments, trees, hedges, shrubbery, solar panels, satellite dishes, antennae, shutters, awnings, fences, pools, hot tubs, pavement, walkways, driveways, garages and/or garage doors, or appurtenances to any of the aforementioned.

Section 1.30. "Supplemental Declaration" shall mean an amendment or supplement to this Declaration executed by or consented to by a Declarant or its successors or assigns, and recorded in the public records of Hamilton County, Indiana, which subjects Additional Property to this Declaration and/or imposes, expressly or by reference, additional restrictions and obligations on the Additional Property described therein. The term shall also refer to the instrument recorded by a Declarant or its successors or assigns to subject Additional Property to this Declaration.

ARTICLE II.

MEMBERSHIP

Every Owner of a Lot which is subject to this Declaration shall be a Member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Lot which is subject to assessment by the Association. Ownership of such Lot shall be the sole qualification for membership. No Owner shall have more than one (1) membership in the Association for each Lot it owns.

ARTICLE III.

VOTING RIGHTS

Section 3.1. Classes. The Association shall have two (2) classes of voting membership as follows:

Class A: Class A Members shall be all Members with the exception of the Class B Member. A Class A Member shall be entitled to one (1) vote for each Lot in which it holds the interest required for membership pursuant to Article II herein with respect to each matter submitted to a vote of Members upon which the Class A Members are entitled to vote.

Class B: The Class B Member shall be Declarant and all successors and assigns of Declarant designated by Declarant as Class B Members in a written notice mailed and delivered to the resident agent of the Association. A Class B Member shall be entitled to three (3) votes for each Lot in which it holds the interest required for membership pursuant to Article II herein. Declarant's Class B membership interest shall be converted to and shall become a Class A membership interest with one (1) vote for each Lot in which it holds an interest upon the happening of any of the following events, whichever occurs first (the "Authority Transfer Date"):

- (a) the date upon which at least ninety-five percent (95%) of the Lots have been transferred to an Owner other than Declarant or Builder (as defined in Section 4.3(b) below); or
- (b) seven (7) years from the date of recordation of this Declaration; or
- (c) sixty (60) days after the date upon which Declarant abandons construction (i.e., no new Dwelling Unit construction has been initiated for a period of eighteen (18) months, unless there is evidence of continuing construction).

Section 3.2. Expansion. If Declarant exercises its rights to expand the Property to include additional real estate to be subject to this Declaration including, but not limited to, additional real estate to be used as Lots or Common Area (collectively, "Additional Property"), and in the event that Declarant's Class B membership shall have ceased as provided in Section 3.1, above, Declarant's Class B membership interest shall be revived with respect to all Lots owned by Declarant, including those, if any, as to which it had previously had its Class B membership interest converted to Class A membership interests. In addition, in such event, without the requirement of further action or consent by any Member, all of Declarant's rights and privileges hereunder which it enjoyed prior to the Authority Transfer Date shall also be automatically renewed and reinstated. Any such new and/or revived Class B membership interests shall cease and be converted to Class A membership interests upon the happening of any of the following events, whichever occurs first:

- (a) the date upon which at least ninety-five percent (95%) of the Lots have been transferred to an Owner other than Declarant or Builder (as defined in Section 4.3(b) below); or
- (b) the later of (i) seven (7) years from the date of recordation of this Declaration or (ii) five (5) years from the date of recordation of the document subjecting such Additional Property to this Declaration; or
- (c) sixty (60) days after the date upon which Declarant abandons construction (i.e., no new Dwelling Unit construction has been initiated for a period of eighteen (18) months, unless there is evidence of continuing construction).

Section 3.3. Multiple Ownership Interests. When more than one (1) Person constitutes the Owner of a particular Lot, all of such Persons shall be Members of the Association, but all of such Persons, collectively, shall have only one (1) vote for such Lot. The vote for such Lot shall be exercised as such Persons constituting the Owner of the Lot determine among themselves, and may be exercised by any one (1) of the Persons holding such ownership interest, unless any objection or protest by any other holder of such ownership interest is made prior to the completion of a vote, in which case the vote cast for such Lot shall not be counted, but the Member whose vote is in dispute shall be counted as present at the meeting for quorum purposes if the protest is lodged at such meeting. In no event shall more than one (1) vote be cast with respect to any Lot.

ARTICLE IV.

DECLARATION OF RESTRICTIONS AND STATEMENT OF PROPERTY RIGHTS

Section 4.1. Declaration. Declarant hereby expressly declares that the Property and any additions thereto pursuant to this Declaration, shall be held, transferred and occupied subject to these Restrictions. The Owners of each Lot are subject to these Restrictions, and all other Persons, whether (i) by acceptance of a deed from Declarant, or its successors or assigns, conveying title thereto, or the execution of a contract for the purchase thereof, whether from Declarant or a subsequent Owner of such Lot, or (ii) by the act of occupancy of any Lot, shall conclusively be deemed to have accepted such deed, executed such contract and undertaken such occupancy subject to each Restriction and agreement herein contained. By acceptance of such deed, or execution of such contract, or undertaking such occupancy, each Owner and each other Person for itself, its heirs, personal representatives, successors and assigns, acknowledges the rights and powers of Declarant, the Architectural Review Board and of the Association with respect to these Restrictions, and also, covenants, agrees and consents to and with Declarant, the Architectural Review Board, the Association, and the Owners and subsequent Owners of each of the Lots affected by these Restrictions, to keep, observe, comply with and perform such Restrictions and agreements.

Section 4.2. Property Rights. Every Owner shall have a right and easement of use, access, and enjoyment in and to the Common Areas, and such easement shall be appurtenant to and shall pass with the title to every Lot, subject to:

- (a) this Declaration as it may be amended from time to time and to any restrictions, limitations or other matters contained in any deed conveying any part of the Property to the Association;
- (b) the right of the Association to limit the number of guests of Members on the Common Area or to make any part of the Common Area available to occupants of adjacent real estate or members of the general public;
- (c) the right of the Association to adopt and enforce rules and regulations governing the use of the Common Area and the personal conduct of Owners, occupants and guests thereon, including, without limitation, the imposition of fines for the violation thereof;
- (d) the right of the Association to impose reasonable membership requirements and charge reasonable admission or other fees for the use of any recreational facility situated upon the Common Area;
- (e) the right of the Association to suspend (i) the Members' voting rights, (ii) the Members' right to run for office within the Association, and (iii) rights of a Member to the use of any nonessential services offered by the Association, provided that access and the provision of utilities to the Lot through the Common Area shall not be precluded, for (x) any period during which any assessment against such Member's Lot remains

unpaid or (y) for a period not to exceed sixty (60) days for any infraction of its published rules and regulations;

(f) the right of the Association at any time, or upon dissolution of the Association, and consistent with the then-existing zoning and subdivision ordinances of the City and/or the County and consistent with its designation of the Common Area as "open space", to transfer all or any part of the Common Area to an organization conceived and organized to own and maintain common open space, or, if such organization will not accept such a transfer, then to a Local Governing Authority or other appropriate governmental agency, or, if such a transfer is declined, then to another entity in accordance with the laws governing the same, for such purposes and subject to conditions as may be agreed to by the Members. Except in the case of dissolution, any such transfer shall have the assent of at least two-thirds (2/3) of each class of Members entitled to vote and who are voting in person or by proxy at a meeting duly called for this purpose at which a quorum is present, written notice of which must have been sent to all Members not less than twenty-five (25) days nor more than fifty (50) days in advance of the meeting setting forth the purpose of the meeting. Upon such assent and in accordance therewith, the officers of the Association shall execute the necessary documents to effectuate the transfer under this subparagraph (f). The re-subdivision or adjustment of the boundary lines of the Common Area and the granting of easements by the Association shall not be deemed a transfer within the meaning of this Article;

(g) the right of the Association to grant, with or without payment to the Association, licenses, rights-of-way and easements under, across, through or over any portion of the Common Area;

(h) the right of the Association to lease the Common Area; provided, however, that such lease(s) must:

(i) be only to non-profit organizations;

(ii) prohibit assignment and subleasing;

(iii) require the prior, written approval of the Association with respect to the lessee(s)' uses of the Common Area and facilities, all of which must be in accordance with this Declaration;

(iv) be consistent with the then-existing ordinances of the Local Governing Authority; and

(v) be consistent with the open space designation of the Common Area;

(i) the right of Declarant or the Association to re-subdivide and/or adjust the boundary lines of the Common Area consistent with applicable zoning and subdivision ordinances as either deems necessary for the orderly development of the subdivision;

(j) all rights reserved by Declarant in Article VIII hereof; and

(k) the right of Declarant to erect, maintain and operate real estate sales and construction offices, displays, signs and other facilities for sales, marketing and construction purposes.

The Association, acting through the Board of Directors, may exercise these rights without the need for any approval from any Member, Mortgagee or any of the Federal Agencies, unless provided otherwise in this Declaration.

Section 4.3. Common Area.

(a) Ownership. Declarant may retain legal title to the Common Area during the Development Period, but shall convey title to the Common Area to the Association free and clear of all liens and other financial encumbrances, exclusive of the lien for taxes not yet due and payable, no later than the end of the Development Period. The Common Areas shall remain private, and neither Declarant's execution, or recording of an instrument portraying the Common Areas, nor the doing of any other act by Declarant is, or is intended to be, or shall be construed as, a dedication to the public of the Common Areas. Declarant or the Association may, however, dedicate or transfer all or any part of the Common Areas to any public agency or utility for roadways, utility or parks purposes. or for other public purposes.

(b) Maintenance. The Association shall be responsible for maintaining the Common Area and the Maintenance Costs thereof shall be assessed as a Regular Assessment against all Lots subject to assessment. Notwithstanding anything to the contrary set forth in this Declaration, from and after the date upon which any Lot is first conveyed to an Owner other than Declarant or RH of Indiana, L.P. ("Builder"), or an affiliate of either of them, the Association shall be solely responsible for all costs incurred with respect to the maintenance and repair of the Common Area, whether or not such Common Area has then been conveyed to the Association pursuant to this Declaration, and regardless of whether such costs are incurred by Developer, Builder or an affiliate of either of them. All such costs incurred by Developer, Builder, or an affiliate of either of them, shall be reimbursed by the Association within ten (10) days of the Association's receipt of an invoice from the party incurring such costs.

(c) Control. The Association, subject to the rights of Declarant and the Owners set forth in this Declaration, shall be responsible for the exclusive management and control of the Common Areas and all improvements thereon and, except as otherwise provided herein or in a Supplemental Declaration, shall keep the Common Areas in good, clean, attractive and sanitary condition, order, and repair.

(d) No Permanent Structures. Except for underground utility facilities, and except as provided in this Declaration, or any Supplemental Declaration, no permanent improvements shall be made to or installed on the Common Area other than lighting, seating, walkways, paved paths, planting structures, and fountains or other non-recreational water features. The use of the Common Area shall be subject to rules and

regulations adopted by the Board of Directors which are not inconsistent with the provisions of this Declaration or any Supplemental Declaration.

(e) Delegation of Use. Any Member may delegate its right of enjoyment to the Common Area and facilities to the members of its immediate household, its tenants or contract purchasers who reside on the Member's Lot. However, by accepting a deed to such Lot, each Owner, for itself individually, covenants that (i) every rental agreement with respect to the Lot shall contain specific conditions which require the tenant thereunder to abide by all Association covenants, rules and regulations, without exception, (ii) each such tenant will be provided, prior to the execution of such lease, a complete set of all Association covenants, rules and regulations, and (iii) the Owner shall comply with the requirements of Section 6.20.

(f) Damage or Destruction by Owner. In the event any Common Area is damaged or destroyed by an Owner or any of his guests, tenants, licensees, agents, members of his family, or any other Person having or gaining access to the Owner's Lot, such Owner authorizes the Association to repair said damaged area, and an amount equal to the costs incurred to effect such repairs shall be assessed against such Owner as a Special Assessment and shall constitute a lien upon the Lot of said Owner until paid in full. The Association shall repair said damaged area in a good and workmanlike manner in conformance with the original plans and specifications of the area involved, or as the area may have been modified or altered subsequently by the Association in the discretion of the Association.

(g) Density of Use. Declarant expressly disclaims any warranties or representations regarding the density of use of the Common Areas or any facilities located thereon.

ARTICLE V.

ASSESSMENTS

Section 5.1. Creation of the Lien and Personal Obligation for Assessments.

Declarant covenants and agrees, for each Lot owned by Declarant, and each Owner of a Lot covenants and agrees, by acceptance of a deed therefor, whether or not it shall be so expressed in any such deed or other instrument of conveyance, to pay to the Association: (a) Regular Assessments, (b) Special Assessments, and any other amounts as may be provided hereunder to be due from any Owner in connection with his ownership of a Lot. Such assessments are to be established and collected as hereinafter provided. The Association's Regular Assessments and Special Assessments, together with interest thereon, late fees (as contemplated in Section 5.6(d) below) and costs of collection thereof, as hereinafter provided, shall be assessed against each applicable Owner's Lot and shall be a continuing lien upon the Lot against which each assessment is made. Each such assessment, together with interest, costs, and reasonable attorneys' fees, shall also be the personal obligation of the person who was the Owner of such Lot at the time the assessment became first due. The Regular Assessments and Special Assessments, when assessed upon resolution of the Board of Directors for each year, shall

become a lien on each Lot in the amount of the entire Regular Assessment or Special Assessment, but shall be payable in two equal installments collected on a semi-annual basis.

