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**DECLARATION OF
COVENANTS, RESTRICTIONS AND EASEMENTS
FOR
HIDDEN LAKES SUBDIVISION**

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**DECLARATION OF COVENANTS, RESTRICTIONS AND EASEMENTS
FOR
HIDDEN LAKES SUBDIVISION**

THIS DECLARATION OF COVENANTS, RESTRICTIONS AND EASEMENTS FOR HIDDEN LAKES SUBDIVISION (the "Protective Covenants") is made this 25th of February, 2002, by QUINNCO-D'AMICO HIDDEN LAKES, LLC, a South Carolina limited liability company, its successors and assigns (the "Declarant"), joined in by CENTEX HOMES, a Nevada general partnership ("Centex").

WHEREAS, Declarant is the owner in fee simple of the real property more particularly described on Exhibit A (the "Property") attached hereto and made a part hereof.

WHEREAS, Declarant is developing a community on the Property to be known as "Hidden Lakes" (referred to as "Hidden Lakes" or the "Subdivision") in multiple separate stages as hereinafter set forth; and

WHEREAS, Centex is under contract to purchase residential building site lots within the Property from Declarant for the construction of single family residential dwelling units; and

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

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

NOW, THEREFORE, in consideration of the premises and covenants herein contained, Declarant hereby declares that the Property shall be owned, held, used, transferred, sold, conveyed, demised and occupied subject to the covenants, restrictions, easements, reservations, regulations, burdens and liens hereinafter set forth, all of which shall run with the Property and any part thereof and which shall be binding upon all parties having any right, title or interest in the Property or any part thereof, their heirs, successors and assigns.

ARTICLE I
DEFINITIONS

A. "Additional Property" means any real property which is contiguous to the Property and now owned or hereafter acquired by Declarant its successors as provided in Section B of Article II, which may be subjected to the terms of these Protective Covenants in accordance with the provisions of Section B of Article II.

B. "Amendment(s)" mean(s) any and all amendments to these Protective Covenants, all of which shall be consecutively numbered beginning with the "First Amendment to the Declaration of Protective Covenants and Restrictions for Hidden Lakes Subdivision" and each of which shall be properly adopted pursuant to the terms of the Association Documents and recorded in the Public Records; provided, however, the failure to so consecutively number such amendments shall not impair their validity hereunder and such amendments to the extent not otherwise numbered will be deemed to have been numbered in chronological order of their appearance in the Public Records.

C. "Articles" mean the Articles of Incorporation of the Association.

D. "Assessments" mean the assessments for which all Owners are obligated to the Association and include "Individual Lot Assessments", "Individual Expense Assessments" and "Special Assessments" (as such terms are defined in Article V hereof) and any and all other assessments which are levied by the Association in accordance with the Association Documents.

E. "Association" means Hidden Lakes Property Owners Association, Inc., a South Carolina non-profit corporation.

F. "Association Documents" mean in the aggregate these Protective Covenants, the Articles and Bylaws, and all of the instruments and documents referred to or incorporated therein, including, but not limited to, amendments to any of the foregoing, as applicable.

G. "Association Property" means the lands, systems, facilities, rights and easements which may be deeded, leased, granted, reserved, assigned or transferred to the Association, as described in Section D of Article II hereof, or designated as Association Property by the Declarant prior to the Turnover Date and thereafter by the Association, together with all improvements thereon and equipment, facilities and rights associated therewith. The Association Property includes, but is not limited to, the Open Space Areas, Lakes, Wetland Areas and other areas described in Section D of Article II hereof. Association Property shall also include personal property and interests therein transferred to or acquired by the Association if so designated.

H. "Board" means the Board of Directors of the Association.

I. "Builder" means Centex and any other Person (if any) designated by Declarant who owns Lots in the Project for the purpose of constructing Homes thereon for later sale to retail purchasers who purchase such Homes for occupancy by such purchasers as a residence.

J. "Bylaws" means the Bylaws of the Association.

K. "Centex" means Centex Homes, a Nevada general partnership authorized to do business in South Carolina.

L. "Committee" means the Architectural Control Committee for the Property as established and empowered as provided in Article X of these Protective Covenants.

M. "Contributing Lot" means any Lot which (a) has been issued a certificate of occupancy for a Home constructed thereon by the appropriate governmental agency, or (b) is designated a Contributing Lot by the Declarant in the deed of conveyance or any other instrument recorded among the Public Records of the

County, upon which an affirmative covenant to pay Assessments, as more particularly set out in Article IV hereof, is imposed. OP BY 01551 PAGE 0113

- N. "Contributing Lot Owner" means the Owner of a Contributing Lot.
- O. "County" means Beaufort County, South Carolina.
- P. "Declarant" means Quinnco-D'Amico Hidden Lakes, LLC, a South Carolina limited liability company, and any successor or assign thereof which acquires any Lot from Declarant for the purpose of development and to which Quinnco D'Amico Hidden Lakes, LLC, specifically assigns all or part of the rights of Declarant hereunder by an express written assignment recorded in the Public Records of the County. The term "Declarant" shall also mean Regions Bank, or any successors or assigns of Regions Bank, if Regions Bank (or its successors or assigns) acquires any portion of the Property by foreclosure or deed or other proceedings in lieu of foreclosure, and elects to exercise the rights and assume the obligations of Declarant.
- Q. "Director" means a member of the Board.
- R. "Hidden Lakes" or "the Subdivision" means the single-family residential community planned for development on the Property in multiple separate stages.
- S. "Final Plat" means a final subdivision plat or recombination plat approved by the County consistent with the Master Plan for a portion of the Property and recorded in the Public Records of the County.
- T. "Future Lot" means a plot of land within a Tract, as reflected by the current Master Plan for the Property, which is intended to become a Lot when that portion of the Tract becomes subject to a Final Plat.
- U. "Home" means a residential dwelling unit in Hidden Lakes intended as an abode for one family constructed upon a Lot.
- V. "Improvement" means any building, fence, wall, patio area, driveway, walkway, antenna, satellite dish, sign, mailbox, pool, tennis court, deck, or other structure or improvement, including landscaping, which is constructed, made, installed, attached, placed or developed within or upon, or removed from, any portion of the Property, or any change, alteration, addition or removal of any such structure or improvement other than normal maintenance and repair which does not materially alter or change the exterior appearance, condition and color of same.
- W. "Institutional Mortgagee" means any lending institution owning a first mortgage covering a Home or Lot, including any of the following institutions:
1. Any federal or state savings and loan association or bank, or real estate investment trust, or mortgage banking company or any subsidiary thereof, or a national banking association chartered under the laws of the United States of America; or
 2. Any "secondary mortgage market institution", including the Federal National Mortgage Association, Government National Mortgage Association, Federal Home Loan Mortgage Corporation and such other secondary mortgage market institution as the Board shall hereafter approve in writing; or
 3. Any pension or profit-sharing funds qualified under the Internal Revenue Code; or

4. Any and all investing or lending institutions, or the successors and assigns of such lenders ("Lenders"), which purchase mortgages on any portion of the Property from any other Institutional Mortgagee; or

5. Such other institutional lenders as the Board shall hereafter approve in writing as an Institutional Mortgagee which have acquired a mortgage upon any portion of the Property; or

6. Declarant, if Declarant holds a mortgage on any portion of the Property and the transferee of any mortgage encumbering the Property which was originally held by Declarant; or

7. Any life insurance company; or

8. The Veterans Administration ("VA") or the Federal Housing Administration ("FHA") or the Department of Housing and Urban Development ("HUD").

X. "Interest" means the maximum nonusurious interest rate allowed by law on the subject debt or obligation, and if no such rate is designated by law, then twelve percent (12%) per annum.

Y. "Lake" means a portion of the Property shown on the Master Plan or a Final Plat as a delineated parcel of real property that contains all or any portion of a lake, pond, lagoon, retention or detention area, or similar body of water.

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

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

BB. "Master Plan" means the plan entitled "Planned Unit District Master Plan for Hidden Lakes" attached to and incorporated into the "Planned Unit Development Narrative and Development Standards" approved by the Town, as such Master Plan may be supplemented or amended from time to time to reflect modifications which are approved by the Town. The current version of the Master Plan is attached as Exhibit "B".

CC. "Member" means a member of the Association.

DD. "Operating Expenses" means the expenses for which Owners are liable to the Association as described in these Protective Covenants and any other Association Documents and include, but are not limited to, the costs and expenses incurred by the Association in administering, operating, reconstructing, maintaining, financing, repairing, replacing or improving the Association Property, or any portion thereof and improvements thereon, and all costs and expenses incurred by the Association in carrying out its powers and duties hereunder or under any other Association Documents, including, but not limited to, the cost of any reserves and any other expenses designated to be Operating Expenses by the Board.

EE. "Open Space Area" means a portion of the Property identified on a Final Plat on the Master Plan as a delineated parcel of land for use as a permanent open space, conservation or natural area, or other open area to be owned by the Association. Open Space Areas may include Lakes, Wetland areas or other Association Property as indicated on the Master Plan or a Final Plat.

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

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

HH. "Property" means the real property more particularly described on Exhibit A attached hereto and made a part hereof. The term "Property" shall also mean any additional real property made subject to these Protective Covenants as provided for herein by the recordation of a Supplement.

II. "Protective Covenants" means this document and any amendments and supplements hereto.

JJ. "Public Records" means the Office of the Register of Deeds for Beaufort County, South Carolina, or such other authorized County office in which deeds and other land records and documents are filed for record.

KK. "Storm Water Management System" means the drainage areas, drainage easements, retention areas, storm water piping systems, drains, catch basins and other related apparatus and facilities intended to provide storm water management and control for the Property.

LL. "Tract" means any portion of the Property that is not subject to a Final Plat, as such may exist from time to time

MM. "Total Planned Lots" means the total number of Lots planned for Hidden Lakes as shown on the Master Plan as such may exist from time to time and as reflected by the Master Plan as may be updated from time to time with the approval of the Town. For the purposes hereof, the term "Total Planned Lots" shall mean one hundred ninety (190) Lots, as such number may be adjusted to reflect changes in the Master Plan which are approved by the Town.

NN. "Town" means the Town of Bluffton, Beaufort County, South Carolina.

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

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

Declarant plans to develop the Subdivision in multiple stages. The real property which, initially, is and shall be held, transferred, sold, conveyed and occupied subject to these Protective Covenants is more particularly described on Exhibit A and is planned to contain a total of one hundred ninety (190) Lots and the Association Property located on the Property. The initial development phase of the Property is planned to consist of fifty-nine (59) Lots and the Association Property shown (or to be shown) on the applicable Final Plats for such phase.

Declarant's general plan of development of Hidden Lakes contemplates the construction of Homes thereon and, further, that various improvements will be constructed on the Lots and other portions of the Property which will enhance Hidden Lakes and benefit the Owners of all Lots, however there is no obligation imposed by these Protective Covenants on the Declarant or Centex to build a Home on any particular Lot. Declarant's general plan of development further contemplates that such Homes shall be whatever types of structures Declarant (or Centex, or other designated Builder) may choose to build (subject to the applicable zoning and density requirements of the applicable governmental authorities). Declarant's general plan of development of Hidden Lakes is reflected by the Master Plan and may also include whatever facilities and amenities Declarant considers in its sole judgment to be appropriate to the community. Declarant reserves the right to increase or decrease the number of Lots or Future Lots reflected and/or permitted by the Master Plan as approved by the Town in accordance with applicable law, and such change shall not require an amendment to these Protective Covenants.