Section 5.2. Purpose of Assessment. The assessments levied by the Association shall be used to promote the recreation, health, safety and welfare of the residents and Owners of the Property, and for the improvement, maintenance and landscaping of the Common Area, including but not limited to the payment of taxes, construction of improvements and maintenance of services, facilities, irrigation/sprinkler systems, trees, lawns, shrubbery and other plantings, and devoted to these purposes or related to the use and enjoyment of the Common Area or other property which the Association has the obligation to maintain including, but not limited to, the maintenance, repair, payment and reimbursement obligations of the owner of the Property with respect to other property and improvements thereupon and for such other purposes as the Board of Directors may determine to be appropriate.

Section 5.3. Annual Accounting. Annually, after the close of each fiscal year of the Association and prior to the date of the annual meeting of the Association next following the end of such fiscal year, the Board of Directors shall cause to be prepared and furnished to each Owner a financial statement prepared by a certified public accountant or firm of certified public accountants then serving the Association, which statement shall show all receipts and expenses received, incurred and paid during the preceding fiscal year. Any costs charged to the Association for the preparation of said statements shall be a Common Expense.

Section 5.4. Proposed Annual Budget. Annually, on or before the date of the annual or special meeting of the Association at which the budget is to be acted upon, the Board of Directors shall cause to be prepared a proposed annual budget for the next ensuing fiscal year estimating the total amount of the Common Expenses for such next ensuing fiscal year and shall furnish a copy of such proposed budget to each Owner at or prior to the time the notice of such meeting is mailed or delivered to such Owners. The annual budget shall be submitted to the Owners at the designated meeting of the Association for adoption and, if so adopted, shall be the basis for the Regular Assessments for the next ensuing fiscal year. At such annual or special meeting of the Owners, the budget may be approved in whole or in part or may be amended in whole or in part by a majority vote of the Owners; provided, however, that in no event shall such meeting of the Owners be adjourned until an annual budget is approved and adopted at such meeting, whether it be the proposed annual budget or the proposed annual budget as amended. The annual budget, the Regular Assessments and all sums assessed by the Association shall be established by using generally accepted accounting principles applied on a consistent basis. The failure or delay of the Board of Directors to prepare a proposed annual budget and to furnish a copy thereof to the Owners shall not constitute a waiver or release in any manner of the obligations of the Owners to pay the Common Expenses as herein provided, whenever determined. In the event there is no annual budget approved by the Owners as herein provided for the current fiscal year, whether before or after the meeting of the Association at which the budget is to be acted upon, the Owners shall continue to pay Regular Assessments based upon the last approved budget or, at the option of the Board of Directors, Regular Assessments based upon one hundred and ten percent (110%) of such last approved budget, as a temporary budget.

Section 5.5. Establishment of Regular Assessment. The Association must levy in each of its fiscal years a Regular Assessment against each Lot. The amount of such Regular

Assessment shall be established by the Board of Directors, subject to the limitations imposed by Section 5.6 below, and written notice of the same shall be sent to every Owner at least thirty (30) days in advance of the commencement of each Regular Assessment period. Regular Assessments against each Lot shall be paid in advance, payable in two equal semi-annual installments. The initial Regular Assessment levied by the Association for each Lot shall be adjusted according to the number of months remaining in the period for which such initial assessment was levied. All payments of Regular Assessments and Special Assessments shall be non-refundable, and all collections and funds held by the Association on account thereof shall be appurtenant to and be applied for the benefit of the respective Lot. In no event shall any Owner be due any rebate or credit from the Association upon resale or other transfer or conveyance for prepaid Regular Assessments or Special Assessments.

Section 5.6. Regular Assessments. Prior to January 1 of the year immediately following conveyance of the first Lot to an Owner other than Declarant, the Regular Assessment shall be _____ and 00/100 Dollars (\$_____).

(a) Upon January 1 of the year immediately following the first conveyance of a Lot to an Owner other than Declarant, and upon January 1 of each year thereafter, the Regular Assessment shall increase, effective as of January 1 of each year, without the need for a vote of the Members, by an amount equal to (i) the anticipated increase in costs of insurance, taxes, snow removal, recycling, trash and waste removal and other Common Area maintenance services, plus (ii) an amount equal to the amount of the Regular Assessment for the immediately preceding year multiplied by ten percent (10%).

(b) The Board of Directors may determine not to increase the Regular Assessment to the full extent of the automatic increase provided in subsection (a) above, in which case the Board of Directors shall specify the amount of such lesser Regular Assessment.

(c) Upon and after January 1 of the year immediately following the first conveyance of a Lot to an Owner other than Declarant, the Regular Assessment may be increased above that established by subsection (a) above; provided, however, that any such change must have the consent of at least fifty percent (50%) of the votes of those Members who are entitled to vote and who, in fact, do vote, in person or by proxy, at a meeting duly called for this purpose at which a quorum is present, written notice of which (setting forth the purpose of the meeting) shall be sent to all Members not less than thirty (30) days nor more than sixty (60) days in advance of the meeting.

(d) The Regular Assessment against each Lot shall be paid in semi-annual installments, each of which is paid in full in advance by the due dates specified by the Board of Directors, the first of which due date shall not be earlier than fifteen (15) days after the written notice of such Regular Assessment is given to the Owners. Semi-annual installments of Regular Assessments shall be due and payable automatically on their respective due dates without any notice from the Board of Directors or the Association, and neither the Board of Directors nor the Association shall be responsible for providing any notice or statements to Owners for the same. If an Owner fails to pay any semiannual installment of any such Regular Assessment on or before the due date

established by the Board of Directors, a late fee in the amount of \$25.00 will be added to the amount due, and any such installment, together with such late fee, will be and remain, immediately due and payable.

(e) Payment of the Regular Assessment shall be made to the Board of Directors or a managing agent, as directed by the Board of Directors.

(f) The Regular Assessment for each fiscal year of the Association shall become a lien on each separate Lot as of the first day of each fiscal year of the Association, even though the final determination of the amount of such Regular Assessment may not have been made by that date.

Section 5.7. Special Assessments. In addition to the Regular Assessment authorized above, the Association may levy, in any assessment year, a Special Assessment applicable to that year for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of capital improvements upon the Common Area, including the fixtures and personal property related thereto, or for any other specified purpose. Without limiting the generality of the foregoing provisions, Special Assessments may be made by the Board of Directors from time to time to pay for capital expenditures and to pay for the cost of any repair or reconstruction of damage caused by fire or other casualty or disaster to the extent insurance proceeds are insufficient therefor under the circumstances described in this Declaration. Except in the case of damage or destruction caused by an Owner or any of his guests, tenants, licensees, agents, members of his family, or any other Person having or gaining access to the Owner's Lot as contemplated by Section 4.3(f), any such Special Assessment shall be levied against all of the Lots which benefit from the construction, reconstruction, repair or replacement of capital improvements giving rise to the Special Assessment, pro rata according to each Lot's benefit, as reasonably determined by the Board of Directors, which determination shall be final. In the case of damage or destruction caused by an Owner or any of his guests, tenants, licensees, agents, members of his family, or any other Person having or gaining access to the Owner's Lot as contemplated by Section 4.3(f), the Special Assessment may be levied solely against that Owner. Notwithstanding the fact that in some instances, this Declaration may provide that certain items of routine and ordinary repair and maintenance should be performed by the Association, the Association shall nevertheless retain the right to assess the costs thereof to any Owner or group of Owners as a Special Assessment. To be effective, any such Special Assessment shall have the assent of more than two-thirds (2/3) of the votes of each class of Members who are entitled to vote and who are voting in person or by proxy at a meeting duly called for this purpose at which a quorum is present, and written notice setting forth the purpose of the meeting must have been sent to all Members not less than thirty (30) days nor more than sixty (60) days in advance of the meeting.

Section 5.8. Quorum for any Action Authorized Under Sections 5.6 or 5.7. At the first calling of a meeting under Section 5.6 or Section 5.7 of this Article, the presence at the meeting of Members or proxies entitled to cast sixty percent (60%) of all the votes with respect to each class of Members shall constitute a quorum. If the required quorum does not exist at any such meeting, another meeting may be called subject to the notice requirements set forth in Section 5.6 and Section 5.7 and subject further to applicable law, and the required quorum at any such subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting.

No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

Section 5.9. Working Capital Assessment. In addition to the Regular and Special Assessments authorized above, the Association shall establish and maintain a working capital fund. At the closing of each sale or other transfer of a Lot by Declarant, or any re-sale of a Lot by a Declarant, the purchaser of such Lot shall pay to the Association a working capital assessment in an amount equal to one-sixth (1/6th) of the then current Regular Assessment for said Lot (a "Working Capital Assessment"), which payment shall be non-refundable and shall not be considered as an advance payment of an assessment or other charge owed to the Association with respect to such Lot. The Working Capital Assessment shall be used as determined by Declarant in its sole and reasonable discretion.

Section 5.10. Rate of Assessment. The Regular Assessment shall be fixed at a uniform rate for all Lots, except for unoccupied Lots owned by Declarant. Except in the case of damage or destruction caused by an Owner as contemplated by Section 4.3(f), and except for unoccupied Lots owned by Declarant, the Special Assessments shall be fixed at a uniform rate for all Lots which benefit from the construction, reconstruction, repair or replacement of capital improvements giving rise to the Special Assessment, pro rata according to each Lot's benefit, as reasonably determined by the Board of Directors, which determination shall be final. Notwithstanding the foregoing or anything else contained herein, no Regular Assessments or Special Assessments or other charges shall be owed or payable by Declarant with respect to any Lot or other portion of the Property owned by Declarant while the same is owned by Declarant, nor shall any such assessments or charges become a lien on any such Lot or other portion of the Property owned by Declarant.

Section 5.11. Notice of Assessment and Certificate. Written notice of the Regular Assessments and any Special Assessments shall be sent to every Member. The due dates for payment of the Regular Assessments and any Special Assessments shall be established by the Board of Directors. The Association shall, upon written demand by a Member at any time, furnish a certificate in writing signed by an officer or authorized agent of the Association setting forth whether the assessments on a specified Lot have been paid and the amounts of any outstanding assessments. A reasonable charge may be made by the Board of Directors for the issuance of these certificates, which charge shall be paid to the Board of Directors in advance by the requesting Member. Such certificates shall be conclusive evidence of payment of any assessment therein stated to have been paid.

Section 5.12. Remedies of the Association in the Event of Default. Each Owner shall be personally liable for the payment of all Regular Assessments and Special Assessments against his Lot. Where the Owner constitutes or consists of more than one Person, the liability of such Persons shall be joint and several. If any assessment pursuant to this Declaration is not paid within thirty (30) days after its initial due date, the assessment shall bear interest from the date of delinquency at the rate charged by the Internal Revenue Service on delinquent taxes. In addition, in its discretion, the Association may:

- (a) impose a penalty or late charge if previously established by the Association;

(b) bring an action at law against the Owner personally obligated to pay the same and/or foreclose the lien against the Lot, and interest, costs and reasonable attorneys' fees of any such action shall be added to the amount of such assessment. A suit to recover a money judgment for nonpayment of any assessment levied pursuant to this Declaration, or any installment thereof, may be maintained without perfecting, foreclosing or waiving the lien provided for herein to secure the same;

(c) suspend a Member's voting rights, right to hold an office within the Association, and right to use nonessential services offered by the Association, provided that access and the provision of utilities to the Lot through the Common Area shall not be precluded. A Member, whose rights have been suspended in this manner, shall have no right to any refund or suspension of his obligations to pay such assessments or any other assessments becoming due for the duration of such suspension or otherwise; and

(d) accelerate the due date of the unpaid assessment so that the entire balance shall become immediately due, payable and collectible.

No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Area or facilities, abandonment of its Lot, or the failure of the Association or the Board of Directors to perform their respective duties.

In any action to foreclose the lien against a Lot pursuant to Section 5.12(a) above, the Owner and any occupant of the Lot and Dwelling Unit which are the subject of such action shall be jointly and severally liable for the payment to the Association of reasonable rental for such Lot and Dwelling Unit, and the Board of Directors shall be entitled to the appointment of a receiver for the purpose of preserving the Lot and Dwelling Unit and to collect the rentals and other profits therefrom for the benefit of the Association to be applied to the unpaid Regular Assessments or Special Assessments. The Board of Directors may, at its option, bring a suit to recover a money judgment for any unpaid Regular Assessment or Special Assessment without foreclosing (and without thereby being deemed to have waived) the lien securing the same. In any action to recover any Regular Assessment or Special Assessment, or any other debts, dues or charges owed the Association, whether by foreclosure or otherwise, the Board of Directors, for and on behalf of the Association, shall be entitled to recover from the Owner of the respective Lot and Dwelling Unit all of the costs and expenses incurred as a result of such action (including, but not limited to, reasonable attorneys' fees) and interest upon all amounts due at the rate of twelve percent (12%) per annum, which shall accrue from the date such assessments or other amounts become first due, until the same are paid in full.