B. Supplement.

1. Additional Property. Prior to the Turnover Date, Declarant shall have the right, without the approval or joinder of the Association, the Owners or any other Person (except, if applicable, the consent of HUD/VA as provided below), to bring under the provisions of these Protective Covenants and thereby add to the Subdivision any real property owned or acquired by Declarant which is contiguous to the Property or which is contiguous with a public or private street adjacent to the Property ("Additional Property"), provided that the annexation of such Additional Property is for the purposes of reflecting changes or modifications to the Master Plan which have been approved by the Town and other applicable governmental authorities, and thereby add same to the Hidden Lakes community by recording a "Supplement". The Supplement may contain such complementary additions and modifications to the terms of these Protective Covenants as may be necessary or desirable to reflect the different character, if any, of the portion of the Additional Property being subjected to these Protective Covenants and as are not inconsistent with the general scheme of these Protective Covenants. To the extent that any Additional Property is made part of Hidden Lakes by a Supplement, reference herein to the Property shall be deemed to include such Additional Property. Notwithstanding the foregoing, Declarant is not obligated to add to the Property, to develop any Additional Property under a common scheme, or be prohibited from changing development plans with respect to future portions of Hidden Lakes comprised of any portion of the Additional Property. All Owners by acceptance of a deed to their Lots, consent to any change, rezoning or addition made by Declarant and shall evidence such consent in writing if requested to do so by Declarant at any time without obviating the effect of this provision.

After the Turnover Date, upon the vote or written consent of the Owners of not less than ninety (90%) of the Lots, any real property which is contiguous to the Property or which is contiguous with a public or private street adjacent to the Property may be brought under the provisions of these Protective

Covenants and thereby added to the Hidden Lakes community, provided that the annexation of such real property is for the purposes of reflecting changes or modifications to the Master Plan which have been approved by the appropriate governmental authorities. To the extent that any contiguous property approved for annexation by the Owners after the Turnover Date is thereafter made part of Hidden Lakes by a Supplement, reference herein to the Property shall be deemed to include such property.

2. Association Property within Additional Property. If any Additional Property is made part of Hidden Lakes and subjected to these Protective Covenants by the recording of a Supplement as provided above, any Association Property located within such newly annexed portion of the Property shall be conveyed to the Association prior to the date the first Lot in such property is conveyed to an Owner as provided in Section D. 14 of this Article II.

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

C. Withdrawal. Prior to the Turnover Date, Declarant reserves the right to amend these Protective Covenants at any time, without prior notice and without the consent of any Person (except, if applicable, the consent of HUD/VA as provided above) for the purpose of removing certain portions of the Property then owned by Declarant from the provisions of these Protective Covenants to the extent that such real property was included originally in error or as a result of changes in the Master Plan for Hidden Lakes desired by Declarant.

D. Association Property. The Association Property is for the use, enjoyment, and benefit of the Association, the Owners, and the residents of the Property, and their respective guests and invitees, tenants, the Institutional Mortgagees, and, subject to the ordinances of the Town and other applicable governmental authorities, any other person authorized to use the Association Property or any portion thereof by Declarant or the Association for all proper and reasonable purposes and uses for which same are reasonably intended. Such use and enjoyment of the Association Property is subject to the terms of these Protective Covenants, and the terms of any easement, restriction, reservation or limitation of record affecting the Association Property or contained in the deed or instrument conveying the Association Property to the Association. The Association Property shall consist of the property hereinafter described.

1. Storm Water Management System. Certain portions of the Storm Water Management System may consist of Association Property and other portions shall be owned by the County or other applicable governmental authority. However, the grass and surface areas located within any private drainage easements upon a Lot as delineated on a Final Plat shall be maintained by the Owners of the applicable Lots as provided in Section B.3 of Article IX. The Association shall use and maintain those portions of the Storm Water Management System owned by the Association, if any, substantially in the same fashion as constructed by Declarant.

2. Roadways and Rights of Way. The Association shall keep and maintain any portion of the Property shown on a Final Plat as a roadway ("Roadway") or rights of way ("Rights of Way") and all improvements thereon substantially in the same condition and fashion as constructed by Declarant and in accordance with governmental standards, excluding those Roadways, Rights-of-Way (or portions thereof) which are dedicated to the County for use by the public. Roadways and Rights-of-Way shall provide a means of ingress and egress to and from all portions of the Property for the use of the Association, Declarant, the Owners, and their guests, licensees, lessees and invitees. There is hereby reserved and granted to the Town, the County, the United States of America, and other applicable governmental entities, a non-exclusive easement across such Roadways and Rights of Way for all governmental purposes including, but not limited to, provision for the following services: police and fire protection, garbage collection, mail delivery, building inspection, and all other available public services. Declarant may, without the consent of the Association, Owners or any other party, dedicate all or any portion of the Roadways or Rights of Way to the Town or the County or other applicable governmental agency for use by the public. In the event all or a portion of the Roadways and Rights of Way are conveyed or dedicated to a governmental agency and such governmental agency is willing or obligated to maintain such portion of the Roadways or Rights of Way, the Association shall have no responsibility for the maintenance thereof, but shall have the right, but not the obligation, to provide supplemental maintenance together with the governmental agency, as the Board may determine in its sole discretion.

3. Landscape Areas. Any portion of the Property shown on a Final Plat as a landscape area, landscape easement or otherwise established for landscape use ("Landscape Areas") shall be used and maintained by the Association substantially in the same fashion as constructed by Declarant. To the extent that any portion of a Landscape Area is located upon any Lot, an easement upon the applicable portion of such Lot is hereby reserved in favor of Declarant and the Association as provided in Section B. 8 of Article VIII.

4. Open Space Areas. Any portion of the Property shown on a Final Plat as a separate parcel of property for use as a permanent open space, park, conservation or natural area or otherwise established for use as an open area ("Open Space Areas") shall be owned by the Association. Any Open Space Area shall be used and maintained by the Association in accordance with any applicable requirements and regulations of the Town and other applicable governmental authorities. Open Space Areas may contain Lakes, Wetland Areas, or other Association Property, as shown on the Master Plan or a Final Plat. Any portion of the Open Space Areas upon which Declarant or Centex has constructed Improvements shall be maintained by the Association in substantially the same fashion as constructed by Declarant or Centex.

5. Entryway and Signage Areas. Any portion of the Property and any portion of adjoining properties owned by others shown on a Final Plat as an entryway area or easement ("Entryway Area") or signage area or easement ("Signage Area") shall be used and maintained by the Association in substantially the same fashion as landscaped and constructed by Declarant. To the extent that any portion of an Entryway Area or Signage Area is located upon any Lot, an easement upon the applicable portion of such Lot is hereby reserved in favor of Declarant, Centex, and the Association as provided in Section B.8 of Article VIII.

6. Sidewalks, Pedestrian Access Areas and Street Lighting. The Association shall maintain any common sidewalks, walkways or other areas specifically limited for pedestrian access within the Property, if permitted by the appropriate governmental authority, but not any sidewalk or walkway exclusively serving only one Lot or located upon a Lot. The Association shall also maintain any common

street lighting within the Property other than any street lighting exclusively serving one Lot, and shall maintain and pay for any utility services used in connection with such common street lighting, except to the extent such common street lighting is maintained by governmental authorities or a public utility provider. Any pedestrian access areas not located in a Roadway or on a Lot and shown on any Final Plat shall be owned and maintained by the Association substantially in the same fashion as constructed by Declarant.

7. Wetland Areas. Any portion of the Property shown on a Final Plat or Master Plan as a wetland, wetland buffer, or similar area that is subject to regulation, restriction and protection by the applicable governmental authorities ("Wetland Area") shall be owned and maintained by the Association in accordance with the regulations, requirements, conditions and restrictions of the applicable governmental authorities and as set forth in these Protective Covenants.

8. Other Property. In addition to the Association Property specifically described in this Section D of Article II, Association Property shall also consist of such other property, real or personal, and interests therein as may be determined by Declarant to be of use or benefit to the Association, its Members or Hidden Lakes and designated as Association Property by Declarant.

9. Maintenance of Other Property benefiting the Association. In addition to the Association Property specifically set forth in these Protective Covenants, the maintenance responsibility of the Association may include, without limitation, any landscaping on public roadways or other property adjacent to the Property selected by the Board for maintenance and determined by the Board as benefiting Hidden Lakes with the approval of the owner of such property or the governmental authority responsible for maintenance of same. Such other property shall include an easement on adjacent property owned by Quinnco-D'Amico Shults, LLC for a Signage Area and Improvements constructed (or to be constructed) thereon by Centex, as provided in section B.9 of Article VIII.

10. Right to Add Additional Improvements. Such portions of the Association Property upon which Declarant has constructed, or hereinafter constructs, Improvements shall be kept and maintained for use in a manner consistent with the nature of such Improvements located, or to be located thereon. Until the Turnover Date, Declarant reserves the right, but shall not be obligated, to construct additional facilities upon the Association Property. Until the Turnover Date, the decision as to whether to construct additional facilities and the construction thereof shall be in the sole discretion of Declarant.

11. Administration and Costs of Maintenance. Except as specifically provided to the contrary herein, all costs associated with operating and maintaining the Association Property shall be the obligation of the Association, and such costs shall be an Operating Expense. The Association Property shall be conveyed to the Association in accordance with the provisions of Section D. 14 of this Article II. The administration, management, operation and maintenance of the Association Property shall be the responsibility of the Association, all as is provided herein and in the other Association Documents.

12. Private Use. Except as may otherwise be expressly provided for herein, for the term of these Protective Covenants, the Association Property is not for the use and enjoyment of the public, but is expressly reserved for the private use and enjoyment of Declarant, the Association, and the Lot Owners in Hidden Lakes, their family members, guests, invitees and lessees, and any other Person authorized to use the Association Property or any portion thereof by Declarant or the Association but only in accordance with these Protective Covenants and the laws of the Town and the applicable governmental authorities.

13. Declarant's Rights to Use Association Property. Notwithstanding anything in these Protective Covenants to the contrary, Declarant hereby expressly reserves the right for Declarant and Centex to use the Association Property and the Lots in connection with the sale and marketing by Centex or Declarant of Homes in Hidden Lakes, including, but not limited to, the holding of sales and marketing meetings, sales promotions and related activities.

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

Notwithstanding anything contained in these Protective Covenants to the contrary, the Association Property shall not be mortgaged or conveyed by the Association without the approval of two-thirds (2/3) of the Members (other than Declarant). All rights of the mortgagee shall be subordinate to the rights of the Association and its Members. Easements granted or permitted in the Association Property pursuant to Article VIII shall not be considered to be a conveyance of such Association Property and shall not require the approval or consent of the Owners or any other party or Person.

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

15. Rules and Regulations. The Association shall, from time to time, impose rules and regulations regulating the use and enjoyment of the Association Property. The rules and regulations so promulgated shall, in all respects, be consistent with the provisions of the Association Documents. The

right to use the Association Property shall be subject to the rules and regulations established by the Association. The rules and regulations shall not apply to Declarant or Centex as an Owner.

ARTICLE III
MEMBERSHIP AND VOTING RIGHTS IN THE ASSOCIATION;
BOARD; DURATION OF THE ASSOCIATION

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

1. Membership in the Association for Owners other than Declarant shall be established by the acquisition of ownership of fee title to a Lot as evidenced by the recording of an instrument of conveyance in the Public Records. Membership shall be appurtenant to and may not be separated from ownership of a Lot or Tract. Upon termination of ownership, an Owner's membership shall automatically terminate and be automatically transferred to the new Owner of the Lot or Tract. Where title to a Lot is acquired by conveyance from a party other than Declarant by means of sale, gift, inheritance, devise, judicial decree or otherwise, the person, persons or entity thereby acquiring such Lot shall not be a Member until such Owner or his closing attorney notifies the Association in writing of such change in ownership. However, if the Lot so acquired is a Contributing Lot as defined in these Protective Covenants, the person, persons or entity thereby acquiring such Lot shall be deemed to be a Contributing Lot Owner upon the acquisition of such Lot and liable to the Association for Assessments attributable to such Lot in accordance with the provisions of Article IV and V, regardless of the membership status of such Contributing Lot Owner.

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

i. "Class A Members" shall be all Members other than Declarant, and each Class A Member is entitled to one (1) vote for each Lot or Future Lot owned.

ii. "Class B Member" shall be Declarant, which shall be entitled to three (3) votes for each Lot or Future Lot owned by Declarant. The Class B membership shall cease and be converted to Class A membership on the Turnover Date.

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

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

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

5. Any Member who conveys or loses title to a Lot by sale, gift, devise, bequest, judicial decree or otherwise shall, immediately upon such conveyance or loss of title, no longer be a Member with

respect to such Lot and shall lose all rights and privileges of a Member resulting from ownership of such Lot, but shall remain personally liable to the Association for any unpaid Assessments levied upon the subject Lot which accrue during the period of such Person's ownership of the Lot.

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

7. Unless a higher percentage is required by these Protective Covenants, the Bylaws, or the Articles, a quorum shall consist of persons entitled to cast at least twenty percent (20%) of the total number of votes of the Members.

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

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

ARTICLE IV

COVENANT TO PAY ASSESSMENTS FOR OPERATING EXPENSES; ESTABLISHMENT OF LIENS; COLLECTION OF ASSESSMENTS; COLLECTION BY DECLARANT; CERTAIN RIGHTS OF DECLARANT AND INSTITUTIONAL MORTGAGEES; NON-MONETARY DEFAULTS; FINES

A. Affirmative Covenant to Pay Operating Expenses. In order to: (i) fulfill the terms, provisions, covenants and conditions contained in the Association Documents; and (ii) maintain, operate and preserve the Association Property for the use, safety, welfare and benefit of the Members and their family members, guests, invitees and lessees, there is hereby imposed upon each Contributing Lot and Contributing Lot Owner (with the exception of Declarant for so long as Declarant pays the Deficit during the Guarantee Period referred to in Section F of Article V) the affirmative covenant and obligation to pay to the Association (in the manner herein set forth) all Assessments, including, but not limited to, the Individual Lot Assessments, Special Assessments and Individual Expense Assessments. Each Owner (except Declarant, if applicable, as provided in Section F of Article V) by acceptance of a deed or other instrument of conveyance conveying a Lot within the Property from Declarant, whether or not it shall be so expressed in such deed or instrument, shall be obligated and agrees to pay to the Association all Assessments for Operating Expenses in accordance with the provisions of the Association Documents.

B. Establishment of Liens. Any and all Assessments made by the Association in accordance with the provisions of the Association Documents with Interest thereon and costs of collection, including, but not limited to, Legal Fees, are hereby declared to be a charge and continuing lien upon each Contributing Lot against which each such Assessment is made. Each Assessment against a Contributing Lot, together with Interest thereon, including, but not limited to, Legal Fees, shall be the personal obligation of the Contributing

Lot Owner of such Contributing Lot. Notwithstanding anything to the contrary herein contained, where an Institutional Mortgagee of record obtains title to a Contributing Lot as a result of foreclosure of its first mortgage or deed in lieu of foreclosure, such acquirer of title, its successors or assigns, shall not be liable for the share of Assessments pertaining to such Contributing Lot or chargeable to the former Contributing Lot Owner thereof which became due prior to the acquisition of title as a result of the foreclosure or deed in lieu thereof, unless the Assessment against the Contributing Lot in question is secured by a claim of lien for Assessments that is recorded prior to the recordation of the mortgage which was foreclosed or with respect to which a deed in lieu of foreclosure was given.

C. Collection of Assessments. In the event any Contributing Lot Owner shall fail to pay any Assessment (or installment thereof) charged to such Contributing Lot Owner within fifteen (15) days after the same becomes due, then the Association, through its Board, shall have any and all of the following remedies to the extent permitted by law, which remedies are cumulative and which remedies are not in lieu of, but are in addition to, all other remedies available to the Association:

1. To accelerate the entire amount of any Assessments for the remainder of the calendar year notwithstanding any provisions for the payment thereof in installments.
2. To advance on behalf of the Contributing Lot Owner(s) in default funds to accomplish the needs of the Association up to and including the full amount for which such Contributing Lot Owner(s) is liable to the Association and the amount or amounts of monies so advanced, together with Interest and all costs of collection thereof, including, but not limited to, Legal Fees, may thereupon be collected by the Association and such advance by the Association shall not waive the default.
3. To file an action in equity to foreclose its lien at any time after the effective date thereof. The lien may be foreclosed by an action in the name of the Association in like manner as a foreclosure of a mortgage on real property.
4. To file an action at law to collect said Assessment plus Interest and Legal Fees, without waiving any lien rights or rights of foreclosure in the Association.
5. To charge Interest on such Assessment from the date it becomes due, as well as a late charge of Twenty-Five Dollars (\$25.00) to defray additional collection costs.

D. Collection by Declarant. In the event for any reason the Association shall fail to collect the Assessments, then, in that event, Declarant shall at all times have the right (but not the obligation) prior to the Turnover Date: (i) to advance such sums as the Association could have advanced as set forth above; and (ii) to collect such Assessments and, if applicable, any such sums advanced by Declarant, using the remedies available to the Association against a Contributing Lot Owner as set forth in Section C of this Article IV, which remedies (including, but not limited to, recovery of Legal Fees) are hereby declared to be available to Declarant.

E. Rights of Declarant and Institutional Mortgagees to Pay Assessments and Receive Reimbursement. Declarant and any Institutional Mortgagees shall have the right, but not the obligation, jointly or singly, and at their sole option, to pay any of the Assessments which are in default and which may or have become a charge against any Contributing Lots. Further, Declarant and any Institutional Mortgagees shall have the right, but not the obligation, jointly or singly, and, at their sole option, to pay insurance premiums or fidelity bond premiums or other required items of Operating Expenses on behalf of the Association where the same are overdue and where lapses in policies or services may occur. Declarant and any Institutional Mortgagees paying overdue Operating Expenses on behalf of the Association will be entitled to immediate

reimbursement from the Association plus Interest and any costs of collection including, but not limited to, Legal Fees.

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

G. Assignment of Claim and Lien Rights. The Association, acting through its Board, shall have the right to assign to any third party its claim and lien rights for the recovery of any unpaid Assessments and any other monies owed to the Association.

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

I. Application of Payments. Any payments made to the Association by any Owner shall first be applied towards any sums advanced and paid by the Association for taxes and payment on account of superior mortgages, liens or encumbrances which may have been advanced by the Association in order to preserve and protect its lien, next toward Legal Fees incurred by the Association incidental to the collection of assessments and other moneys owned to the Association by the Owner and/or for the enforcement of its lien; next towards interest on any Assessments or other moneys due to the Association, as provided herein, and next towards any unpaid Assessments owed to the Association, in the inverse order that such Assessments were due.

J. Non-Monetary Defaults. In the event of a violation by any Owner or any tenant of an Owner, or any person residing with them, or their guests or invitees of any of the provisions of these Protective Covenants, the Articles, the Bylaws or the rules and regulations of the Association, other than the non-payment of any Assessment or other monies, the Association shall notify the Owner and any tenant of the Owner of the violation by written notice. If: (a) such violation is not cured as soon as practicable and in any event within seven (7) days after such written notice, or (b) if the violation is not capable of being cured within such seven (7) day period and the Owner or tenant fails to commence and diligently proceed to completely cure such violation as soon as practicable after written notice is given by the Association, or (c) any similar violation is thereafter repeated, the Association may, at its option:

1. Impose a fine against the Owner or tenant as provided in Section K of this Article IV;
and/or
2. Commence an action to enforce the performance on the part of the Owner or tenant, or for such equitable relief as may be necessary under the circumstances, including injunctive relief; and/or
3. Commence an action to recover damages; and/or
4. Take any and all actions reasonably necessary to correct such violation, which action may include, where applicable, but is not limited to, removing any addition, alteration, improvement or change which has not been approved by the "Committee" or erected in accordance with the Committee's approval

(as herein defined), or performing any maintenance required to be performed by these Protective Covenants.

All expenses incurred by the Association in connection with the correction of any violation, plus a service charge of ten percent (10%) of such expenses, and all expenses incurred by the Association in connection with any legal proceedings to enforce these Protective Covenants, including Legal Fees, shall be assessed against the applicable Owner as an Individual Expense Assessment in accordance with Section D of Article V. The Association shall have a lien for any such Individual Expense Assessment and any interest, costs or expenses associated therewith, including Legal Fees incurred in connection with such Assessment, and may take such action to collect such Assessment or foreclose said lien as in the case and in the manner of any other Assessment as provided above. Any such lien shall only be effective from and after the recording of a claim of lien in the Public Records of the County in which the Property is located.

K. Fines. The amount of any fine shall be determined by the Board and shall not exceed the greater of \$25.00 or one (1) month's Assessment for Operating Expenses for the first offense, the greater of \$50.00 or two (2) months' Assessment for Operating Expenses for a second offense, and the greater of \$100.00 or three (3) months' Assessment for Operating Expenses for a third or subsequent offense. Notwithstanding the foregoing, if any violation of these Protective Covenants or the rules and regulations is of a continuing nature, and if the Owner fails to cure any continuing violation within thirty (30) days after written notice of such violation, or, if such violation is not capable of being cured within such thirty (30) day period, if the Owner fails to commence action reasonably necessary to cure the violation within such thirty (30) day period or shall thereafter fail to diligently proceed to cure the violation as soon as is reasonably practical, a daily fine may be imposed until the violation is cured in an amount not to exceed the greater of \$10.00 or 1/4 of one (1) month's Assessment for Operating Expenses. Prior to imposing any fine, the Owner or tenant shall be afforded an opportunity for a hearing after reasonable notice to the Owner or tenant of not less than fourteen (14) days, which notice shall include (i) a statement of the date, time and place of the hearing, (ii) a statement of the provisions of these Protective Covenants, Bylaws or rules and regulations which have allegedly been violated, and (iii) a short and plain statement of the matters asserted by the Association. The Owner of a leased Home shall have the right to participate in any hearing involving the tenant of such Home, and the Association shall provide notice to the Owner of such Home concurrently with the Association's notice to the tenant of the subject Home. The Owner or tenant shall have an opportunity to respond, to present evidence, and to provide written and oral argument on all issues involved and shall have an opportunity at the hearing to review, challenge and respond to any material considered by the Association. At the hearing, the Board shall conduct a reasonable inquiry to determine whether the alleged violation in fact occurred, and if the Board so determines, it may impose such fine as it deems appropriate by written notice to the Owner or tenant. If the Owner or tenant fails to attend the hearing as set by the Board, the Owner or tenant shall be deemed to have admitted the allegations contained in the notice to the Owner or tenant. Any fine imposed by the Board shall be due and payable within ten (10) days after written notice of the imposition of the fine, or if a hearing is timely requested within ten (10) days after written notice of the Board's decision at the hearing. Any fine levied against an Owner shall be deemed an Individual Expense Assessment, and if not paid when due all of the provisions of these Protective Covenants relating to the late payment of Assessments shall be applicable. If any fine is levied against a tenant and is not paid within ten (10) days after same is due, the Association shall have the right to evict the tenant as hereinafter provided.

L. Negligence. An Owner shall be liable and may be assessed by the Association for the expense of any maintenance, repair or replacement rendered necessary by his act, neglect or carelessness, to the extent otherwise provided by law and to the extent that such expense is not met by the proceeds of insurance carried

by the Association. Such liability shall include any increase in insurance rates occasioned by use, misuse, occupancy or abandonment of a Lot or Home or the Association Property.