Section 5.13: Subordination of the Lien to Mortgages. The lien for the assessments provided for herein shall be subordinate to the lien of any properly recorded first mortgage encumbering a Lot. Notwithstanding anything contained in this Section 5.13 or elsewhere in this Declaration, any sale or transfer of a Lot to a Mortgagee pursuant to a foreclosure of its mortgage or conveyance in lieu thereof, or a conveyance to any person at a public sale in the manner provided by law with respect to mortgage foreclosures, shall not extinguish the lien of any unpaid assessments (or periodic installments, if applicable) which became due prior to such sale, transfer or conveyance, and that the extinguishment of such lien shall not relieve the prior Owner

from personal liability therefor; and further provided, that any Person taking title to such Lot in the foregoing manner shall have no right to use the non-essential services or amenities of the Property until such time as all assessments due with respect to such Lot have been paid in full. No such sale, transfer or conveyance shall relieve the Lot, or the purchaser thereof at such foreclosure sale, or the grantee in the event of conveyance in lieu thereof, from liability for any assessments (or periodic installments of such assessments, if applicable) thereafter becoming due or from the lien for such assessments.

Section 5.14. Exempt Property. The following portions of the Property shall be exempt from the assessments created by this Declaration: (a) those portions of the Property that are dedicated to and accepted by a local public authority; and (b) the Common Area. Except as otherwise provided in Section 5.10 hereof, no developed or undeveloped Lot, land or improvements devoted to dwelling use shall be exempt from said assessments.

Section 5.15. Replacement Reserve Fund. The Association shall establish and maintain a reserve fund ("Replacement Reserve Fund") for the maintenance, repair and replacement of the Common Area and improvements located thereon by the allocation and payment to such reserve fund of an amount to be designated from time to time by the Board of Directors, which reserve fund shall be sufficient, in the sole opinion of the Board of Directors, to accommodate such future maintenance, repair and replacement and which shall be a component of the Regular Assessment. The Replacement Reserve Fund (i) shall be conclusively deemed to be a Common Expense of the Association, (ii) shall be maintained by the Association in a separate, interest bearing account or accounts with any banking institution, the accounts of which are insured by any state or by any agency of the United States of America as selected by the Board of Directors, and (iii) may be expended only for the purpose of effecting the replacement of the Common Area, major repairs to, replacement and maintenance of any improvements within the Common Area, including but not limited to, sidewalks, parking areas, landscape improvements, street or common area lighting, streets or roadways developed as a part of the Property, equipment replacement, and for start-up expenses and operating contingencies of a nonrecurring nature relating to the Common Area. The Association may establish such other reserves for such other purposes as the Board of Directors may from time to time consider to be necessary or appropriate. The proportional interest of any Member in any such reserves shall be considered an appurtenance of the Member's Lot and shall not be separately withdrawn, assigned or transferred or otherwise separated from the Lot to which it appertains and shall be deemed to be transferred with such Lot.

ARTICLE VI

USE, RESTRICTIONS AND ARCHITECTURAL CONTROLS

Section 6.1. Residential Use. The Property shall be used exclusively for residential purposes except as provided in Section 6.31 hereof. Declarant reserves the right, pursuant to a recorded subdivision or re-subdivision plat, to alter, amend, and change any Lot line or subdivision plan or plat. No structure shall be erected, altered, placed or permitted to remain on any Lot other than one (1) Dwelling Unit and appurtenant structures, approved by the

Association and appropriate Local Governing Authorities, for use solely by the occupant(s) of the Dwelling Unit.

Section 6.2. Architectural Review Board Approval. No Structure or addition to a Structure shall be erected, placed, painted, altered or externally modified or improved on any Lot unless and until (i) the plans and specifications, including design, elevation, material, shape, height, color and texture, and a site plan showing the location of all improvements with grading modifications, shall have been filed with and approved in writing in all respects by the Architectural Review Board (as defined in Article VII below) and, if required, by appropriate Local Governing Authorities; and (ii) all construction permits have been obtained, if applicable or required.

Section 6.3. Laundry. No clotheslines may be erected on any Lot, and no clothing, sheets, blankets, rugs, laundry or wash shall be hung out, exposed, aired or dried on any portion of the Property within public view.

Section 6.4. Sight Lines. No fence, wall, tree, hedge or shrub shall be maintained in such a manner as to obstruct sight lines for vehicular traffic.

Section 6.5. Lot Maintenance. Each Owner shall, at all times, maintain its Lot and Dwelling Unit and all appurtenances thereto free of debris or rubbish and in good repair and in a state of neat appearance from all exterior vantage points. While the Association will perform all routine maintenance to landscape improvements on each Lot as provided in Article XI below, the Owners, subject to Section 6.6 below, shall be responsible for all routine and extraordinary maintenance to Structures or amenities on his Lot, and all extraordinary items of maintenance to any landscape improvement on his Lot, including, without limitation, trees and shrubs, and for repair of any damage or destruction to any Structure or landscape improvement or amenity on his Lot, including, without limitation, trees and shrubs, whether or not caused by the Owner, a third party, elements of nature, or acts of God.

Section 6.6. Additions to Landscape Improvements. No tree, shrub, or other vegetation or landscape improvement originally installed by Declarant shall be removed or altered unless such item is dead or decayed and dangerous to human health, safety, or welfare, and the removal has been approved in writing in advance by the Architectural Review Board, or removal is ordered by a Local Governing Authority or by the Architectural Review Board to maintain proper sightlines. No approval for removal of any trees or shrubs shall be granted by the Architectural Review Board unless appropriate provisions are made for replacing the removed trees or shrubs. Each Owner is permitted to add to the landscape of his Lot certain landscaping features within approved flowerbeds; however, prior to adding any such landscape, the Owner of such Lot must submit a written landscape plan to the Architectural Review Board for its review and obtain the written approval of such Architectural Review Board.

Section 6.7. Nuisance. No noxious or offensive activity shall be carried on or permitted to be carried on upon the Property, nor shall anything be done or placed thereon which is or may become an annoyance or nuisance to the neighborhood. Nothing shall be done or kept or permitted to be done or kept by an Owner in any Dwelling Unit, or on any Lot, or on any of the Common Areas, which will cause an increase in the rate of insurance paid by the Association

or any other Owner. No Owner shall permit anything to be done or kept in his Dwelling Unit or on his Lot which will result in a cancellation of insurance on any part of the Common Area or any other Owner, or which would be a violation of any law or ordinance or the requirements of any insurance underwriting or rating bureau. No Dwelling Unit or Lot shall be used in any unlawful manner or in any manner which might cause injury to the reputation of the Community or which might be a nuisance, annoyance, or inconvenience, or which might cause damage, to other Owners and occupants of Dwelling Units or neighboring property, including, without limiting the generality of the foregoing, noise by the use of any musical instrument, radio, television, loud speakers, electrical equipment, amplifiers or other equipment or machinery. No exterior lighting on a Lot shall be directed outside the boundaries of the Lot. No outside toilets shall be permitted on any Lot (except during a period of construction and then only upon obtaining prior written consent of the Architectural Review Board), and no sanitary waste or other wastes shall be permitted to be exposed.

Section 6.8. Signs. Permitted Signs shall include only those professionally constructed signs which advertise a home on a Lot for sale by a licensed and registered real estate broker/company, and which are non-illuminated and less than or equal to six (6) square feet in size ("Permitted Signs"). With the exception of Permitted Signs, all signs including, but not limited to those advertising a garage sale or a Lot "For Lease", must be approved by the Architectural Review Board before being placed upon any Lot or Common Area, or displayed from a Dwelling Unit. No more than one sign (including a Permitted Sign) may be displayed on a Lot or from a Dwelling Unit at any one time. In addition, no more than one sign (including a Permitted Sign) may be displayed in the Community by an entity owning multiple Lots. All Permitted Signs advertising a Lot for sale shall be removed within three (3) business days from the date of the conveyance of the Lot or the execution of the lease agreement, as applicable. Signs advertising a Lot for "Rent to Own", or something similar, are expressly prohibited and may not be placed on any Lot or displayed from a Dwelling Unit constructed thereon. The Declarant and Builder are expressly exempt from the requirements of this Section 6.9 and may post any signs in Common Areas and Lots owned by Declarant and/or Builder, as they deem necessary.

Section 6.9. Animals. No domesticated or wild animal shall be kept or maintained on any Lot, except that no more than three (3) common household pets such as dogs and cats may be kept or maintained, provided that they are not kept, bred or maintained for commercial purposes and do not create a nuisance or annoyance to surrounding Lots or the neighborhood and are kept in compliance with applicable laws and ordinances of the Local Governing Authority. Excessive barking of dog(s) or vicious animals shall constitute a nuisance and may be ordered removed from the Property by the Association. Pets will not be permitted outside of a Dwelling Unit unless on a leash and any Owner walking a pet within the Community or on any Common Area will immediately clean up any solid animal waste and properly dispose of the same. Failure to remove any solid animal waste shall subject the owner to a fine not to exceed \$50.00 per occurrence as determined by the Board of Directors. Law enforcement and animal control personnel shall have the right to enter the Property to enforce local animal control ordinances.

Section 6.10. Trash Storage. Trash shall be collected and stored in sealed trash receptacles only and not solely in plastic garbage bags. Trash and garbage receptacles shall not

be permitted to remain in public view and shall remain inside of each Owner's garage except on days of trash collection, and except for those receptacles designed for trash accumulation located in the Common Area. No accumulation or storage of litter, new or used building materials, or trash of any kind shall be permitted on the exterior of any Dwelling Unit. No rubbish, garbage or other waste shall be allowed to accumulate on any Lot or Common Area. No homeowner or occupant of a Lot shall burn or bury any garbage or refuse on any Lot or Common Area.

Section 6.11. Antennae Systems. To the extent not inconsistent with federal and state law, exterior television and other antennae, including satellite dishes, are prohibited, unless approved in writing by the Architectural Review Board. The Architectural Review Board shall adopt rules for the installation of such antennae and/or satellite systems, which rules shall require that antennae and satellite dishes be placed as inconspicuously as possible and only when fully screened from public view on the rear and above the eave line of any Dwelling Unit. To the extent not inconsistent with federal law, satellite dishes will not exceed eighteen (18) inches in diameter. It is the intent of this provision that the Architectural Review Board shall be able to strictly regulate exterior antennae and satellite dishes to the fullest extent of the law and should any regulations adopted herein or by the Architectural Review Board conflict with federal law, such rules as do not conflict with federal law shall remain in full force and effect.

Section 6.12. Painting and Exterior Design. No Owner shall cause or permit any alterations or changes of the exterior design and/or color scheme of any Dwelling Unit, Structure or building including, but not limited to, the exterior paint color scheme and roof shingle color scheme and materials. No person shall paint the exterior of any building, or portion thereof, except contractors and agents employed by Declarant or the Association. Any and all such painting of the exterior of any building or any portion thereof shall be done by the Association, and the costs thereof will be assessed to the Owners either as a part of the Regular Assessments due hereunder or, if necessary, as a Special Assessment, as determined by the Board of Directors in its discretion under Article V above. All Dwelling Units will, at all times, be painted in a uniform color, without variation. By way of example only, in the event the Board of Directors or Declarant, as applicable, deems it necessary to paint only a portion of a building (i.e., in the case of damage affecting only one Dwelling Unit), and, if matching paint cannot be located or if, when applied, the paint does not match the finish on the adjacent Dwelling Units, the Board of Directors, in its sole discretion, may cause the exterior of the entire building to be painted, with the costs thereof being assessed to the Owners of the Dwelling Units in the building, either as a part of the Regular Assessments due hereunder, or, if necessary, as a Special Assessment, as determined by the Board of Directors in its discretion.

Section 6.13. Finished Exteriors. The exteriors of all Structures, including, without limitation, walls, doors, windows and roofs, shall be kept in good maintenance and repair by the Owners of Dwelling Units within that Structure. No Structure shall be permitted to stand with its exterior in an unfinished condition for longer than six (6) months after the commencement of construction. In the event of fire, windstorm or other damage, the exterior of a Structure shall not be permitted to remain in a damaged condition for longer than three (3) months, unless expressly excepted by the Board of Directors in writing. If the Board of Directors determines that any Structure or Dwelling Unit is not in compliance with the provisions of this Section 6.13, the Association shall send written notice to the Owner of that Structure or Dwelling Unit identifying, with reasonable specificity, the items in need of repair or maintenance (a "Repair

Notice"). If an Owner fails to comply with the provisions of this Section 6.13 after its receipt of such a Repair Notice, the Association shall be entitled to enforce the provisions of this Section 6.13 in the manner contemplated under Section 11.1(D), below, and in any other manner permitted hereunder or by applicable law.

Section 6.14. Fences. No fence or similar enclosure shall be erected or built on the Property except for any fencing required to be constructed by Declarant pursuant to that certain Statement of Covenants recorded in the Recorder's Office on April 25, 2000, as Instrument No. 2000-19558 (the "Statement of Covenants").

Section 6.15. Vehicles. No inoperable, junk, unregistered or unlicensed vehicle shall be kept on the Property. No portion of the Property shall be used for the repair of a vehicle.