M. Responsibility of an Owner for Occupants, Tenants, Guests, and Invitees. To the extent otherwise provided by law, each Owner shall be responsible for the acts and omissions, whether negligent or willful, of any person residing in his Home, and for all guests and invitees of the Owner or any such resident, and in the event the acts or omissions of any of the foregoing shall result in any damage to the Association Property, or any liability to the Association, the Owner shall be assessed for same as in the case of any other Assessment, limited where applicable to the extent that the expense or liability is not met by the proceeds of insurance carried by the Association. Furthermore, any violation of any of the provisions of these Protective Covenants, the Articles, or the Bylaws, by any resident of any Home, or any guest or invitee of an Owner or any resident of a Home, shall also be deemed a violation by the Owner and shall subject the Owner to the same liability as if the violation was that of the Owner.

N. Right of the Association to Evict Tenants, Occupants, Guests and Invitees. With respect to any tenant or any person present in any Home or any portion of the Property other than an Owner and the members of his immediate family permanently residing with him in the Home, if such person shall materially violate any provision of these Protective Covenants, the Articles, or the Bylaws, or shall create a nuisance or an unreasonable and continuous source of annoyance to the residents of the Property, or shall willfully damage or destroy any Association Property or personal property of the Association, then upon written notice by the Association such person shall be required to immediately leave the Property and if such person does not do so, the Association is authorized to commence an action to evict such tenant or compel the person to leave the Property and, where necessary, to enjoin such person from returning. The expense of any such action, including Legal Fees, may be assessed against the applicable Owner as an Individual Expense Assessment, and the Association may collect such Assessment and have a lien for same as elsewhere provided. The foregoing shall be in addition to any other remedy of the Association. The Association shall provide notice to the Owner of a leased Home concurrently with any notices sent to the tenant of such Home pursuant to this Section N of Article IV, and such Owner shall have the right to participate in any hearings or eviction proceedings involving the tenant of such Owner's Home. The right of eviction provided for in this section shall be inserted in every lease, but the omissions from the lease agreement of such right shall not affect the right to evict as set forth herein.

O. No Waiver. The failure of the Association to enforce any right, provision, covenant or condition which may be granted by these Protective Covenants, the Articles, or the Bylaws, shall not constitute a waiver of the right of the Association to enforce such right, provision, covenant or condition in the future.

P. Rights Cumulative. All rights, remedies and privileges granted to the Association pursuant to any terms, provisions, covenants or conditions of these Protective Covenants, the Articles or the Bylaws, shall be deemed to be cumulative, and the exercise of any one or more shall neither be deemed to constitute an election of remedies, nor shall it preclude the Association from executing any additional remedies, rights or privileges as may be granted or as it might have by law.

ARTICLE V

METHOD OF DETERMINING ASSESSMENTS AND ALLOCATION OF ASSESSMENTS

A. Determining Amount of Assessments. The total anticipated Operating Expenses for each calendar year shall be set forth in the budget ("Budget") prepared by the Board as required under the Association Documents. The total anticipated Operating Expenses (other than those Operating Expenses

which are properly the subject of a Special Assessment) shall be apportioned equally among the Contributing Lots by dividing the total anticipated Operating Expenses as reflected by the Budget, other than those Operating Expenses which are properly the subject of a Special Assessment (adjusted as hereinafter set forth), by the total number of Contributing Lots (as evidenced by the issuance of a certificate of occupancy), with the quotient thus arrived at being the "Individual Lot Assessment". Notwithstanding anything in the Association Documents to the contrary, any assessment for legal expenses incurred by the Association to begin legal proceedings against Declarant shall be deemed an Operating Expense which is properly the subject of a Special Assessment and not the subject of a regular Individual Lot Assessment.

Notwithstanding the foregoing, Contributing Lot Owners (with the exception of Declarant for so long as Declarant pays the Deficit during the Guarantee Period referred to in Section F of this Article V) shall pay Individual Lot Assessments in an amount which shall not exceed the Maximum Annual Assessment Amount for the applicable period referred to in Section G of this Article V.

B. Assessment Payments. The Individual Lot Assessments shall be payable in advance in monthly, quarterly, annual or semi-annual installments with the due dates being established by the Board. The Individual Lot Assessments, and the installments thereof, as well as all Assessments provided for herein and all installments thereof may be adjusted following the Guarantee Period from time to time by the Board to reflect changes in the number and status of Contributing Lots (thus apportioning all such Assessments and installments thereof among all Contributing Lots in existence at the time such installment is due) or changes in the Budget or in the event that the Board determines that the Assessments or any installment thereof is either less than or more than the amount actually required. When a Contributing Lot not in existence when the Assessment was determined ("New Improved Lot") comes into existence during a period with respect to which an Assessment or installment thereof has already been assessed, the New Improved Lot shall be deemed assessed the amount of such Assessment or installment thereof which was assessed against Lots which qualified as Contributing Lots in existence at the time of such Assessment, prorated from the date the New Improved Lot comes into existence through the end of the period in question. If the due date for such Assessment or installment thereof occurred on or prior to the date the New Improved Lot came into existence, said prorated amount thereof shall be immediately due and payable on the date the New Improved Lot comes into existence.

C. Special Assessment. "Special Assessments" include, in addition to other Assessments designated as Special Assessments in the Association Documents and whether or not for a cost or expense which is included within the definition of "Operating Expenses," those Assessments which are levied for capital improvements which include the costs (whether in whole or in part) of constructing or acquiring improvements for, or on, the Association Property or the cost (whether in whole or in part) of reconstructing or replacing such improvements. It is recognized and declared that Special Assessments shall be in addition to, and are not part of, any "Individual Lot Assessment". Any such Special Assessments assessed against Contributing Lots and Contributing Lot Owners thereof shall be paid by such Contributing Lot Owners in addition to any other assessments. Special Assessments shall be assessed in the same manner as the Individual Lot Assessment. Special Assessments shall be paid in such installments or in a lump sum as the Board shall, from time to time, determine. Notwithstanding the foregoing, in any fiscal year of the Association after the Turnover Date, the levying of any Special Assessment shall require the affirmative assent of at least two-thirds (2/3) of the Contributing Lot Owners represented in person or by proxy at a meeting called and held in accordance with the Bylaws. In any fiscal year of the Association prior to the Turnover Date, the levying of any Special Assessment which exceeds five (5%) of the budgeted Operating Expenses of the Association for that

fiscal year, shall require the affirmative assent of at least two-thirds (2/3) of the Contributing Lot Owners represented in person or by proxy at a meeting called and held in accordance with the Bylaws.

D. Individual Expense Assessments. Individual Expense Assessments include any Assessment levied against any Lot Owner occasioned by such Lot Owner's or any such Lot Owner's family members, guests, invitees or lessees and their family members, guests and invitees use, maintenance, or treatment of the Association Property or Lots or such person's non-compliance with the Association Documents, including, but not limited to, non-compliance of Homes and any other Improvements or personal property contained therein with the standards set forth in the Association Documents, or as adopted from time to time by the Association, which causes the Association or Declarant to incur additional costs and expenses which would not have been incurred if the Lot Owner's or the Lot Owner's family members, guests, invitees or lessees and their family members, guests and invitees had been in compliance with the foregoing ("Noncompliance"). The amount of the Individual Expense Assessment(s) shall be equal to any such additional costs incurred, plus fines and interest charges. The Individual Expense Assessment and any late charges and interest relating thereto shall be assessed against the Lot Owner(s) in Noncompliance and collected and enforced in the same manner as any other Assessments hereunder as provided herein.

Notwithstanding anything to the contrary contained herein, it is recognized and declared that Individual Expense Assessments shall be in addition to and not part of any other Assessment, any such Individual Expense Assessment assessed against a Lot Owner shall be paid by such Lot Owner in addition to any other Assessment. If the Association assumes the right and obligation to maintain and operate the community well water system or is required to collect payment from the Owners for the consumption of water or any other utility service provided to the Lots or Homes thereon, any charges for such utility consumption by the occupants of the Home on a Lot may be charged to the applicable Owner by the Association as an Individual Expense Assessment.

E. Liability of Contributing Owners for Individual Assessments. By the acceptance of a deed or other instrument of conveyance of a Lot in the Property, each Owner thereof acknowledges that each Contributing Lot and the Contributing Lot Owners thereof are jointly and severally liable for their own Individual Lot Assessment and their applicable portion of any Special Assessments as well as for all Individual Expense Assessments for which they are liable as provided for herein, provided that during the Guarantee Period referred to in Section F of this Article V, any Contributing Lot owned by Declarant shall not be subject to Assessment so long as Declarant pays the Deficit as provided in said Section F of this Article V. Such Contributing Lot Owners further recognize and covenant that they are jointly and severally liable with the Contributing Lot Owners of all Contributing Lots for the Operating Expenses (subject to any specific limitations provided for herein such as, but not limited to, the limitation regarding Special Assessments, the limitations on the liability of Institutional Mortgagees and their successors and assigns, and as provided below, the limitations on Contributing Lots owned by Declarant during the Guarantee Period so long as Declarant pays the Deficit). Accordingly, subject to such specific limitations, it is recognized and agreed by each Owner who is or becomes a Contributing Lot Owner, for himself and his heirs, executors, successors and assigns, that in the event other Contributing Lot Owners fail or refuse to pay their Individual Lot Assessment or any portion thereof or their respective portions of any Special Assessments or any Individual Expense Assessments, then the remaining Contributing Lot Owners may be responsible for increased Individual Lot Assessments or Special Assessment or other Assessments due to the nonpayment by such other Contributing Lot Owners, and such increased Individual Lot Assessment or Special Assessment or other Assessment can and may be enforced by the Association and Declarant in the same manner as all other Assessments hereunder as provided in the Association Documents.

F. Declarant Funding During Guarantee Period. Declarant covenants and agrees with the Association and the Contributing Lot Owners that for the period commencing with the date of recordation of these Protective Covenants and ending upon the sooner to occur of the following: (i) the date upon which one hundred forty-two (142) Lots have become Contributing Lots, or (ii) the date that is three (3) years after the date of first recordation of this Declaration ("Guarantee Period"), that Declarant will pay the "Deficit," being the difference, if any, between (a) the Operating Expenses (other than those Operating Expenses which are properly the subject of a Special Assessment) incurred by the Association during the Guarantee Period, and (b) the Maximum Annual Assessment Amounts assessed as Individual Lot Assessments (referred to below) against the Contributing Lots and the "Working Capital Contributions" set forth in Section H of this Article V, which will be used to defray initial start up expenses. Thus, during the Guarantee Period, Declarant shall not be obligated to pay any Assessments with respect to any Contributing Lots owned by Declarant. Declarant hereby reserves the right to extend the Guarantee Period to a date ending not later than the Turnover Date at Declarant's sole election by providing written notice to the Association of such election at least thirty (30) days prior to the expiration of a Guarantee Period. After the Guarantee Period terminates, Declarant shall be obligated to pay Assessments for any Contributing Lots owned by Declarant.

Declarant's obligation to fund the Deficit during the Guarantee Period as set forth above, together with Interest thereon and costs of collection, including, but not limited to, Legal Fees, are hereby declared to be a charge and continuing lien upon each Lot owned by Declarant. Said lien shall be effective only from and after the time of the recordation in the Public Records of the County of a written, acknowledged statement by the Association setting forth the amount due to the Association as of the date the statement is signed. Upon full payment of all sums secured by that lien, Declarant shall be entitled to a satisfaction of the statement of lien in recordable form.