Section 6.16. Commercial Vehicles. Except upon the prior written approval of the Architectural Review Board, no commercial or industrial vehicle, including, but not limited to, moving vans, trucks, tractors, trailers, vans, wreckers, tow trucks, hearses and buses, shall be parked overnight or regularly or habitually parked on the Property, nor shall any such vehicle be located on the Property for longer than twenty-four (24) hours.

Section 6.17. Recreational Vehicles. No recreational vehicles or equipment, including, but not limited to, boats, boating equipment, jet-skis, wave runners, travel trailers, fuel tanks, camping vehicles or camping equipment, shall be parked on the Property without the prior, written approval of the Architectural Review Board, as to location, size, screening and other criteria deemed to be relevant by the Architectural Review Board. The Association shall not be required to provide a storage area for these vehicles.

Section 6.18. Towing. The Board of Directors shall have the right to tow any vehicle parked or kept in violation of the covenants contained within this Article VI, upon twelve (12) hours' written, telephonic or verbal notice and at the vehicle owner's sole expense.

Section 6.19. Garage Usage. Any conversion of any garage that will preclude the parking of vehicles within that garage is prohibited. Owners shall keep and maintain their garages at all times in a manner that will permit the usage of such garage for parking of passenger automobiles, vans and/or trucks.

Section 6.20. Rental Agreements. Notwithstanding anything contained in this Declaration to the contrary, at no time shall greater than eighteen percent (18%) of the occupiable Dwelling Units be leased rather than owner-occupied. Any rental agreement for a Dwelling Unit shall (i) require an initial period of at least one (1) year, (ii) be in writing, (iii) require the payment of rental at prevailing market rates or higher, and (iv) be subject to the Restrictions, and all other terms and conditions set forth in this Declaration and in the other Association documents including, but not limited to, the Statement of Commitments. Every such rental agreement must include a provision stating that any failure by the tenant, its household members or guests, to comply with such Restrictions, or other terms and conditions as set forth above, shall be a default under the rental agreement, and the Owner shall be responsible for enforcing such provision at its sole expense; provided, however, that the Association shall also have the right to enforce any of such Restrictions and other terms and conditions against the

Owner or any tenant, or both, in the sole discretion of the Association, without regard to whether Declarant or the Association were or are in privity with such tenant. The foregoing shall not be construed as a waiver by the Association of its rights hereunder to enforce these Restrictions against a tenant or any other Person in possession of the Property or any part thereof. Prior to leasing a Dwelling Unit, the Owner of the Dwelling Unit shall notify the Association in writing and the Association shall have twenty (20) days from its receipt of such written notice within which to approve or reject the leasing of such Dwelling Unit. If the Association does not respond within such period, the request shall be deemed to be denied. Each Owner agrees to indemnify, defend and hold harmless the Association and the Board of Directors from and against all costs, liability, charges, expenses and claims resulting directly or indirectly from such Owner's failure to comply with the foregoing notification provision. By accepting title to a Lot, each Owner acknowledges and accepts the foregoing restriction on the number of leased Dwelling Units and the Association's right to enforce such restriction as provided hereunder. The Association reserves the right to prohibit or refuse its approval of the leasing of any Dwelling Unit based upon the restriction set forth in the first sentence of this Section 6.20.

Section 6.21. Initial Construction and Marketing. Declarant or its assigns may, during its construction and/or sales period, erect, maintain and operate real estate sales and construction offices, model homes, displays, signs and special lighting on any part of the Property and on or in any building or Structure now or hereafter erected thereon and shall not be bound by the provisions of this Article to the extent application thereof would delay, hinder or increase the cost of construction and/or marketing of Dwelling Units for sale in the Community by Declarant.

Section 6.22. Dusk to Dawn Lights. Each Owner shall maintain any and all lights installed as a part of the initial construction of each Dwelling Unit in good order, condition and repair, including, without limitation, any necessary repairs or maintenance as may be required for the effective operation of all "dusk to dawn" photocell switches and replacement of light bulbs so that those coach lights remain continuously operational from dusk to dawn.

Section 6.23. Garages. Garage doors shall remain closed except when entering and exiting or otherwise accessing the garage.

Section 6.24. Storage Facilities. No permanent, temporary or portable storage facilities shall be permitted on any Lot, except for portable storage facilities that are located wholly within the Owner's garage area and are removed within twenty-four (24) hours. No portable storage facility is permitted in any driveway, Common Area, or public right-of-way.

Section 6.25. Awnings. Except with respect to Lots upon which Declarant maintains a sales office or model home, or as otherwise approved by the Architectural Review Board, no metal, wood, fabric, fiberglass or similar type material awnings or patio covers will be permitted anywhere on the Property.

Section 6.26. Mailboxes. No individual mailboxes at curb or on any Dwelling Unit shall be allowed or permitted. Declarant shall install a common postal facility, with individual mailboxes, for all attached Dwelling Units within each single building.

Section 6.27. Address Markers. Declarant shall install uniform address markers on each Lot and no Person, except the Association, shall remove, alter, change, or add to such address markers.

Section 6.28. Pools and Hot Tubs. No pools or hot tubs shall be permitted on any Lot.

Section 6.29. Play Equipment. No children's play equipment such as playhouses, sandboxes, swing and slide sets, and trampolines, shall be permitted on any Lot.

Section 6.30. Basketball Goals. No basketball goals, hoops, or backboards shall be permitted on any Lot.

Section 6.31. Business Use. No garage sale, moving sale, rummage sale or similar activity and no trade or business may be conducted in or from any Lot, except that an Owner or occupant resident on a Lot may conduct business activities within a Dwelling Unit so long as: (a) the existence or operation of the business activity is not apparent or detectable by sight, sound or smell from outside the Dwelling Unit; (b) no sign or display is erected that would indicate from the exterior that the Dwelling Unit is being utilized in part for any purpose other than that of a residence; (c) no commodity is sold upon the premises; (d) no person is employed other than a member of the immediate family residing in the Dwelling Unit; (e) no manufacture or assembly operations are conducted; (f) the business activity conforms to all zoning requirements for the Property; (g) the business activity does not involve persons coming onto the Property who do not reside in the Property or door-to-door solicitation of residents of the Property; and (h) the business activity is consistent with the residential character of the Property and does not constitute a nuisance, or a hazardous or offensive use, or threaten the security or safety of other residents of the Property, as may be determined in the sole discretion of the Board of Directors. The terms "business" and "trade", as used in this provision, shall be construed to have their ordinary, generally accepted meanings, and shall include, without limitation, any occupation, work or activity undertaken on an ongoing basis which involves the provision of goods or services to persons other than the provider's family and for which the provider receives a fee, compensation, or other form of consideration, regardless of whether: (i) such activity is engaged in full or part-time; (ii) such activity is intended to or does generate a profit; or (iii) a license is required therefor. Notwithstanding the above, the leasing of a Lot or Dwelling Unit shall not be considered a trade or business within the meaning of this Section 6.31. This Section 6.31 shall not apply to any activity conducted by Declarant or its affiliates or a builder approved by Declarant with respect to their development and sale of the Property or their use of any Dwelling Units which Declarant or such builder owns within the Property for such activities.

Section 6.32. Landscaping of Common Areas. No Owner shall be allowed to plant trees, landscape or do any gardening in any of the Common Areas, except with prior, express written permission from the Board of Directors. All landscaping shall comply with the terms and conditions of the Statement of Covenants.

Section 6.33. Declarant's Use. Notwithstanding anything to the contrary contained herein or in the Articles or Bylaws, Declarant shall have, until the Authority Transfer Date, the right to use and maintain any Lots and Dwelling Units owned by Declarant and other portions of the Property (other than individual Dwelling Units and Lots owned by Persons other than

Declarant), as Declarant may deem advisable or necessary in its sole discretion to aid in the sale of Lots and the construction of Dwelling Units, or for the conducting of any business or activity attendant thereto, or for the construction and maintenance of Common Areas, including, but not limited to, model Dwelling Units, storage areas, construction yards, signs, construction offices, sales offices, management offices and business offices. Declarant shall have the right to relocate any or all of the same from time to time as it desires. At no time shall any of such facilities so used or maintained by Declarant be or become part of the Common Areas, unless so designated by Declarant, and Declarant shall have the right to remove the same from the Property at any time.

Section 6.34. Non-applicability to Association. Notwithstanding anything to the contrary contained herein, the covenants and restrictions set forth in this Article VI shall not apply to or be binding upon the Association in its ownership, management, administration, operation, maintenance, repair, replacement and upkeep of the Common Areas to the extent the application thereof could or might hinder, delay or otherwise adversely affect the Association in the performance of its duties, obligations and responsibilities as to the Common Areas.

Section 6.35. High School Facilities. Each Owner is hereby notified that the Property is located adjacent to those certain parking and athletic facilities associated with the Carmel, Indiana school system (collectively, the "High School Facilities") and acknowledges and agrees that by becoming an Owner, the Owner hereby waives any present or future right in law or in equity to bring a claim against the owners of the High School Facilities for any noise, nuisance or other similar claims that result from events held at the High School Facilities which are sanctioned by the owners of the High School Facilities or other authorities having jurisdiction thereof; provided, however, that no such waiver shall apply to acts that are considered to be criminal under Indiana law or that are the result of intentional acts intended by the actor to harm the Owner.

Section 6.36. Additional Rules and Regulations. The Association shall have the authority to adopt such rules and regulations regarding this Article VI as it may from time to time consider necessary or appropriate.

ARTICLE VII.

ARCHITECTURAL REVIEW BOARD

Section 7.1. The Architectural Review Board. As used herein, the term "Architectural Review Board" will mean and refer to a group of individuals who will administer the duties described in Section 7.4 below. During the Development Period, the Architectural Review Board shall consist solely of Declarant. Upon the expiration of the Development Period, the number of members of the Architectural Review Board shall automatically be increased to equal the number of members on the Board of Directors, and the individuals who are members of the Board of Directors shall automatically be deemed to be the members of the Architectural Review Board, without the necessity for further action. The term of membership for each member of the Architectural Review Board will be coterminous with the term of such individual's membership on the Board of Directors.

Section 7.2. Removal and Vacancies. After the expiration of the Development Period, a member of the Architectural Review Board may only be removed in the event such member is removed from or otherwise ceases to be a member of the Board of Directors. Appointments to fill vacancies in unexpired terms on the Architectural Review Board shall be made in the same manner as members are appointed or elected to the Board of Directors.

Section 7.3. Officers. At the first meeting of the Architectural Review Board (after the expiration of the Development Period) following each annual meeting of Members, the Architectural Review Board shall elect from among themselves a chairperson, a vice-chairperson and a secretary who shall perform the usual duties of their respective offices.

Section 7.4. Duties. The Architectural Review Board shall regulate the external design and appearance of the Property and the external design, appearance and location of the improvements thereon in such a manner so as to preserve and enhance property values and to maintain harmonious relationships among Structures and the natural vegetation and topography in the Community. During the Development Period, the Architectural Review Board shall regulate all initial construction, development and improvements on the Property and all modifications and changes to existing improvements on the Property. In furtherance thereof, the Architectural Review Board shall:

- (a) review and approve or disapprove written applications of Owners for proposed alterations or additions to Lots;
- (b) periodically inspect the Property for compliance with adopted, written architectural standards and approved plans for alteration;
- (c) adopt and publish architectural standards subject to the confirmation of the Board of Directors;
- (d) adopt procedures for the exercise of its duties; and
- (e) maintain complete and accurate records of all actions taken by the Architectural Review Board.

No request for approval by the Architectural Review Board or any committee thereof will be reviewed or otherwise considered unless submitted in writing by the Owner requesting such approval. Approval by the Architectural Review Board of a correctly filed application shall not be deemed to be an approval by Local Governing Authorities nor a waiver of the Association's right to require an applicant to obtain any required approvals from any such Local Governing Authorities or to otherwise comply with applicable laws, rules, regulations and local ordinances. No approval by the Architectural Review Board or any committee thereof shall be effective unless in writing and signed by all of the members of the Architectural Review Board or the applicable committee whose approval is required hereunder.

Section 7.5. Failure to Act. Failure of the Architectural Review Board, any committee thereof or the Board of Directors to respond to any request for approval, enforce the architectural standards contained in this Declaration or to notify an Owner of noncompliance with architectural standards or approved plans for any period of time shall not constitute a waiver

by the Architectural Review Board, any committee thereof or the Board of Directors of any provision of this Declaration requiring such approval hereunder or otherwise prevent the Architectural Review Board, any committee thereof or the Board of Directors from enforcing this Declaration at any later date. If approval has not been issued in writing within thirty (30) days after submission of an application to the Board of Directors, the Architectural Review Board, then any such request shall be deemed to be denied.

Section 7.6. Discretion. Declarant intends that the members of the Architectural Review Board, and all committees thereof, exercise discretion in the performance of their duties, and every Owner by the purchase of a Lot shall be conclusively presumed to have consented to the exercise of discretion by the members of the Architectural Review Board and such committees.

Section 7.7. Enforcement. Any exterior addition, change or alteration made without a written application to, and prior written approval of, the Architectural Review Board, shall be deemed to be in violation of this Declaration and the Board of Directors shall have the right to require such exterior to be immediately restored to its original condition at the offending Owner's sole cost and expense.

Section 7.8. Appeal. Any aggrieved party may appeal a decision of the Architectural Review Board to the Board of Directors by giving written notice of such appeal to the Association or any member of the Board of Directors within twenty (20) days of the adverse ruling.

Section 7.9. Liability of the Architectural Review Board, Declarant, Association. Neither the Architectural Review Board, nor any committee nor any agent thereof, nor Declarant, nor the Association, shall be liable in any way for any costs, fees, damages, delays, or any charges or liability whatsoever relating to the approval or disapproval of any plans submitted to it, nor shall the Architectural Review Board nor any committee thereof, nor any agent thereof, nor Declarant, nor the Association, be responsible in any way for any defects in any plans, specifications or other materials submitted to any of them, or for any defects in any work done according thereto. Further, the Architectural Review Board, its committees, Declarant, and the Association make no representations or warranties as to the suitability or advisability of the design, engineering, method of construction involved, or materials to be used. Each Owner should seek professional construction advice, engineering, and inspections with respect to such Owner's Lot, at such Owner's sole cost and expense, prior to proposing plans for approval by the Architectural Review Board, its committees or the Board of Directors.

Section 7.10. Inspection. The Architectural Review Board and Declarant may, but shall not be obligated to, inspect work being performed on a Lot or Dwelling Unit to assure compliance with the Restrictions, the restrictions contained in any plat of the Property and applicable regulations. However, neither the Architectural Review Board, nor any committee nor member thereof, nor Declarant, nor any agent or contractor employed or engaged by any of the foregoing, shall be liable or responsible for defects or deficiencies in any work inspected or approved by any of them, or on behalf of any of them. Further, no such inspection performed or approval given by or on behalf of the Architectural Review Board, any committee thereof or Declarant shall constitute a warranty or guaranty of the work so inspected or approved.

ARTICLE VIII.

EASEMENTS

Section 8.1. General Easement Rights. Declarant hereby grants a non-exclusive blanket easement over, across, through and under the Property to the Association, its directors, officers, agents and employees, to any manager employed by or on behalf of the Association, and to all police, fire, ambulance and all other emergency personnel and government, to enter upon the Property, in the exercise of the functions provided for by this Declaration, Articles, Bylaws and rules and regulations of the Association, and in the event of emergencies or in the performance of governmental functions. Declarant further grants a non-exclusive blanket easement over, across, through and under the Property to utility service providers for ingress, egress, installation, replacement, repair and maintenance of underground utility and service lines and systems, including, but not limited to, water, sewer, gas, telephones, electricity, television, cable or communication lines and systems. By virtue of this easement it shall be expressly permissible for Declarant or the utility service provider to install, maintain and repair facilities and equipment on the Property if such utility service provider promptly restores the disturbed area, if any, as nearly as is practicable to the condition in which it was found, provided, however, that no sewers, electrical lines, water lines, or other utility service lines or facilities for such utilities may be installed or relocated except as proposed and approved by Declarant in advance in writing. Should any utility providing a service to the Property request a specific easement by separate recordable document, Declarant or the Association shall have the right to grant such easement with respect to the Property without conflicting with the terms hereof. This blanket easement shall in no way affect any other recorded easements on the Property, shall be limited to improvements as originally constructed, and shall not cover any portion of a Lot upon which a Dwelling Unit has been constructed.

Section 8.2. Limitation on General Easement Rights. The rights accompanying the easements provided for in Section 8.1 of this Article VIII shall, except in the event of an emergency, be exercised only during reasonable daylight hours and then, whenever practicable, only after advance notice to any Owner or tenant directly affected.

Section 8.3. Plat Easements. In addition to such easements as are or may hereafter be created elsewhere in this Declaration or in a Supplemental Declaration, and as may have been or may hereafter be created by Declarant pursuant to written instruments recorded in the Recorder's Office, all Lots are or shall be subject to drainage easements, sewer easements, other utility easements and Common Area access easements, which easements may be granted by Declarant (prior to the Authority Transfer Date) or the Association (from and after the Authority Transfer Date), as applicable, which grants may be made separately or in any combination thereof, as shown on that certain Plat prepared by Evans, Mechwart, Hambleton & Tilton, Inc. (EMH&T) as Job No. 2005-2281, dated August 24, 2006 and recorded on _____ in the Recorder's Office as Instrument Number _____ ("Plat"), and which grants shall benefit Declarant, Owners, the Association, the Architectural Review Board and any committee thereof, and public utility companies or governmental agencies, as follows:

- (a) Drainage Easements (designated as "DE" on the Plat) (each, a "**Drainage Easement**") are hereby granted for the mutual use and benefit of Declarant and the

Owners and are intended to provide paths and courses for area and local storm drainage, either overland or in adequate underground conduit, to serve the needs of the Community and adjoining ground and/or public drainage systems. Under no circumstance shall said easements be blocked in any manner by the construction or reconstruction of any improvement, nor shall any grading restrict, in any manner, the waterflow. The drainage easements and facilities are subject to construction or reconstruction to any extent necessary to obtain adequate drainage at any time by any governmental authority having jurisdiction over drainage, or by Declarant, the Association or the Architectural Review Board; provided, however, that Declarant, the Association and the Architectural Review Board shall have no duty to undertake any such construction or reconstruction. The Owner of each Lot, by acceptance of a deed thereto, consents to the temporary storage (detention) of storm water within the Drainage Easement on such Owner's Lot.

(b) Sewer Easements (designated as "SSE" on the Plat) may be granted for the use and benefit of the local governmental agency or public utility company having jurisdiction over any storm and sanitary waste disposal system designed to serve the Community, for the purpose of installation and maintenance of sewers that are a part of said system.

(c) Access Easements may be granted for the benefit of Declarant, the Association and the Owners and each of their guests, tenants, contractors, subcontractors, licensees, agents, or members of their families, for purposes of ingress and egress to the Lots, and for purposes of ingress and egress to the Common Areas.

(d) Other Utility Easements (designated as "UE" on the Plat) may be granted for the benefit of Declarant, the Association and all public or municipal utility companies, not including transportation companies, for the installation, maintenance and repair of mains, ducts, poles, lines and wires, and other facilities related to the specific utility.

(e) Landscape Easements (designated as "LSE" on the Plat) may be granted for the benefit of Declarant, the Architectural Review Board and all committees thereof, and the Association, for the planting, installation, repair and maintenance of trees, shrubs and other landscaping, wherever located on the Property.

(f) Sign Easements (designated as "SE" on the Plat) may be granted for the benefit of Declarant, the Architectural Review Board and all committees thereof, and the Association, for the installation, repair and maintenance of signs wherever located on the Property.

All easements described in this Section 8.3 shall include the right of ingress and egress for the exercise of the respective rights granted. No structure, including fences, shall be built on any drainage, sewer or utility easement if such structure would (i) materially interfere with the utilization of such easement for the purpose intended, (ii) violate any applicable legal requirement, or (iii) violate the terms and conditions of any easement specifically granted to a Person who is not an Owner by an instrument recorded in the Recorder's Office, except that neither paved drives necessary to provide access to a Lot from a public street nor sidewalks

installed by or at the direction of Declarant (and replacements thereof) shall be deemed to be a "structure" for the purpose of the foregoing restriction.

Section 8.4. Encroachments. If any improvement on a Lot or the Common Area now or hereafter encroaches on any other Lot or Common Area, by reason of (a) the original construction thereof by Declarant or its assigns, which shall include, but not be limited to, any party wall or drive which encroaches over a Lot's boundary line and any drainage of stormwater from roofs and gutters, (b) deviations within normal construction tolerances in the maintenance, repair, replacement or reconstruction of any improvement, or (c) the settling or shifting of any land or improvement, an easement is hereby granted over the encroached-upon portion of such Lot or Common Area in favor of the Owner of the encroaching improvements, solely to the extent of such encroachment and solely for the period of time the encroachment exists (including replacements thereof), for the limited purposes of use, repair, replacement and maintenance of the encroaching improvement.

Section 8.5. Ingress/Egress Easement. Declarant, its agents and employees, shall have a right of ingress and egress over the Common Area, and any roadways and drives within the Community as required for construction of improvements and development of the Property, and otherwise as Declarant deems to be necessary or for access, ingress and egress to and from any Dwelling Unit.

Section 8.6. Reservation of Right to Grant Future Easements. Declarant reserves the right to (a) grant non-exclusive easements over any Lot or Common Area for the purposes of (i) installing, repairing and/or maintaining utility lines of any sort, including, but not limited to, storm drains and drainage swales, sanitary sewers, gas lines, electric lines and cables, water lines, telephone lines, telecommunication lines and cables, and the like, and (ii) obtaining the release of any bonds posted with a municipality, governmental agency or regulatory agency, (b) non-exclusive easements over the Common Area to any municipal agency or private entity for any other purpose consistent with the "open space" designation thereof, and (c) in its sole discretion, grant licenses and non-exclusive easements over, under, across or through the Property in favor of owners of adjoining real property, and their tenants, successors and assigns, for purposes of providing access and utilities benefiting such adjoining real property.

Section 8.7. Bonds and/or Dedication Requirements. Declarant reserves the right to grant and reserve easements or to vacate or terminate easements across all Lots or Common Area as may be required by any governmental agency or authority or utility in connection with the release of improvement bonds or the dedication of public streets for maintenance by governmental agencies.

Section 8.8. Easements for Corrective Work. Declarant reserves a non-exclusive easement over, across, under, through and above all Lots and the Common Area for the purposes of correcting drainage, regrading, maintenance, landscaping, mowing and erecting street intersection signs, directional signs, temporary promotional signs, entrance features, lights and wall features, and for the purpose of executing any of the powers, rights, or duties granted to or imposed upon the Association in this Declaration or any Supplemental Declaration.

Section 8.9. Reciprocal Cross-Easements for Adjoining Dwelling Units. Subject to **Section 10.1** below, there is hereby created in favor of the Owner of each Lot an easement and right of entry onto each adjoining Lot permitting such Owner to repair and maintain all encroaching party walls, roofs, roof overhangs, eaves, downspouts, gutters, and splash blocks at reasonable times; provided, however, that the Owner exercising this right of entry upon the adjoining Owner's Lot shall be solely responsible for preserving and restoring the adjoining Owner's Lot to the same condition such adjoining Lot was in prior to the exercise of the right of entry.

ARTICLE IX.

PARKING

No Owner, tenant, or any other Person shall park any type of vehicle in any Common Area. Notwithstanding the foregoing, visitors, guests and invitees shall be permitted to park in those portions of the Common Area designated by Declarant or the Association as visitor parking areas; provided, however, that such parking shall be permitted only on a temporary and intermittent basis and no such parking shall be permitted in any portion of the Common Area which has not been designated as a visitor parking area. Temporary parking on or within any public right-of-way within or adjacent to the Property is prohibited except to the extent expressly permitted by Local Governing Authorities, and shall be subject to any restrictions or limitations relating thereto, including, without limitation, fees assessed by any Local Governing Authorities. The Board of Directors may promulgate such additional rules and regulations as it deems appropriate to regulate the use of any Common Areas for parking purposes, which rules and regulations may include the towing of any vehicles parked in violation of this Declaration, with no notice of towing required and at the vehicle owner's sole expense.

ARTICLE X.

PARTY WALLS

Section 10.1. General Rules of Law to Apply. Each wall built as part of the original construction of a Dwelling Unit and situated upon the dividing line between two Lots shall constitute a party wall, and, to the extent not inconsistent with the provisions of this **Article X**, the general rules of law regarding party walls and liability of Owners for property damage due to negligence or willful acts or omissions in connection with party walls shall apply thereto.

Section 10.2. Sharing of Repair and Maintenance and Destruction by Fire or Other Casualty. If any party wall is damaged or destroyed by (i) fire or other casualty, or (ii) ordinary wear and tear and deterioration from lapse of time, or (iii) or by some cause other than the act of one of the adjoining Owners, its agents, family, household or guests, then both adjoining Owners shall proceed forthwith to rebuild or repair the structural components of such party wall, sharing equally the cost thereof, and each individual Owner shall proceed forthwith to rebuild or repair the non-structural components of such wall in proportion to their respective uses of the party wall. Any and all such reconstruction and/or repairs shall be completed immediately to the extent that the failure to commence and/or complete such reconstruction and/or repairs would result in an immediate risk to human health and/or safety. All other reconstruction and/or repairs

shall be completed within three (3) months following the casualty or other event that damaged or destroyed such party wall, unless a longer period of time is approved in writing by the Association. If a party wall is in a condition that is of such a nature that it has or will (if left uncorrected) result in further damage or destruction of such party wall, the reconstruction and/or repairs shall be completed within a reasonable time, not exceeding six (6) months following the initial discovery of the condition. Any and all such reconstruction and/or repair shall be made in a good and workmanlike manner, in compliance with all requirements of Local Governing Authorities and otherwise in compliance with all applicable laws, ordinances, rules and regulations, to the same or better condition as existed prior to such condition, damage or destruction. However, in the event of substantial destruction to the party wall and adjoining Dwelling Units (i.e. where eighty percent (80%) or more of the party wall and the adjoining Dwelling Units are destroyed by fire or otherwise), neither Owner shall be obligated to repair or restore the party wall. Each Owner shall have an easement over that part of the other Owner's Lot that is necessary or desirable in order to repair, restore or replace the party wall.