G. Maximum Annual Assessment Amount. Until January 1, 2003, the amount of the Individual Lot Assessment shall not exceed the amount of Three Hundred Dollars (\$300.00) (such amount, plus any applicable increase provided for in subparagraph G.1 below, is herein referred to as the "Maximum Annual Assessment Amount") for any consecutive twelve calendar monthly period (or \$25. 00 per month).

1. From and after January 1, 2003, the Maximum Annual Assessment Amount may be increased by the Board effective January 1 of each year without a vote of the membership, but subject to the limitation that the percentage of any such increase shall not exceed 10% of the Maximum Annual Assessment Amount for the previous year unless such increase is approved as set forth in subparagraph G.2, below.

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

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

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

H. Working Capital Contribution. Each Owner who purchases a Lot improved with a Home from Centex shall pay to the Association at the time legal title is conveyed to such Owner a "Working Capital Contribution". The Working Capital Contribution shall be an amount equal to a two months' share of the Maximum Annual Assessment Amount. The purpose of the Working Capital Contribution is to ensure that the Association will have cash available for initial start-up expenses including, but not limited to Operating Expenses, to meet unforeseen expenditures or to acquire additional equipment and services deemed necessary or desirable by the Board. Working Capital Contributions are not advance payments of Individual Lot Assessments and shall have no effect on future Individual Lot Assessments.

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

ARTICLE VI OPERATING EXPENSES

The Assessments for Operating Expenses with respect to the Association Property are payable by each Contributing Lot Owner to the Association notwithstanding the fact that Declarant may not have yet conveyed title to the Association Property to the Association. The following operating expenses of the Association are hereby declared to be Operating Expenses which the Association is obligated to assess and collect and which the Contributing Lot Owners are obligated to pay as provided herein or as may be otherwise provided in the Association Documents:

A. Taxes. Any and all taxes levied or assessed at any and all times by any and all taxing authorities including all taxes, charges, assessments and impositions and liens for public Improvements, special charges and assessments and water drainage districts, and in general all taxes and tax liens which may be assessed against the Association Property and against any and all personal property and Improvements, which are now or which hereafter may be placed thereon, including any interest, penalties and other charges which may accrue thereon shall be considered Operating Expenses. Any and all taxes levied or assessed against the Lots shall be the obligation of the respective Owners thereof.

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

C. Insurance. The premiums on any policy or policies of insurance required to be maintained under these Protective Covenants and the premiums on any policy or policies the Association determines to maintain even if not required to be maintained by the specific terms of these Protective Covenants shall be Operating Expenses.

D. Destruction of Buildings or Improvements on the Association Property. Any sums necessary to repair or replace, construct or reconstruct damages caused by the destruction of any building upon the Association Property by fire, windstorm, flood or other casualty regardless of whether or not the same is covered in whole or in part by insurance shall be Operating Expenses. In the event insurance money shall be payable, such insurance money shall be paid to the Association which shall open an account with a banking institution doing business in the County for the purpose of providing a fund for the repair and reconstruction of the damage. The Association shall pay into such account, either in addition to the insurance proceeds or in the event there are no insurance proceeds, such sums as may be necessary so that the funds on deposit will equal the costs of repair and reconstruction of the damage or destruction. The sums necessary to pay for the damage or destruction as herein contemplated shall be considered Operating Expenses but shall be raised by the Association under the provisions for Special Assessments as provided in Section C of Article V of these Protective Covenants and subject to the limitations therein set forth with respect to Special Assessments. The Association agrees that it will commence the Special Assessments process to provide the funds for the cost of reconstruction or construction within ninety (90) days from the date the destruction takes place and shall go forward with all deliberate speed so that the construction or reconstruction, repair or replacement, shall be completed within a reasonable period of time from the date of damage.

E. Maintenance, Repair and Replacements. Operating expenses shall include all expenses necessary to keep and maintain, repair and replace any and all buildings, other Improvements, personal property and furniture, fixtures and equipment upon the Association Property, including landscaping, lawn and sprinkler service, in a manner consistent with the development of Hidden Lakes and in accordance with the covenants and restrictions contained herein, and in conformity with all orders, ordinances, rulings and regulations of any and all federal, state, County and City governments having jurisdiction over the Property as well as the statutes and laws of the State of North Carolina and the United States. This shall include any expense attributable to the maintenance and repair and replacement of pumps or other equipment, if any, located upon or servicing Hidden Lakes pursuant to agreements with utility corporations. Any expenses for replacements which would not be in the nature of normal repair and maintenance shall be the subject of a Special Assessment as provided in Section C of Article V of these Protective Covenants and subject to the

limitations thereon set forth with respect to Special Assessments. If the Association is permitted by the owner of property in close proximity to the Property or the governmental authority responsible for maintaining same to provide additional maintenance for such property, and the Board elects to do so in order to enhance the overall appearance of the Property, then the expense thereof shall be an Operating Expense.

F. Indemnification. The Association covenants and agrees that it will indemnify and save harmless Declarant, and the members of the Board from and against any and all claims, suits, actions, damages, and/or causes of action arising from any personal injury, loss of life, and/or damage to property sustained in or about the Property or the appurtenances thereto from and against all costs, Legal Fees, expenses and liabilities incurred in and about any such claim, the investigation thereof or the defense of any action or proceeding brought thereon, and from and against any orders, judgments and/or decrees which may be entered therein. The costs of fulfilling the covenant of indemnification herein set forth shall be deemed to be Operating Expenses.

Included in the foregoing provisions of indemnification are any expenses that Declarant may be compelled to incur in bringing suit for the purpose of compelling the specific enforcement of the provisions, conditions and covenants contained in these Protective Covenants to be kept and performed by the Association. The indemnification provisions of this Section G of Article VI shall not apply to any expenses which may be incurred by Declarant to avoid the performance of any of the obligations to be kept and performed by Declarant, or any liability which may be incurred by an Owner as the Owner of a Lot.

G. Administrative and Operational Expenses. The costs of administration of the Association including, but not limited to, any secretaries, bookkeepers and other employees necessary to carry out the obligations and covenants of the Association shall be deemed to be Operating Expenses. In addition, it is contemplated that the Association may retain a management company or companies or contractors (any of which management companies or contractors may be, but are not required to be, a subsidiary, affiliate or an otherwise related entity of Declarant) to assist in the operation of the Association Property and other obligations of the Association hereunder. The fees or costs of this or any other management company or contractors so retained shall be deemed to be part of the Operating Expenses hereunder. All contracts with management companies shall contain a provision that allows the Association to unilaterally terminate the contract without cause after ninety (90) days notice.

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

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

J. Extraordinary Items. Extraordinary items of expense under these Protective Covenants such as expenses due to casualty losses and other extraordinary circumstances shall be the subject of a Special

Assessment subject to the limitations thereon with respect to Lots owned by Declarant set forth in Section C of Article V.

K. Costs of Reserves. The funds necessary to establish an adequate reserve fund ("Reserves") for periodic maintenance, repair, and replacement of the Association Property and the facilities and Improvements thereupon in amounts determined sufficient and appropriate by the Board from time to time shall be an Operating Expense. Reserves shall be deposited in a separate account. The monies collected by the Association on account of Reserves shall be and shall remain the exclusive property of the Association, and no Lot Owner shall have any interest, claim or right to such Reserves or any fund composed of same.

L. Miscellaneous Expenses. The cost of all items or costs or expenses pertaining to or for the benefit of the Association, the Association Property or the Lots, or any part thereof, not herein specifically enumerated and which is determined to be an appropriate item of Operating Expense by the Board shall be an Operating Expense.

ARTICLE VII INSURANCE AND CONDEMNATION

The Association shall purchase and maintain the following insurance coverage subject to the following provisions, and the cost of the premiums therefor shall be a part of the Operating Expenses:

A. Casualty Insurance. Property and casualty insurance in an amount equal to the then full replacement cost (exclusive of land, foundation, excavation and other items normally excluded from such coverage) of all improvements and personal property which is owned, or to be owned, by the Association and now or hereafter located upon the Association Property, which insurance shall provide protection against such risks as are customarily covered with respect to areas similar to the Association Property in developments similar to Hidden Lakes in construction, location and use.

B. Public Liability Insurance. A comprehensive policy of public liability insurance naming the Association and, until Declarant's ownership of Lots within the Property ceases, Declarant, as named insureds thereof insuring against any and all claims or demands made by any person or persons whomsoever for injuries received in connection with or arising from the operation, maintenance and use of the Association Property and any improvements located thereon, and for any other risks insured against by such policies. Such policy shall have limits of: not less than One Million Dollars (\$1,000,000) for damages incurred or claimed by any one person for any one occurrence; not less than One Million Dollars (\$1,000,000) for damages incurred or claimed for any one occurrence; and not less than Fifty Thousand Dollars (\$50,000) for property damage per occurrence with no separate limits stated for the number of claims.

C. Fidelity Coverage. Adequate fidelity coverage to protect against dishonest acts of the officers and employees of the Association and the Directors and all others who handle or are responsible for handling funds of the Association shall be maintained in the form of fidelity bonds, and the coverage amounts and other bond requirements shall be determined by the Board in its reasonable discretion.

D. Other Insurance. Such other forms of insurance and in such coverage amounts as the Association shall determine to be required or beneficial for the protection or preservation of the Association Property and any improvements now or hereafter located thereon or in the best interests of the Association.

E. Cancellation or Modification. All insurance policies purchased by the Association shall provide that they may not be canceled for any reason, including but not limited to non-payment of premiums,) and that they may not be substantially modified unless the insurer gives at least ten (10) days prior written notice to the Association and to each first mortgage holder named in the mortgagee clause of the policies in question.

F. Condemnation. In the event the Association receives any award or payment arising from the taking of any Association Property or any part thereof as a result of the exercise of the right of condemnation or eminent domain, the net proceeds thereof shall first be applied to the restoration of such taken areas and improvements thereon to the extent deemed advisable by the Association, and the remaining balance thereof, if any, shall be placed in a Reserve fund of the Budget.

ARTICLE VIII EASEMENTS

A. Recognition of Existing Easements. Each Owner, by acceptance of a deed or other instrument of conveyance, recognizes and consents to the easements reserved and/or granted with respect to the Property under these Protective Covenants.

B. Grant and Reservation of Easements. Declarant hereby reserves and grants the following perpetual easements over and across the Property as covenants running with the Property for the benefit of the Owners, the Association, Declarant and Centex, as hereinafter specified for the following purposes:

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

2. Easement for Encroachment. If: (i) any Improvements which are constructed as Association Property or upon Association Property, or (ii) any Improvements which are specifically described in the following sentence and are constructed upon a Lot, encroach upon a Lot because of the placement, construction, reconstruction, repair, movement, settling or shifting of such Improvements, and such Improvements have been constructed, reconstructed or repaired in accordance with the provisions of these Protective Covenants, an easement for the encroachment and for its maintenance shall exist so long

as the encroachment remains, provided, however, that in no event shall such an easement exist for willful encroachments. This Section B. 2 of Article VIII shall only apply to Improvements upon a Lot which constitute completed building Improvements and which do not encroach more than three (3) feet into or upon an adjacent Lot, and shall not include fences, walls, patios, antennas, driveways, walkways, signs, mailboxes, pools, tennis courts, landscaping or other structures or Improvements which are not a completed building Improvement. If any Lot Improvement of the type described above encroaches upon the Association Property as a result of construction, reconstruction, repair, shifting, settlement or movement of the subject Lot Improvements, and such Improvements have been constructed, reconstructed or repaired in accordance with the provisions of these Protective Covenants, an easement for the encroachment and for its maintenance shall exist so long as the encroachment remains, provided, however, that in no event shall such an easement exist for willful encroachments.

3. Easement to Enter Upon Lots. An easement or easements for ingress and egress in favor of Declarant, the Committee, the Association, including the Board or the designee of the Board, to enter upon the Lots for the purposes of inspecting any construction, proposed construction of Improvements, or fulfilling its duties and responsibilities of ownership, maintenance and/or repair in accordance with the Association Documents, including the making of such repairs, maintenance or reconstruction as are necessary for the Association Property.

4. Easement Over Association Property. An easement of use and enjoyment in and to the Association Property in favor of all Owners, their family members, guests, invitees and lessees, which shall be appurtenant to and shall pass with title to every Lot, subject to the following:

i. the right of the Association to suspend the voting rights and rights to use the Association Property of any Owner for any period during which Assessments against his Lot(s) remain unpaid;

ii. the right of the Association to grant permits, licenses and easements over the Association Property for utilities and other purposes reasonably necessary or useful for the proper maintenance or operation of the Property; and

iii. all provisions set forth in the Association Documents.

5. Drainage and Irrigation Easement; Storm Water Control Maintenance Easement. An easement for drainage, flowage and irrigation over, under and upon the Property in favor of the Association and each of the Owners, including, but not limited to, reasonable rights of access for persons and equipment to construct, install, maintain, alter, inspect, remove, relocate, replace, and repair the Storm Water Management System and to maintain and correct drainage or surface water runoff in order to maintain reasonable standards of health, safety and appearance. Such rights expressly include the right to cut any trees, bushes or shrubbery, make any gradings of the soil or take any other similar action that Declarant or the Association deems reasonably necessary or appropriate. After such action has been completed, Declarant or the Association shall grade and seed the affected property and otherwise restore the affected property to its original condition to the extent practicable, but shall not be required to replace any trees, bushes or shrubbery necessarily removed. Declarant or the Association shall give reasonable notice of its intent to take such action to all affected Owners.

6. Additional Easements. Declarant (until the Turnover Date) and the Association, on their behalf and on behalf of all Owners, each shall have the right to: (i) grant and declare additional easements over, upon, under and/or across the Association Property in favor of Declarant, Centex, or any person, entity, public or quasi-public authority or utility company, or (ii), with the consent of the applicable party affected by any easement benefiting the Property or the party who acquired or is benefited by any easement

affecting the Property (as applicable), modify, relocate, abandon or terminate existing easements benefiting or affecting the Property. In connection with the grant, modification, relocation, abandonment or termination of any easement, Declarant reserves the right to relocate roads, parking areas, utility lines, and other improvements upon or serving the Property. So long as the foregoing will not adversely interfere with the use of Lots for dwelling purposes, no consent of any Owner or any mortgagee of any Lot shall be required, and if same would adversely interfere with the use of any Lot for dwelling purposes, only the consent of the Owners and Institutional Mortgagees so affected shall be required. To the extent required, all Owners hereby irrevocably appoint Declarant and/or the Association as their attorney-in-fact for the foregoing purposes.

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

8. Landscape Area, Entryway Area, and Signage Area Easement. An easement for the installation, maintenance, repair, and replacement of any entry monument, sign, landscaping, or other facilities located in the Landscape Areas, Entryway Areas, and Signage Areas is reserved in favor of Declarant, Centex, and the Association over, upon, across and under the Landscape Areas, Entryway Areas, and Signage Areas.

9. Signage Area Easement on Other Property. By separate instrument or by dedication on the applicable Final Plat, Declarant has (or shall) reserve and grant an easement in and to certain property owned by Quinco D'Amico Shults, LLC, and contiguous to the existing public right-of-way providing access to and from the Property, for the purpose of allowing Centex to construct an entrance monument sign and the related lighting, landscaping and Improvements for the Property. Upon the completion of such Improvements by Centex, the rights and obligations in such easement shall be automatically transferred to the Association for the benefit of the Property, without the need for the execution or recording of any additional instrument.

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

C. Assignments. The easements reserved hereunder may be assigned by Declarant or the Association in whole or in part to any County or state government or agency thereof, or any duly licensed or franchised public utility, or any other designee of Declarant. The Owners hereby authorize Declarant and/or the Association to execute, on their behalf and without further authorization, such grants of easement or other instruments as may from time to time be necessary to grant easements over and upon the Property or portions thereof in accordance with the provisions of these Protective Covenants.

Notwithstanding anything in these Protective Covenants to the contrary, all easement rights reserved or granted to Declarant shall terminate upon Declarant no longer owning any Lots, Homes or interests in such on the Property for sale in the ordinary course of business. In addition, the easement rights granted or reserved by Declarant hereunder are not to be construed as creating an affirmative obligation to act on the part of Declarant.

ARTICLE IX
MAINTENANCE AND REPAIR

A. By the Association. Except as otherwise specifically set forth herein, the responsibility of the Association is to repair, maintain and replace any and all Improvements located on the Association Property *commencing with the completion of same by Declarant and conveyance to the Association.* The improvements shall be maintained in as close as reasonably possible to the condition as originally constructed by Declarant. In the event of any damage or destruction to the Association Property or to the improvements and facilities located thereon by fire, storms, acts of God, acts of government, acts of third parties or other calamity, the Association shall be required to rebuild such improvements and facilities as quickly as practicable, except as otherwise provided herein.

B. By the Lot Owners

1. Each Owner shall maintain his Home and all Improvements and personal property upon his Lot in good condition at all times. The exterior of all Homes, including but not limited to roofs, walls, doors, windows, patio areas, pools, screenings, and awnings, shall be maintained in good condition and repair and in a neat and attractive manner. All exterior painted areas shall be re-painted as reasonably necessary with colors which are harmonious with other Homes, and no excessive rust deposits on the exterior of any Home, peeling of paint or discoloration of same shall be permitted. No Owner shall change the exterior color of his Home without the consent of the Committee. All sidewalks, driveways and parking areas within the Owner's Lot or serving the Owner's Home shall be cleaned and kept free of debris, and any cracks, damaged and/or eroding areas on same shall be repaired, replaced and/or resurfaced as necessary.

2. The Owner of each Lot containing a Home shall be required to maintain the landscaping of his Lot and on any contiguous property between his Lot and the pavement edge of any abutting road, in accordance with the provisions of these Protective Covenants and the requirements of any controlling governmental authority. All such landscaping shall be maintained by the Owner in first class condition and appearance, and, as reasonably required, mowing, watering, trimming, fertilizing, and weed, insect and disease control shall be performed by the Owner. Underground sprinkler systems may be installed, maintained and used to irrigate all landscaping on the Lot, or any other landscaping which the Owner of the Lot is required to maintain pursuant to this Section. All landscaped areas shall be primarily grass, and shall not be paved or covered with gravel or any artificial surface without the prior written consent of the Committee. All dead or diseased sod, plants, shrubs, trees, or flowers shall be promptly replaced, and excessive weeds, underbrush or unsightly growth shall be promptly removed. No artificial grass, plants, or other artificial vegetation shall be placed or maintained on the exterior of any Lot.

3. The Owner of each Lot shall maintain the surface area of any portion of the Storm Water Management System located upon such Owner's Lot in substantially the same condition as installed by Declarant. No Owner shall modify, disrupt or alter any portion of the Storm Water Management System located upon such Owner's Lot or make any Improvement to such Owner's Lot which would interfere with or adversely affect the drainage or proper flow of storm water from the Home on such Lot, the Homes on any contiguous Lots, or any other portion of the Property or Improvement thereon without the prior written consent of the Committee and all applicable governmental authorities.

4. The outer boundary of some of the Lakes will extend beyond the edge of the water line and the top of the bank to the rear or side lot lines of any adjacent Lots. Notwithstanding the provisions of Section A of this Article IX with respect to the maintenance of the Lakes by the Association, each Owner

of a Lot which has a rear or side Lot line which abuts a portion of any Lake which is immediately adjacent to the edge of the water line (a "Waterfront Lot") shall be required to maintain the adjoining area located between such Owner's Lot and the edge of the water line of the adjacent Lake as if said area were a portion of the Lot owned by such Owner. The area between a Waterfront Lot and the edge of the water line of the adjacent Lake shall be landscaped and sodded by the Owner of the adjoining Waterfront Lot and any embankment shall be maintained by such Owner so that grass, planting or other lateral support to prevent erosion of the embankment shall not be changed without the prior written consent of the Association and the Committee. If the Owner of any Waterfront Lot fails to maintain such embankment or area as part of the landscape maintenance obligations in accordance with the foregoing, the Association shall have the right, but not the obligation, to enter upon any such Lot or area to perform such maintenance work which may be reasonably required, all at the expense of the Owner of such Lot. No docks, bulkheads, moorings, pilings, boat shelters or other structure shall be constructed by the Owner of any Lot on the landscaped area and embankment located between the edge of the water line of a Lake and the adjoining Waterfront Lots, except for those constructed by Declarant or approved in writing by the Committee. The landscaped area between the water line of a Lake and an adjoining Waterfront Lot shall be reserved hereby for the use and enjoyment of the Owner of the subject Waterfront Lot, and all other Owners shall be restricted from entering upon such area, except as a guest or invitee of the Owner of the subject Waterfront Lot, which restriction may be more specifically set forth in the rules and regulations of the Association applicable to the use and enjoyment of the Lakes. A Waterfront Lot Owner's use and enjoyment of the waterfront area adjoining such Owner's Lot shall be subject to: (i) any existing drainage and related easements affecting such area, including the general easement rights to construct, use, maintain, repair and replace those portions of the Storm Management System on the Property, (ii) the right of entry by the Association to perform its obligations under these Protective Covenants, (iii) the right of the Association to adopt rules and regulations in order to further restrict the use of such area in a manner consistent with these Protective Covenants, and (iv) the rights, laws, rules and regulations of any governmental authority or other entity having jurisdiction over the Lakes. If a Lot Owner fails to maintain his Lot or Home in accordance with these Protective Covenants, the Association shall have the right, but not the obligation, upon thirty (30) days' written notice to the Lot Owner, to enter upon the Lot for the purpose of performing the maintenance and/or repairs described in such notice to the Lot Owner, as applicable. The cost of performing such maintenance and/or repairs and the expense of collection (including, but not limited to, Legal Fees) shall be assessed by the Association against the Lot Owner as an Individual Expense Assessment.

ARTICLE X ARCHITECTURAL CONTROL

A. Establishment of Architectural Control Committee. As defined in Article I above, the "Committee" shall mean the Architectural Control Committee, which shall be the governing body charged with using its best efforts to promote and ensure a high level of design, quality, harmony and conformity throughout the Property consistent with these Protective Covenants. Until the Termination of Declarant's Architectural Control (referred to below), Declarant shall constitute the Committee and may approve Plans and Submissions or take other actions on behalf of the Committee in Declarant's own name or in the name of the Committee. After the Termination of Declarant's Architectural Control, the Committee shall be composed of at least three (3) individuals appointed by the Board, each of whom shall be an Owner. The Committee shall act by simple majority vote. In the event of death, resignation or other removal of any member of the Committee appointed by the Board, the Board shall appoint a successor member within a reasonable period of time. No member of the Committee shall be entitled to compensation for serving on the Committee, nor shall any member be liable for claims, causes of action or damages arising out of services performed pursuant to these Protective

Covenants. Declarant shall cease to control and constitute the Committee on the earlier of: (a) the date on which Declarant records in the County land records a document declaring the termination of its control of the Committee, or (b) at such time as Declarant no longer owns a Lot within the Property (which may be referred to in this Declaration as "Termination of Declarant's Architectural Control").

B. Purpose. The Committee is established to provide a system of review in connection with the construction or modification of all Improvements within the Property. No Improvement shall be commenced, improved or altered, nor shall any grading, excavation or change of exterior color or other work which in any way alters the exterior appearance of an Improvement be done without the prior written approval of the Committee.