Section 10.3. Repairs for Damage Caused by One Owner. If any such party wall is damaged or destroyed through the act of one or more adjoining Owners, or their respective agents, families, households or guests (collectively the "Offending Parties"), whether or not such act is negligent or otherwise culpable, so as to deprive another adjoining Owner of the use and enjoyment of the party wall, then the Owner(s) of the Dwelling Unit(s) from whence the Offending Parties committed the act that caused the damage or destruction, shall forthwith proceed to rebuild and repair the same, in the manner required under Section 10.2 above, without cost to the adjoining Owner.

Section 10.4. Use; Other Changes. Either Owner shall have the right to use the side of the party wall facing the Owner's Dwelling Unit in any lawful manner, including attaching structural or finishing materials to it; however, in addition to meeting the other requirements of these Restrictions and of any building code or similar regulations or ordinances, any Owner proposing to modify, make additions to or rebuild its Dwelling Unit in any manner which involves the alteration of any party wall shall first obtain the written consent of the adjoining Owner, whose consent shall not be unreasonably withheld, conditioned or delayed. If the adjoining Owner has not responded in writing to the requesting Owner within twenty-one (21) days of its receipt of any such written request, given by registered or certified mail, return receipt requested, such consent of the adjoining Owner shall be deemed to have been given.

Section 10.5. Right to Contribution Runs with the Land; Failure to Contribute. The right of any Owner to contribution from any other Owner under this Article X shall be appurtenant to the land and shall pass to such Owner's successors in title. If either Owner shall neglect or refuse to pay the Owner's share under this Article X, or all of the cost in case of the negligence or willful misconduct of such Owner, the other Owner may have the party wall repaired or restored and shall be entitled to have a mechanic's lien on the property of the Owner failing to pay for the amount of its share of the repair or replacement cost.

Section 10.6. Dispute. In the event of a dispute between or among Owners with respect to the repair or rebuilding of a party wall or with respect to the sharing of the cost thereof, then upon written request of one of such Owners addressed to the Association, the matter shall be

submitted to the Board of Directors, who shall decide the dispute and whose decision shall be final.

ARTICLE XI

POWERS AND DUTIES OF THE ASSOCIATION

Section 11.1. Discretionary Powers and Duties. The Association shall have the following powers and duties which may be exercised in its discretion:

(a) to enforce any covenants or restrictions which are imposed by the terms of this Declaration or which may be imposed on any part of the Property. Nothing contained herein shall be deemed to prevent the Owner of any Lot from enforcing any building restriction in its own name. The foregoing rights of enforcement shall not prevent (i) changes, releases or modifications of the restrictions or reservations placed upon any part of the Property by any party having the right to make such changes, releases or modifications in the deeds, contracts, declarations or plats in which such restrictions and reservations are set forth; or (ii) the assignment of the foregoing rights by the proper parties wherever and whenever such rights of assignment exist. Neither the Association nor the Board of Directors shall have a duty to enforce the covenants by an action at law or in equity if either party believes such enforcement is not in the Association's best interest. The expenses and costs of any enforcement proceedings shall be paid out of the general fund of the Association; provided, however, that the foregoing authorization to use the general fund for such enforcement proceedings shall not preclude the Association from collecting such costs from the offending Owner;

(b) to build facilities upon the Common Area;

(c) to use the Common Area and any improvements, Structures or facilities erected thereon, subject to the general rules and regulations established and prescribed by the Association and subject to the establishment of charges for their use;

(d) to mow, trim, re-sow, re-seed or re-sod lawn areas and fertilize lawn areas at least three (3) times each year within the Common Areas and on each Lot and to operate and maintain in-ground irrigation/sprinkler systems in the Common Areas and in the landscaped areas of each Lot; provided, however, that the Association shall not be required to maintain, replace, irrigate, or fertilize any flowers, plants, trees, shrubs, or any landscaping other than grass located on each Lot;

(e) to maintain, irrigate, spray, trim, protect, plant, fertilize, replace and prune trees, shrubs and other landscaping located within the Common Areas, maintenance and upkeep of the Common Area and to pick up and remove from the Common Area all loose material, rubbish, filth and accumulation of debris; and to do any other thing necessary or desirable in the judgment of the Association to keep the Common Area in neat appearance and in good order, including, but not limited to, cleaning the private streets and maintaining any street lights located in the Common Areas;

(f) to arrange for plowing and/or removal of snow from (i) private streets located within Common Areas, (ii) community walkways located within Common Areas, and (iii) driveways located upon Lots. It shall be each Owner's responsibility, however, to remove snow from the walkway extending from the community walkways to the front door of the Owner's Dwelling Unit;

(g) to exercise all rights, responsibilities and control over all easements which the Association may from time to time acquire, including, but not limited to, those easements specifically reserved to the Association in Article VIII above;

(h) to create, grant and convey easements and licenses upon, across, over and under all Common Areas, including but not limited to easements for the installation, replacement, repair and maintenance of utility lines serving the Property;

(i) subject to the limitations set forth in Section 11.3 hereof, to employ counsel and institute and prosecute such suits as the Association may deem necessary or advisable, and to defend suits brought against the Association;

(j) to retain, as an independent contractor or employee, a manager of the Association and such other employees or independent contractors as the Board of Directors deems necessary, and to prescribe the duties of employees and scope of services of independent contractors;

(k) to enter upon any Lot to perform emergency repairs or to do other work reasonably necessary for the proper maintenance or protection of the Property;

(l) to enter (or have the Association's agents or employees or contractors enter) upon any Lot to repair, maintain or restore the Lot or perform such other acts as may be reasonably necessary to make such Lot and improvements situated thereon, if any, conform to the requirements of these Restrictions, if such is not performed by the Owner of the Lot, and to assess the Owner of the Lot the costs thereof, such assessment to be a lien upon the Lot equal in priority to the lien provided for in Article V herein; provided, however, that the Board of Directors shall only exercise this right after giving the Owner written notice of its intent at least fourteen (14) days prior to such entry. Neither the Association nor any of its agents, employees, or contractors shall be liable for any damage, which may result from any maintenance work performed hereunder;

(m) to re-subdivide and/or adjust the boundary lines of the Common Area, to the extent such re-subdivision or adjustment does not contravene the requirements of zoning and other ordinances applicable to the Property;

(n) to adopt, publish and enforce rules and regulations governing the use of the Common Area and facilities and with respect to such other areas of responsibility assigned to it by this Declaration, except where expressly reserved herein to the Members. Such rules and regulations may grant to the Board of Directors the power to suspend a Member's voting rights and the Member's right to use non-essential services for non-payment of assessments and to assess charges against Members for violations of the provisions of the Declaration or rules and regulations;

(o) to remove a member of the Board of Directors and declare such member's office to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board of Directors;

(p) to arrange for the collection of trash and recyclable items on a weekly basis from approved locations and from appropriate receptacles in the manner contemplated in Section 6.10 above;

(q) to paint all hardi-plank siding (if applicable), exterior wood trim and all exterior painting, but shall not be responsible for any other maintenance of the exterior of a Dwelling Unit.

Section 11.2. Mandatory Powers and Duties. The Association shall exercise the following powers, rights and duties:

(a) to unconditionally accept title to the Common Area upon the transfer thereof by Declarant to the Association as provided hereunder, and to hold and administer the Common Area for the benefit and enjoyment of the Owners and occupants of Lots, and to cause the Common Area and facilities to be maintained in accordance with the standards adopted by the Board of Directors;

(b) to transfer part of the Common Area to or at the direction of Declarant, for the purpose of adjusting boundary lines or otherwise in connection with the orderly subdivision or development of the Property, but only to the extent such re-subdivision or adjustment does not contravene the requirements of zoning and other ordinances applicable to the Property;

(c) after the termination of the Class B membership, to obtain and maintain without interruption liability coverage for any claim against a director or officer for the exercise of its duties and fidelity coverage against dishonest acts on the part of directors, officers, trustees, managers, employees or agents responsible for handling funds collected and held for the benefit of the Association. The fidelity bond shall cover the maximum funds that will be in the custody of the Association or its management agent at any time while the bond is in place. The fidelity bond coverage shall be in an amount as may be determined to be reasonably prudent by the Board of Directors;

(d) to obtain and maintain without interruption a comprehensive coverage of public liability and hazard insurance covering the Common Area and easements of which the Association is a beneficiary, if available at reasonable cost. Such insurance policy shall contain a severability of interest clause or endorsement which shall preclude the insurer from denying the claim of an Owner because of negligent acts of the Association or other Owners. The scope of coverage shall include all coverage in kinds and amounts commonly obtained with regard to projects similar in construction, location and use as determined by the Board of Directors. Further, the public liability insurance must provide coverage of at least \$1,000,000.00 for bodily injury, including death, and property damage for any single occurrence;

(e) to provide for the maintenance of any and all (i) improvements, Structures or facilities which may exist or be erected from time to time on the Common Area; (ii) easement areas of which the Association is the beneficiary and for which it has the maintenance responsibility; and (iii) facilities, including, but not limited to, fences and signs, authorized by the Association and erected on any easements granted to the Association;

(f) to pay all proper bills, taxes, charges and fees on a timely basis;

(g) to maintain its corporate status; and

(h) to maintain all private streets, open space and landscaping within the Common Area.

(i) to be solely responsible for all costs incurred in connection with the maintenance and repair of the Common Area in accordance with Section 4.3(b) hereof.

Section 11.3. Limitation on Association Action. The Association shall hold a duly authorized, duly noticed special meeting of the Members of the Association prior to commencing or prosecuting any judicial or administrative proceeding, and no judicial or administrative proceeding shall be commenced or prosecuted by the Association except upon the affirmative vote of at least seventy-five percent (75%) of the votes cast at said special meeting by Members entitled to vote authorizing the commencement and prosecution of the proposed action. This Section 11.3 shall not apply to (a) actions brought by the Association to enforce the provisions of this Declaration, the Bylaws, or rules and regulations adopted by the Board of Directors (including, without limitation, any action to recover Regular Assessments or Special Assessments or other charges or fees or to foreclose a lien for such items) or (b) counterclaims brought by the Association in connection with proceedings instituted against it.

Section 11.4. Board of Directors Authority to Act. Unless otherwise specifically provided in the Association's documents, all rights, powers, easements, obligations and duties of the Association may be performed by the Board of Directors. Notwithstanding anything to the contrary contained herein, any rules or regulations which are promulgated by the Board of Directors may be repealed or amended by a majority vote of the Members cast, in person or by proxy, at a meeting convened for such purpose in accordance with the Bylaws.

Section 11.5. Compensation. No director or officer of the Association shall receive compensation for services as such director or officer except to the extent expressly authorized by a majority vote of the Class A Members.

Section 11.6. Non-liability of Directors, Officers and Board Members. The directors and officers of the Association and members of the Architectural Review Board, and all committees thereof, shall not be liable to the Owners or any other persons for any error or mistake of judgment in carrying out their duties and responsibilities as directors or officers of the Association or members of the Architectural Review Board, or any committee thereof, except for their own individual willful misconduct or gross negligence. It is intended that the directors and officers of the Association and members of the Architectural Review Board, and all committees thereof, shall have no personal liability with respect to any contract made by them in good faith

on behalf of the Association, and the Association shall indemnify and hold harmless each of the directors, officers, Architectural Review Board members, or committee members against any and all liability to any person, firm or corporation arising out of contracts made in good faith on behalf of the Association.

Section 11.7. Indemnity of Directors and Officers and Members of the Architectural Review Board. Except with respect to matters (i) as to which it is adjudged in any civil action, suit, or proceeding that such person is liable for gross negligence or willful misconduct in the performance of his or her duties, or (ii) to which it is adjudged in any criminal action, suit or proceeding that such person had reasonable cause to believe that such person's conduct was unlawful or that person had no reasonable cause to believe that such person's conduct was lawful, the Association shall indemnify, hold harmless and defend any person, his or her heirs, assigns and legal representatives (collectively, the "Indemnitee") made or threatened to be made a party to any action, suit or proceeding, or subject to any claim, by reason of the fact that he or she is or was a director or officer of the Association or member of the Board of Directors of the Architectural Review Board, or any committee thereof, from and against (1) all liability, including, without limitation, the reasonable cost of settlement of, or the amount of any judgment, fine, or penalty rendered or assessed in any such claim, action, suit, or proceeding; and (2) all costs and expenses, including attorneys' fees, actually and reasonably incurred by the Indemnitee in connection with the defense of such claim, action, suit or proceeding, or in connection with any appeal thereof. In making such findings and notwithstanding the adjudication in any action, suit or proceeding against an Indemnitee, no director or officer of the Association, or member of the Board of Directors or the Architectural Review Board, or any committee thereof, shall be considered or deemed to be guilty of or liable for gross negligence or willful misconduct in the performance of his or her duties where, acting in good faith, such director or officer of the Association, or member of the Architectural Review Board, or any committee thereof, relied on the books and records of the Association or statements or advice made by or prepared by any managing agent of the Association or any director, officer or member of the Association, of any accountant, attorney or other person, firm or corporation employed by the Association to render advice or service, unless such director, officer or member had actual knowledge of the falsity or incorrectness thereof; nor shall a director, officer or member be deemed guilty of gross negligence or willful misconduct by virtue of the fact that he or she failed or neglected to attend a meeting or meetings of the Association, the Board of Directors or the Architectural Review Board, or any committee thereof. The costs and expenses incurred by an Indemnitee in defending any action, suit or proceeding may be paid by the Association in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the Indemnitee to repay the amount paid by the Association if it shall ultimately be determined that the Indemnitee is not entitled to indemnification or reimbursement as provided in this Article XI.