C. Development Standards. The Committee is empowered to publish or modify from time to time, design and development standards for the Property, including, but not limited to, standards ("Standards") for the following: (i) architectural design of Improvements, including, but not limited to, design standards for any Home or other Improvement constructed upon a Lot; (ii) fences, walls and similar structures; (iii) exterior building materials and colors; (iv) exterior appurtenances relating to utility installation; (v) signs and graphics, mailboxes and exterior lighting; (vi) building setbacks, pools and pool decks, side yards and related height bulk and design criteria; (vii) pedestrian and bicycle ways, sidewalks and pathways; and (viii) all buildings, landscaping and Improvements on lands owned or controlled by the Association. After Termination of Declarant's Architectural Control, any Standards promulgated by the Committee shall be subject to approval by the Board. After the Board's approval, a copy of the Standards will be made available to all Members.

D. Requirement of Committee Approval. Except as stated herein with regard to Declarant Improvements (hereafter defined), no Improvement of any kind shall be erected, placed or maintained, and no addition, alteration, modification or change to any Improvement shall be made without the prior written approval of the Committee. For purposes of this Declaration, Declarant Improvements means any Improvement erected, placed, or maintained with the approval of Declarant, including, without limitation, any building, wall, fence, swimming pool, or screened enclosure constructed, installed or placed by or with the approval of Declarant prior to the Termination of Declarant Control (collectively the "Declarant Improvements"). Notwithstanding anything to the contrary contained above, Declarant Improvements are not subject to the approval of the Committee and are deemed to conform to the plan of development for the Property.

E. Obtaining Committee Approval. In order to obtain the approval of the Committee, a complete set of plans and specifications ("Plans") for proposed Improvements shall be submitted to the Committee for its review. The Plans shall include, as appropriate, the proposed location, grade, elevations, shape, dimensions, exterior color plans, approximate costs, and nature, type and color of materials to be used. The Committee may also require the submission of additional information and materials as may be reasonably necessary for the Committee to evaluate the proposed Improvement or alteration ("Submissions"). The Committee shall have the right to refuse to approve any proposed Plans that, in its sole discretion, are not suitable or desirable. Any and all approvals or disapprovals of the Committee shall be in writing and shall be sent to each respective Owner submitting same. In the event the Committee fails to approve or to disapprove in writing any Plans and/or Submissions after: (i) submission to the Committee of the last item of the Plans and Submissions requested by the Committee, so that the Committee has a complete package of all Plans and Submissions requested by the Committee; and (ii) thirty (30) days have elapsed since submission and written request for approval or disapproval was delivered to the Committee by the Owner; then said Plans and Submissions shall be deemed to have been approved by the Committee provided, however, that no Improvement shall be erected

or shall be allowed to remain which violates any conditions or restrictions contained in this Declaration, or which violates any applicable zoning or building ordinance or regulation. The approval by the Committee relates only to the aesthetics of the Improvements shown on the Plans and Submissions and not to their sufficiency or adequacy. Each Owner shall be responsible for obtaining all necessary technical data and to make application to and obtain the approval of the appropriate governmental agencies prior to commencement of any construction.

F. Scope of Review. The Committee shall review and approve or disapprove all Plans and Submissions solely on the basis of aesthetic standards as to the aesthetic quality of materials and workmanship to be used, suitability and harmony of location, structure and external design in relation to surrounding topography and structures and the overall benefit or detriment which would result to the immediate vicinity and to the Property as a whole and any other factors deemed relevant to the review by the Committee in its opinion, reasonably exercised. The Committee shall take into consideration the aesthetic aspects of the architectural design, placement of buildings, color schemes, exterior finishes and materials and similar features, and shall not be responsible for reviewing, nor shall its approval of any Plans be deemed approval of, any design or plan from the standpoint of structural safety or conformance with building or other codes.

G. Variance from Standards. The Committee may authorize, in a reasonable manner so as not to destroy the general scheme or plans of the development of the Property, variances from compliance with any Standards which it has promulgated when circumstances such as topography, natural obstructions, hardship, aesthetics or environmental considerations may warrant the grant of such variances. If any such variances are granted, no violation of the restrictions contained in this Declaration shall be deemed to have occurred with respect to the matter for which the variance was granted. The granting of such a variance shall not operate to waive any of the terms and provisions of this Declaration for any purpose except as to that particular property and particular provision hereof or Standards promulgated hereby which are covered by the variance. Such variance shall be evidenced in writing.

H. Enforcement. There is specifically reserved unto the Committee the right of entry and inspection upon any Lot or other portion of the Property for the purpose of determination by the Committee whether there exists any Improvement which violates the terms of any approval by the Committee or the terms of this Declaration. Except in emergencies, any exercise of the right of entry and inspection by the Committee hereunder should be made only upon reasonable notice given to the Owner of record at least twenty-four (24) hours in advance of such entry. The Association, acting pursuant to the direction of the Committee, is specifically empowered to enforce the provisions of this Declaration by any legal or equitable remedy, and in the event it becomes necessary to resort to litigation to determine the propriety of any Improvement, or to remove any unapproved Improvements, the prevailing party in such litigation shall be entitled to recover all Legal Fees incurred in connection therewith. The Association shall indemnify and hold harmless any member of the Committee from all costs, expenses and liabilities, including attorneys fees incurred by virtue of any member's service as a member of the Committee, provided such member acted in good faith and without malice.

I. Subcommittees and Delegation of Authority. The Committee may establish subcommittees for the purpose of acting on behalf of the Committee with respect to similar circumstances, situations, or types of Improvements, such as a swimming pool subcommittee or a subcommittee which would deal with modifications of existing Improvements or additional new Improvements ancillary to an existing Home, in contrast to the construction of initial Improvements upon a previously unimproved Lot. All rights and powers of the Committee may be delegated to such subcommittee with regard to the subject matter of the

subcommittee. The rights and powers of the Committee may be assigned in whole or in part to a management company, an architect, design professional or other entity retained by the Committee or by the Association to perform any of the functions of the Committee.

ARTICLE XI USE RESTRICTIONS

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

A. Residential Use. The Homes shall be for single family residential use only. No commercial occupation or activity may be carried on in Hidden Lakes without the consent of the Board, except to the extent such occupation or activity is permitted to be carried on by Declarant under these Protective Covenants. In addition, temporary guests are permitted so long as they do not create an unreasonable source of noise or annoyance to the other residents of the Property. No more than one Home not to exceed two and one half (2½) stories in height may be built on one Lot.

B. Permitted Non-Residential Activities. An Owner or occupant residing in a Home may conduct business activities within the Home so long as: (i) the existence or operation of the business activity is not apparent or detectable by sight, sound, or smell from outside the Home; (ii) the business activity conforms to all zoning requirements for the Property; (iii) the business activity does not involve door-to-door solicitation of residents of the Property; (iv) the business activity does not, in the Board's judgment, generate a level of vehicular or pedestrian traffic or a number of vehicles being parked in the Property which is noticeably greater than that which is typical of Homes in which no business activity is being conducted; and (v) the business activity is consistent with the residential character of Hidden Lakes and does not constitute a nuisance, a hazardous or offensive use, or a threat to the security or safety of others, as the Board determines in its sole discretion. The foregoing limitations shall not preclude occasional garage sales, moving sales, rummage sales, or similar activities, provided that such activities may not be held on any one Lot more than once in any three-month period and, when held, may not exceed three consecutive days in duration.

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. This provision shall not apply to restrict Declarant's activities, nor shall it restrict the activities of Centex and other Persons Declarant approves with respect to the marketing, construction, and sale of Homes within the Property. In addition, this provision shall not apply to Association activities related to the provision of services or to operating and maintaining the Association Property. Leasing a Home shall not be considered a business or trade within the meaning of this subsection. This subsection shall not apply to any activity that Declarant or Centex conducts with respect to the marketing, construction, development and sale of the Lots and the Homes thereon, or Declarant's or Centex's use of any Homes they own within the Property.

C. Nuisances. No obnoxious or offensive activity shall be carried on about the Lots or in or about any improvements, Homes, or on any portion of Hidden Lakes nor shall anything be done therein which may be or become an unreasonable annoyance or a nuisance to any Owner. No use or practice shall be allowed in or around the Homes which is a source of annoyance to Owners or occupants of Homes or which interferes with the peaceful possession or proper use of the Homes or the surrounding areas. No trade, business, profession or commercial activity, or any other non-residential use shall be conducted on the Property or within any Lot or Home without the written consent of the Board. The foregoing shall not prohibit an Owner from leasing his Home. No loud noises or noxious odors shall be permitted in any Improvements, Homes or Lots. Without limiting the generality of any of the foregoing provisions, no horns, whistles, bells or other sound devices (other than security devices used exclusively for security purposes), noisy or smoky vehicles, large power equipment or large power tools, unlicensed off-road motor vehicles, or any items which may unreasonably interfere with television or radio reception of any Owner shall be located, used or placed on any Lot, or exposed to the view of other Owners without the prior written approval of the Board and/or the Committee, if required.

D. Outside Storage of Personal Property. The personal property of any Owner shall be kept inside the Owner's Home or a fenced-in yard, except for patio furniture and accessories, and other personal property commonly kept outside, which must be kept in the rear of the Lot and must be neat appearing and in good condition.

E. Parking and Vehicular Restrictions. Only automobiles, vans constructed as private passenger vehicles with permanent rear seats and side windows, and other vehicles manufactured and used as private passenger vehicles may be parked within the Property overnight without the prior written consent of the Board, unless kept within an enclosed garage. In particular and without limitation, without the prior written consent of the Board, no vehicle containing commercial lettering, signs or equipment, and no truck, recreational vehicle, camper, trailer, boat, aircraft, motorcycle, or vehicle other than a private passenger vehicle as specified above, may be parked or stored outside of a Home overnight. No overnight parking is permitted on any streets, lawns, or areas other than driveways and garages, without the consent of the Board. Notwithstanding the foregoing, automobiles owned by governmental law enforcement agencies are expressly permitted. The foregoing restrictions shall not be deemed to prohibit the temporary parking of commercial vehicles while making delivery to or from, or while used in connection with providing services to, the Property. All vehicles parked within the Property must be in good condition and repair, and no vehicle which does not contain a current license plate or which cannot operate on its own power shall be parked within the Property outside of an enclosed garage for more than 24 hours, and no major repair of any vehicle shall be made on the Property. All-terrain vehicles and the like are not permitted to be operated within the Property or parked overnight outside of an enclosed garage, except with the prior written consent of the Board, which consent may be withdrawn at any time, and any motorcycle or other permitted motorized vehicle must be licensed for street use and equipped with appropriate noise muffling equipment so that the operation of same does not create an unreasonable annoyance to the residents of the Property.

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

G. Trash and Other Materials. Each Owner shall regularly pick up all garbage, trash, refuse or rubbish on his Lot, and no Owner or resident shall place or dump any garbage, trash, refuse, rubbish or other materials on any other portions of the Property. Garbage, trash, refuse or rubbish that is required to be placed at the front of the Lot in order to be collected may be placed and kept at the front of the Lot after 5:00 p.m. on the day before the scheduled day of collection, and any trash facilities must be removed on the collection day. All garbage, trash, refuse or rubbish must be placed in appropriate trash facilities or bags. All containers, dumpsters or garbage facilities shall be stored inside a Home or fenced-in area and screened from view and kept in a clean and sanitary condition. No noxious or offensive odors shall be permitted.