ARTICLE XII.

RIGHTS OF MORTGAGEES

Unless a right is waived by the appropriate Federal Agency, all Mortgagees shall have the following rights:

Section 12.1. Veterans Administration. To the extent required by the Veteran's Administration (the "VA"), if any of the Lots are security for a loan guaranteed by the VA and if there is a Class B Member:

(a) Declarant must provide to the VA a copy of all amendments to the Declaration. The Association may not make any Material Amendment or take any Extraordinary Action (as such terms are defined in Article XIII) without the approval of the VA.

(b) Eligible Mortgagees shall have the following rights:

(i) the right to inspect Association documents and records on the same terms as the Members;

(ii) notice of any Material Amendment of the Association documents;

(iii) notice of any Extraordinary Action of the Association;

(iv) notice of any property loss, condemnation or eminent domain proceeding affecting the Common Area resulting in a loss greater than ten percent (10%) of the annual budget or affecting any Lot insured by the Association in which the Eligible Mortgagee has an interest;

(v) notice of any termination, lapse or material modification of an insurance policy held by the Association;

(vi) notice of any default by an Owner of a Lot subject to a mortgage held by the Eligible Mortgagee in paying assessments or charges to the Association which default remains uncured for sixty (60) consecutive days;

(vii) notice of any proposal to terminate the Declaration or dissolve the Association at least thirty (30) days before any action is taken;

(viii) the right of a majority of the Eligible Mortgagees to demand professional management; and

(ix) the right of a majority of the Eligible Mortgagees to demand an audit of the Association's financial records.

Section 12.2. Federal Housing Authority. To the extent required by the Federal Housing Authority (the "FHA"), if any of the Lots are security for a loan insured by the FHA and if there is a Class B Member, the following actions will require the prior approval of the FHA:

(a) annexation of additional properties, except the land described in Article XIII below;

(b) mergers, consolidations and dissolution of the Association;

- (c) mortgaging or conveyance of the Common Area; and
- (d) Material Amendment of this Declaration.

Section 12.3. Freddie Mac. Assuming that Mortgagees may securitize pools of mortgages, including mortgages on Lots and/or Dwelling Units in the Community, with the Federal Home Loan Mortgage Corporation (a/k/a "Freddie Mac"), the following requirements shall apply to all Lots and Dwelling Units in the Community:

(a) Unless at least two-thirds (2/3) of the first Mortgagees (based on one vote for each first mortgage owned) or two-thirds (2/3) of the Class A Members have given their prior written approval, the Association shall not take any of the following actions:

(i) by act or omission, seek to abandon, partition, subdivide, encumber, sell or transfer the Common Area. The re-subdivision and/or adjustment of boundary lines of the Common Area and the granting of easements by the Association shall not require the consent described in subsection (a) above;

(ii) change the method of determining the obligations, assessments, dues, or other charges that may be levied against an Owner;

(iii) by act or omission, waive or abandon any scheme of regulations or their enforcement pertaining to the architectural design or the exterior appearance of Dwelling Units and their appurtenances, the exterior maintenance of Dwelling Units and their appurtenances, the maintenance of the Common Area, common fences and driveways, and the upkeep of lawns and plantings in the Property;

(iv) fail to maintain fire and extended coverage insurance on insurable parts of the Common Area or other property owned by the Association on a current replacement cost basis in an amount not less than one hundred percent (100%) of the insurable value, based on current replacement costs, not including land value; or

(v) use hazard insurance proceeds for losses to the Common Area or other property owned by the Association for other than the repair, replacement or reconstruction of such property.

(b) A Mortgagee shall be given written notification from the Association of any default in the performance of any obligation under this Declaration or related Association documents by the Owner of a Lot that is the security for the indebtedness due the Mortgagee, which default is not cured within sixty (60) days after the Owner's receipt of notice of the default.

(c) A Mortgagee may, jointly or singly, pay taxes or other charges which are in default and which may or have become a charge against the Common Area and may pay overdue premiums on hazard insurance policies or secure new hazard insurance coverage upon the lapse of a policy for such Common Area. The Mortgagee making such payments shall be owed immediate reimbursement therefor from the Association.

(d) The assessments imposed by the Association shall include an adequate reserve fund for maintenance, repairs and replacements for those parts of the Common Area which may be replaced or require maintenance on a periodic basis. Such reserves shall be payable in regular installments rather than by Special Assessment.

Section 12.4. Fannie Mae. Assuming that Mortgagees may secure funding for mortgage loans by selling mortgage loans, including mortgages on Lots and/or Dwelling Units in the Community, to the Federal National Mortgage Association (a/k/a "Fannie Mae"), the following requirements shall apply to all Lots and Dwelling Units in the Community:

(a) A Mortgagee shall be given written notification from the Association of the following:

(i) any condemnation or casualty loss that affects either a material portion of the Common Area or the Lot that is the security for the indebtedness due the Mortgagee;

(ii) any default in the performance of any obligation under this Declaration or related Association documents by the Owner of a Lot that is the security for the indebtedness due the Mortgagee, which default is not cured within sixty (60) days after the Owner's receipt of notice of the default;

(iii) any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association; or

(iv) any proposed action that would require the consent of a specified percentage of Mortgagees.

(b) Provided that improvements have been constructed in the Common Area and provided that a Mortgagee gives written notice to the Association that it has relied on the value of the improvements in making a loan on a portion or all of the Property, then subject to the right of Declarant to annex additional areas as provided in Article XIII herein, unless at least sixty-seven percent (67%) of the Members, and Mortgagees representing at least fifty-one percent (51%) of those Lots with Mortgages have given their prior written approval, the Association shall not add or amend any material provision of this Declaration or related Association documents concerning the following:

(i) voting rights of any Member;

(ii) assessments, assessment liens, or subordination of such liens;

(iii) reserves for maintenance, repair and replacement of those parts of the Common Area that may be replaced or require maintenance on a periodic basis;

(iv) responsibility for maintenance and repair of the Property;

- (v) reallocation of interests in the Common Area or rights to its use, except as provided in Article III and Article IV herein;
- (vi) converting Lots into Common Area or vice versa;
- (vii) annexation or withdrawal of property to or from the Property (other than annexation of those properties referred to in Article XIII);
- (viii) insurance or fidelity bonds;
- (ix) leasing of Dwelling Units;
- (x) imposition of any right of first refusal or similar restriction on the right of an Owner to sell, transfer or otherwise convey its property;
- (xi) a decision by the Association to establish self-management when professional management has been required previously by a Mortgagee;
- (xii) restoration or repair of the Property after a hazard damage or partial condemnation;
- (xiii) any provisions that are for the express benefit of Mortgagees; and
- (xiv) termination of the legal status of the Association after substantial destruction or condemnation of the subdivision occurs.

An addition or amendment to this Declaration or related Association documents shall not be considered material if it is for the purpose of clarification or correcting errors. A Mortgagee who receives a written request to approve additions or amendments who does not deliver or post to the requesting party a negative response within thirty (30) days of receipt of such request shall be deemed to have approved such request.

Section 12.5. General.

(a) Condemnation. In the event that there is a condemnation or destruction of the Common Area or other property owned by the Association, to the extent practicable, condemnation or insurance proceeds shall be used to repair or replace the condemned or destroyed property.

(b) Books and Records. A Mortgagee shall have the right to examine and copy at its expense the books and records of the Association during normal business hours and upon reasonable notice to the Association.

(c) Notice. As set forth in this Article XII, Mortgagees shall have the right, upon request, to receive notice of (a) the decision of the Owners to abandon or terminate the Planned Unit Development (as defined by Fannie Mae); (b) any material amendment to the Declaration, the Bylaws or the Articles; and (c) if professional management has

been required by a Mortgagee, the decision of the Association to terminate such professional management and assume self-management.

(d) **Excess Proceeds.** Should there be excess insurance or condemnation proceeds after the renovation, repair or reconstruction called for herein, such excess proceeds may be distributed equally to the Owners, apportioned equally among the Lots; subject, however, to the priority of a Mortgagee with regard to the proceeds applicable to the Lot securing said Mortgagee and in accordance with Indiana law.

(e) **Audited Financial Statement.** The Association must provide an audited financial statement for the preceding fiscal year to a Mortgagee upon its written request.

(f) **Termination.** Eligible Mortgagees representing at least sixty-seven percent (67%) of the votes of the mortgaged Lots must consent to the termination of the legal status of the Association for reasons other than substantial destruction or condemnation of the Property.

(g) **Damage to Common Area.** The Association shall cause the immediate repair, reconstruction or renovation of any damage to the Common Area unless a decision not to repair, reconstruct or renovate is approved by the Board of Directors and a majority of the Mortgagees.

ARTICLE XIII.

GENERAL PROVISIONS

Section 13.1. Enforcement. The Association or any Owner shall have the right to enforce, by a proceeding at law or in equity, all restrictions, conditions, covenants, reservations, easements, liens and charges now or hereafter imposed by the provisions of this Declaration or other Association documents unless such right is specifically limited herein or therein. Failure by the Association or by any Owner to enforce any right, provision, covenant or condition which may be granted by this Declaration shall not constitute a waiver of the right of the Association or an Owner to enforce such right, provision, covenant or condition in the future. All rights, remedies and privileges granted to the Association or any Owner pursuant to any term, provision, covenant or condition of the Declaration shall be deemed to be cumulative and the exercise of any one or more thereof shall not be deemed to constitute an election of remedies nor shall it preclude the party exercising the same from exercising such privileges as may be granted to such party by this Declaration or at law or in equity.

Section 13.2. Severability; Headings; Conflicts. Invalidation of any one of the provisions of this Declaration by judgment or court order shall in no way affect any other provision, which shall remain in full force and effect. Titles of paragraphs are for convenience only and are not intended to limit or expand the covenants, rights or obligations expressed therein. In the case of any conflict between the Articles and this Declaration, this Declaration shall control; in the case of any conflict between this Declaration and the Bylaws, this Declaration shall control.

Section 13.3. Duration. The covenants and restrictions of this Declaration shall run with and bind the Property and shall inure to the benefit of and be enforceable by the Association or the Owner of any Lot subject to this Declaration, their respective legal representatives, heirs, successors and assigns, unless such right is specifically limited herein, for a term of twenty (20) years from the date this Declaration is recorded, after which time the covenants and restrictions of this Declaration shall be automatically extended for successive periods of twenty (20) years each, unless terminated by a written and recorded instrument approved in advance by the affirmative and unanimous vote of all Members of the Association and their respective Mortgagees.

Section 13.4. Material Amendment/Extraordinary Action.

(a) **Approval Requirements.** In accordance with Federal Agencies' requirements, material amendments ("**Material Amendments**") or extraordinary actions ("**Extraordinary Actions**"), as each such term is defined below, must be approved by Members entitled to cast at least sixty-seven percent (67%) of the votes of Members present and voting, in person or by proxy, at a meeting held in accordance with the notice and quorum requirements for Material Amendments and Extraordinary Actions contained in the Bylaws, such vote including the vote of a majority of the Class A Members present and voting, in person or by proxy, at such meeting and the vote of the Class B Member, if any.

(b) **Material Amendment.** A Material Amendment includes adding, deleting or modifying any provision regarding the following:

- (i) assessment basis or assessment liens;
- (ii) any method of imposing or determining any charges to be levied against individual Owners;
- (iii) reserves for maintenance, repair or replacement of Common Area improvements;
- (iv) maintenance obligations;
- (v) allocation of rights to use Common Areas, except as provided in Article III and Article IV herein;
- (vi) any scheme of regulation or enforcement of standards for maintenance, architectural design or exterior appearance of improvements on Lots;
- (vii) reduction of insurance requirements;
- (viii) restoration or repair of Common Area improvements;
- (ix) the annexation or withdrawal of land to or from the Property other than annexation or withdrawal of those properties referred to in this Article XIII;

- (x) voting rights;
 - (xi) restrictions affecting leasing or sale of a Lot; or
 - (xii) any provision which is for the express benefit of Mortgagees.
- (c) **Extraordinary Action**. Alternatively, an Extraordinary Action includes:
- (i) merging or consolidating the Association (other than with another non-profit entity formed for purposes similar to this Association);
 - (ii) determining not to require professional management if that management has been required by the Association documents, a majority of eligible Mortgagees or a majority vote of the Members;
 - (iii) expanding the Association to include land not previously described as annexable which increases the overall land area of the project or number of Lots by more than ten percent (10%);
 - (iv) abandoning, partitioning, encumbering, mortgaging, conveying, selling or otherwise transferring the Common Area except for (i) granting easements; (ii) dedicating Common Area as required by a public authority; (iii) re-subdividing or adjusting the boundary lines of the Common Area; or (iv) transferring Common Area pursuant to a merger or consolidation with a non-profit entity formed for purposes similar to the Association;
 - (v) using insurance proceeds for purposes other than reconstruction or repair of the insured improvements; or
 - (vi) making capital expenditures (other than for repair or replacement of existing improvements) during any period of twelve (12) consecutive months costing more than twenty percent (20%) of the annual operating budget.
- (d) **Class Amendments**. Any Material Amendment which changes the rights of any specific class of Members must be approved by Members entitled to cast at least fifty-one percent (51 %) of the votes of all Members of such class present and voting, in person or by proxy, at a meeting held in accordance with the requirements contained in the Bylaws.

(e) **Material Amendment and/or Extraordinary Actions Amendments**. The following Material Amendments and Extraordinary Actions must be approved by Members entitled to cast at least sixty-seven percent (67%) of the total authorized votes of all Members of the Association, including at least a majority of the total authorized votes entitled to be cast by Class A Members and the vote of the Class B Member, if any:

- (i) termination of this Declaration;

(ii) dissolution of the Association, except pursuant to a consolidation or merger; and

(iii) conveyance of all Common Areas.

(f) **VA Amendments.** If the VA has guaranteed any loans secured by a Lot, so long as there is a Class B Member, all Material Amendments and Extraordinary Actions must have the approval of the VA.

Section 13.5. Amendment. Amendments to this Declaration other than Material Amendments or Extraordinary Actions shall be approved by at least sixty-seven percent (67%) of the votes entitled to be cast by all Members present and voting, in person or by proxy, at any duly called and conveyed meeting, or in writing by Members entitled to cast at least sixty-seven percent (67%) of the total authorized votes of all Members and the vote of the Class B Member, if any.

Any amendment to this Declaration must be properly executed and acknowledged by the Association (in the manner required by law for the execution and acknowledgment of deeds) and recorded among the appropriate land records.

Section 13.6. Special Amendment. Declarant may make any amendment required by any of the Federal Agencies or by the Local Governing Authorities, as a condition of the approval of this Declaration, by the execution and recordation of such amendment following notice to all Members.

Notwithstanding anything herein to the contrary, Declarant hereby reserves the right prior to the first conveyance of a Lot to an Owner other than Declarant, unilaterally to amend and revise the standards, covenants and restrictions contained in this Declaration for any reason. No such amendment, however, shall restrict or diminish materially the rights or increase or expand materially the obligations of Owners with respect to Lots conveyed to such Owners prior to the amendment or adversely affect the rights and interests of Mortgagees holding first mortgages on Lots at the time of such amendment. Declarant shall give notice in writing to such Owners and Mortgagees of any amendments. Declarant shall not have the right at any time by amendment of this Declaration to grant or establish any easement through, across or over any Lot which Declarant has previously conveyed without the consent of the Owner of such Lot. All amendments to this Declaration shall be in writing and recorded among the appropriate land records.

Section 13.7. Waiver. Declarant hereby expressly reserves unto itself (so long as these Restrictions are in effect), the unqualified right to waive or alter from time to time such of the herein contained restrictions as it may deem best, as to any one or more of the Lots, which waiver or alteration shall be evidenced by the mutual written consent of Declarant and the then-Owner of the Lot as to which some or all of said restrictions are to be waived or altered; such written consent shall be duly acknowledged and recorded in the Recorder's Office.

Section 13.8. Annexation of Additional Property. Notwithstanding anything contained in this Declaration to the contrary, Declarant may annex any Additional Property without the consent of the Association. The Association may annex any Additional Property and

provide for maintenance, preservation and architectural control of Lots and Common Area within such Additional Property, and may add to its membership under the provisions of Article II herein, with the written consent of more than fifty percent (50%) of each class of Members. Any future improvements on the Additional Property must be consistent with or better than the initial improvements on the Property in terms of quality, design and construction and comparable in style, size and cost.

Section 13.9. Casualty Insurance. Notwithstanding anything to the contrary contained in this Declaration, each and every Owner shall maintain a casualty insurance policy affording fire and extended coverage insurance insuring such Owner's respective Lot and structures constructed thereupon including, but not limited to, the Dwelling Unit in an amount equal to the full replacement value of the improvements which in whole or in part, comprise the Dwelling Unit, including, without limitation, any party walls. Each and every Owner shall, in addition, also procure endorsements naming the Association as an additional insured under such insurance policies and requiring each such insurer to provide (i) immediate written notice to the Association of any cancellation of such policy, and (ii) at least thirty (30) days' written notice to the Association prior to any termination or material modification of such policy. Each Owner of each Lot and/or Dwelling Unit (regardless of whether or not its ownership is encumbered or is to be encumbered by a mortgage, deed of trust or similar indenture) will furnish to the Association, at or prior to the closing of its acquisition of that Lot or Dwelling Unit, a certificate of insurance and endorsement, in form and content acceptable to the Association, evidencing the insurance coverage described herein. Each such Owner shall, prior to the expiration of the term of any such insurance policy, procure and deliver to the Association a renewal or replacement policy in form and content acceptable to the Association, including an endorsement naming the Association as an additional insured. If any such Owner fails to provide evidence of such coverage satisfactory to the Association, the Association will have the right, but no obligation, to procure such coverage at the expense of the applicable Owner, and the cost of procuring such insurance will be assessed to that Owner as a Special Assessment and shall be immediately due and payable upon demand. Owners shall not do or permit any act or thing to be done in or to a Lot or Dwelling Unit which is contrary to law or which invalidates or is in conflict with the Owner's policy of insurance. An Owner who fails to comply with the provisions of this paragraph shall pay all costs, expenses, liens, penalties, or damages which may be imposed upon the Owner, Declarant or the Association by reason thereof.

Section 13.10. Withdrawable Real Estate.



(a) Prior to the date which is five (5) years after the date of the recordation of this Declaration, Declarant shall have the unilateral right, without the consent of the Class A Members or any Mortgagee, to execute and record an amendment to this Declaration withdrawing any portion of the Property upon which Dwelling Units have not been constructed.

(b) Upon the dedication or the conveyance to any public entity or authority of any portion of the Property for public street purposes, this Declaration shall no longer be applicable to the land so dedicated or conveyed.

Section 13.11. Management Contracts. The Board of Directors shall enter into professional management contract(s) for the management of the Property, in accordance with the Articles and Bylaws. Notwithstanding anything contained herein to the contrary, Buckingham Management, L.L.C., or its affiliate (collectively, "Buckingham Management"), is hereby designated as exclusive property manager with respect to the Property. The Association shall enter into an exclusive property management agreement with Buckingham Management which agreement shall, in part, (a) provide that Buckingham Management shall be designated as the property manager with respect to the Property for a minimum five-year term following the date on which the last lot is sold, and (b) provide that Buckingham Management shall not be removed for any reason other than the following: (i) upon thirty (30) days' written notice of termination by Buckingham Management, or (ii) for any material breach of the property management agreement that remains uncured after 30 days prior written notice from the Board of Directors to Buckingham Management (if such breach is not capable of being cured in 30 days, then Buckingham Management shall have such additional time as is necessary to complete such cure provided it pursues completion of the cure with reasonable diligence), (iii) gross negligence, or (iv) intentional misconduct of Buckingham Management.

Section 13.12. Dissolution. Subject to the restrictions and conditions contained in Article XII and this Article XIII, the Association may be dissolved with the assent given in writing and signed by at least two-thirds (2/3) of each class of Members and in accordance with Article 13 of the Act. Upon dissolution of the Association, other than incident to a merger or consolidation, the assets of the Association, both real and personal, shall be offered to an appropriate public agency to be devoted to purposes and uses that would most nearly reflect the purposes and uses to which they were required to be devoted by the Association. In the event that such offer of dedication is refused, such assets shall be then offered to be granted, conveyed or assigned to any non-profit corporation, trust or other organization devoted to similar purposes and in accordance with Indiana law. Any such dedication or transfer of the Common Area shall not be in conflict with then-governing zoning ordinances or the designation of the Common Area as "open space".

Section 13.13. Negligence. Each Owner shall be liable for the expense of any maintenance, repair or replacement rendered necessary by his negligence or by that of any member of his family or his or their guests, employees, agents, invitees or lessees, to the extent that such expense is not covered by the proceeds of insurance carried by the Association. An Owner shall pay the amount of any increase in insurance premiums occasioned by violation of any of the Restrictions by such Owner, any member of his family or their respective guests, employees, agents, invitees or tenants.

Section 13.14. Acceptance and Ratification. All present and future Owners, Mortgagees, tenants and occupants of the Lots and Dwelling Units, and other Persons claiming by, through or under them, shall be subject to and shall comply with the provisions of this Declaration, the Articles, the By-Laws and the rules, regulations and guidelines as adopted by the Board of Directors and (to the extent of its jurisdiction) the Architectural Review Board, or any committee thereof, as each may be amended or supplemented from time to time. The acceptance of a deed of conveyance or the act of occupancy of any Lot or Dwelling Unit shall constitute an agreement that the provisions of this Declaration, the Articles, the Bylaws and rules, regulations and guidelines, as each may be amended or supplemented from time to time,

are accepted and ratified by such Owner, tenant or occupant, and all such provisions shall be covenants running with the land and shall bind any Person having at any time any interest or estate in a Lot or Dwelling Unit or the Property, all as though such provisions were recited and stipulated at length in each and every deed, conveyance, mortgage or lease thereof. All Persons who may own, occupy, use, enjoy or control a Lot or Dwelling Unit or any part of the Property in any manner shall be subject to this and guidelines applicable thereto as each may be amended or supplemented from time to time.

Section 13.15. Perpetuities. If any of the covenants, conditions, restrictions, or other provisions of this Declaration would be unlawful, void, or voidable for violation of the common law rule against perpetuities, then such provisions shall continue on for the maximum amount of time as allowed by Indiana Code 32-17-8, et seq. as amended from time to time.



CHICAGO TITLE

WITNESS the following signatures:

DECLARANT:

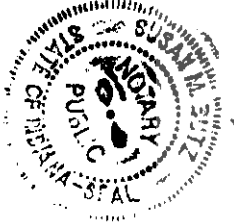
BUCKINGHAM ARDEN, LLC,
an Indiana limited liability company

By: [Signature]
Bradley B. Chambers,
Manager and sole member

STATE OF INDIANA)
)SS:
COUNTY OF MARION)

Before me, a Notary Public in and for said County and State, personally appeared Bradley B. Chambers, known to me to be the Manager and sole member of Buckingham Arden, LLC, an Indiana limited liability company, who acknowledged the execution of the foregoing Declaration of Covenants, Conditions and Restrictions for the Arden Townhomes, as such Manager and sole member acting for and on behalf of said limited liability company, and who, having been duly sworn, stated that any representations therein contained are true.

Witness my hand and Notarial Seal this 29 day of Dec., 2006.



[Signature]
Signature

Susan M. Butz
Printed Name ® Notary Public

My Commission Expires: July 19, 2008 My County of Residence: Harrison

This instrument was prepared by and after recording return to: David E. Corey, Esq., ICE MILLER LLP, One American Square, Suite 3100, Indianapolis, IN 46282. I affirm, under the penalties for perjury, that I have taken reasonable care to redact each Social Security number in this document, unless required by law. David E. Corey.

EXHIBIT A

Legal Description of Property

A part of the Southwest Quarter of Section 19, Township 18 North, Range 4 East, of the Second Principal Meridian, in Clay Township, Hamilton County, Indiana, more particularly described as follows:

Commencing at the southwest corner of said quarter section; thence North 90 degrees 00 minutes 00 seconds East (assumed bearing) along the south line of said quarter section 1036.30 feet to a point in the center of Cool Creek and the POINT OF BEGINNING of this description; thence North 90 Degrees 00 minutes 00 seconds East along said south line 365.00 feet to the east line of a tract of and described in DB 263, PG 240 in the Office of the Recorder of said Hamilton County; thence North 00 degrees 01 minutes 47 seconds East along said east line 1356.60 feet to the northeast corner of said tract of land; thence South 90 degrees 00 minutes 00 seconds West along the north line of said tract of land 206.05 feet to the southeastern line of the Indiana Union Traction Company ("IUT") right-of-way (said line being 33 feet by parallel lines from the center line of said right-of-way); thence South 66 degrees 24 minutes 54 seconds West along said southeastern line 201.00 feet to the southwest corner of the west abutment of the IUT bridge over Cool Creek; thence South 13 degrees 46 minutes 22 seconds West 511.50 feet to a point in the center of Cool Creek; thence meandering said center of Cool Creek the following seven courses:

1)	South	22	degrees	00	minutes	00	seconds	East	140.00	feet;
2)	South	09	degrees	00	minutes	00	seconds	East	100.00	feet;
3)	South	26	degrees	00	minutes	00	seconds	East	300.00	feet;
4)	South	03	degrees	00	minutes	00	seconds	East	60.00	feet;
5)	South	30	degrees	00	minutes	00	seconds	West	65.00	feet;
6)	South	19	degrees	00	minutes	00	seconds	West	100.00	feet;
7)	South	07	degrees	00	minutes	14	seconds	East	70.94	feet

to the point of beginning, containing 12.721 acres, more or less.



CHICAGO TITLE