H. Leases. No portion of a Home (other than an entire Home) may be rented. All leases must be in writing and shall provide that the Association shall have the right to terminate the lease upon default by the tenant in observing any of the provisions of these Protective Covenants, the Articles, Bylaws, of applicable rules and regulations, or of any other agreement, document or instrument governing the Lots or Homes. A copy of the proposed lease must be delivered to the Association prior to occupancy by the tenant. No lease shall be for a period of less than six (6) months without the approval of the Board. The Owner of a leased Home shall be jointly and severally liable with his tenant to the Association to pay any claim for injury or damage to property caused by the negligence of the tenant. Every lease shall be subordinate to any lien filed by the Association whether before or after such lease was entered into.

With respect to any tenant or any person present in any Home or any portion of the Property other than an Owner and the members of his immediate family permanently residing with him in the Home, if such person shall materially violate any provision of these Protective Covenants, the Articles, or the Bylaws, or shall create a nuisance or an unreasonable and continuous source of annoyance to the residents of the Property, or shall willfully damage or destroy any Association Property or personal property of the Association, then upon written notice by the Association such person shall be required to immediately leave the Property and if such person does not do so, the Association is authorized to commence an action to evict such tenant or compel the person to leave the Property and, where necessary, to enjoin such person from returning. The expense of any such action, including Legal Fees, may be assessed against the applicable Owner as an Individual Expense Assessment, and the Association may collect such Assessment and have a lien for same as elsewhere provided. The foregoing shall be in addition to any other remedy of the Association. The Association shall provide notice to the Owner of a leased Home concurrently with any notices sent to the tenant of such Home pursuant to this Section H of Article XI, and such Owner shall have the right to participate in any hearings or eviction proceedings involving the tenant of such Owner's Home. The right of eviction provided for in this section shall be inserted in every lease, but the omission from any lease agreement of such right shall not affect the Association's right to evict as set forth herein.

I. Temporary Buildings. No tents, trailers, shacks or other temporary buildings or structures shall be constructed or otherwise placed upon the Property except in connection with construction, development, leasing or sales activities permitted by the Committee or performed by Declarant and Centex. No temporary structure may be used as a Home. No garden shed, storage shed, out-building, or other permanent structures which are detached from the Home shall be constructed or placed upon the Property unless approved in writing by the Committee in accordance with Article X.

J. Garages. No garage shall be permanently enclosed so as to make such garage unusable by an automobile, no portion of a garage originally intended for the parking of an automobile shall be converted into a living space or storage space, and no garage opening shall have a screen covering without the consent of the Committee. All garage doors shall remain closed when vehicles are not entering or leaving the garage.

K. Animals and Pets. Only common domesticated household pets may be kept on any Lot or in a Home, but in no event for the purpose of breeding or for any commercial purposes whatsoever. No other animals, livestock, reptiles or poultry of any kind shall be kept, raised, bred or maintained on any portion of the Property. Permitted pets shall only be kept subject to and in accordance with such rules and regulations as shall be promulgated from time to time by the Board. Under no circumstances may a pit bull be permitted on the Property. Any pet must not be an unreasonable nuisance or annoyance to other residents on the Property. The Board may adopt rules and regulations concerning animals which are more restrictive than the provisions of these Protective Covenants, including rules requiring that all animals be kept on a leash when on the Association Property or outside a fenced yard, that animals be restricted to designated areas within the Association Property, and that Owners are responsible for cleaning up any mess that a pet creates within any Lot or the Association Property. The Board may require any pet to be immediately and permanently removed from the Property due to a violation of this Section.

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

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

M. Increase in Insurance Rates. No Owner may engage in any action that may reasonably be expected to result in an increase in the rate of any insurance policy or policies covering or with respect to any portion of the Property not owned by such Owner.

N. Air Conditioning Units. Only central air conditioning units are permitted, and no window, wall, or portable air conditioning units are permitted. No air-conditioning or heating apparatus, unit or equipment shall be installed on the ground in front of, or attached to, any front wall of any Home on a Lot

O. Clotheslines and Outside Clothes Drying. No clotheslines or clothespoles shall be erected, and no outside clothes-drying is permitted, except where such activity is advised or mandated by governmental authorities for energy conservation purposes, in which event the Committee shall have the right to approve the portions of any Lot used for outdoor clothes-drying purposes and the types of devices to be employed in this regard, which approval must be in writing

P. Outside Antennas and Satellite Dishes. No Owner may erect or maintain a television or radio receiving or transmitting antenna, satellite dish or similar apparatus or equipment unless: (i) such apparatus is two (2) feet or less in diameter, (ii) the apparatus is screened from public view and located behind the Home either in the rear yard or affixed to the rear roof, (iii) the apparatus is not visible while standing at any point along the property boundary line in front of the house that abuts or is adjacent to a street, right-of-way or sidewalk, and (iv) the Committee has approved the apparatus, its location and the type of screening. Nothing contained in this provision shall require installation in a location from which an acceptable quality signal may not be received. This provision does not permit installation on Association Property, even if an acceptable quality signal may not be received from an individually-owned Lot. The Association may adopt additional rules and regulations governing the installation of such equipment, which rules and regulations shall comply with all applicable governmental regulations.

Q. Flagpoles. No Owner may erect or install a flagpole or decorative banner on any portion of a Lot, including freestanding, detached flagpoles or banners, and those that are attached to a Home, without the prior written approval of the Committee.

R. Garbage Containers, Oil and Gas Tanks, Air Conditioners. All garbage and refuse containers, air conditioning units, oil tanks, bottled gas tanks, and all permanently affixed swimming pool equipment and housing shall be underground or placed in walled-in or landscaped areas as approved by the Committee so that they shall be substantially concealed or hidden from any eye-level view from any street or adjacent property.

S. Signs. Except for signs placed or constructed by Declarant, no signs shall be placed upon any Lot, and no signs shall be placed in or upon any Home which are visible from the exterior of the Home without the prior written consent of the Committee, with the exception of one (1) "for sale" or "open house" sign limited to six (6) square feet in size and also limited by any applicable design standards promulgated by the Committee.

T. Window Treatments. Window treatments shall consist of drapery, blinds, decorative panels, or other tasteful window covering, and no newspaper, aluminum foil, sheets or other temporary window treatments are permitted, except for periods not exceeding one (1) week after an Owner or tenant first moves into a Home or when permanent window treatments are being cleaned or repaired.

U. Lakes. The Rules and Regulations of the Association, as published and amended from time to time, may contain rules, regulations and requirements concerning the use of the Lakes and any Open Space Area surrounding the Lakes, which shall be in addition to any provisions of these Protective Covenants. There shall be no swimming, use of personal flotation devices, or boating of any type (whether powered or not) on the Lakes. Fishing may be permitted in certain locations as set forth in the Rules and Regulations published by the Board regarding the use of the Lakes. No Owner shall construct or install any piers or docks on any portion of a Lake or the adjacent Open Space Area, or on any portion of a Lot which abuts the Lake, provided, however, that the Declarant or the Association may construct a pier or dock on or adjacent to a Lake for the use and enjoyment of the Owners and their family members, guests and invitees. Neither the Declarant nor the Association shall be responsible for any loss, damage or injury to any person or property arising out of the authorized or unauthorized use of the Lakes.

V. Swimming Pools. No swimming pools, spas, hot tubs, or similar equipment or facilities shall be installed without the written consent of the Committee. No above-ground swimming pools shall be permitted within the Property, except that small, inflatable children's wading pools shall be permitted.

W. Fences and Walls. If any Owner desires to construct a fence on his Lot, the Owner shall submit a plot plan to the Committee showing the proposed location of the fence upon the Lot and the height and type of fence to be installed, and such fence may not be constructed until it has been approved in writing by the Committee. However, no fence may be constructed on the portion of any Lot between the front of the Lot and the front of the Home constructed upon the Lot, and any fence constructed upon a Lot must be located in strict conformance with the plot plan approved by the Committee. All fences must be approved by the Committee.

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

Y. Surface Water Management. No Owner or any other person shall do anything to adversely affect the surface water management and drainage of the Property, without the prior written approval of the Committee and any controlling governmental authority, including, but not limited to, the excavation or filling in of any Lot, provided the foregoing shall not be deemed to prohibit or restrict the initial construction of Improvements upon the Property by Declarant in accordance with permits issued by controlling governmental authorities. In particular, no Owner shall install any landscaping or place any fill on the Owner's Lot which would adversely affect the drainage of any contiguous Home. No structures, trees or shrubs shall be placed on any drainage or utility easements or any other portion of the Storm Water Management System (including the drainage easements located on the Lots), except by Declarant, without the prior written consent of the Committee and the applicable governmental authorities and utility providers.

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

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

AA. Damage and Destruction. In the event any Improvement contiguous with a Home is damaged or destroyed by casualty or for any other reason, the Owner of the Home shall repair and restore the damaged Improvement as soon as is reasonably practical to the same condition that the Improvement was in prior to such damage or destruction, unless otherwise approved by the Committee.

BB. Subdivision and Partition. No Lot within the Property shall be subdivided without the Committee's prior written consent except by Declarant.

CC. Construction. All construction, landscaping or other work which has been commenced on any Lot shall be continued with reasonable diligence to completion and no partially completed Home or other Improvement shall be permitted to exist on any Lot, except during such reasonable time period as is necessary for completion. The Owner of each Lot shall at all times keep contiguous public streets free from any dirt, mud, garbage, trash or other debris resulting from any such construction on the subject Owner's Lot.

DD. Septic Tanks; Wells. No septic tank shall be installed, used or maintained on any Lot. No well shall be installed, used or maintained on any Lot for human domestic water consumption, nor shall any well be connected in any manner whatsoever to the water mains, laterals and piping serving the Home, which mains furnish domestic water from sources beyond the boundaries of the Lot.

EE. Certain Rights of Declarant and Centex. The provisions, restrictions, terms and conditions of this Article XI shall not apply to Declarant or Centex as Owners. If Regions Bank, or any successor of Regions Bank, if Regions Bank (or its successor) acquires any portion of the Property by foreclosure or deed or other proceedings in lieu of foreclosure, the provisions of this Article XI shall not apply to Lots owned by Regions Bank (or its successor).

ARTICLE XII
AMENDMENT AND MODIFICATION

The process of amending or modifying these Protective Covenants shall be as follows:

A. Prior to Turnover Date. Until the Turnover Date and except as specifically provided otherwise in this Section A of Article XII, Declarant may amend this Declaration without the approval of any Member provided the amendment does not materially alter or change any Owner's right to the use and enjoyment of such Owner's Lot or of the Association Property as set forth in these Protective Covenants, and the amendment does not adversely affect the title to any Lot. During any such period prior to the Turnover Date, these Protective Covenants may not be amended without the written joinder of Declarant. Any other amendments of these Protective Covenants prior to the Turnover Date, shall require the vote or written consent of sixty-seven percent (67%) of the votes held by each class of Members of the Association as such classes are set forth in the Association Documents; provided, however, that the percentage of the votes attributable to each class of Members of the Association necessary to amend a specific provision of these Protective Covenants shall not be less than the prescribed percentage (if any) of affirmative votes required for action to be taken under that provision.

B. After the Turnover Date. After the Turnover Date, and except for the annexation of additional property which shall be accomplished pursuant to the provisions of Section B of Article II, these Protective Covenants may be amended by: (i) the consent of the Owners owning sixty-seven percent (67%) of all Lots; together with (ii) the approval or ratification of a majority of the Board. The aforementioned consent of the Owners owning sixty-seven percent (67%) of the Lots may be evidenced by a writing signed by the required number of Owners or by the affirmative vote of the required number of Owners at any regular or special meeting of the Association called and held in accordance with the Bylaws evidenced by a certificate of the Secretary or an Assistant Secretary of the Association.

C. Scrivener's Errors. Amendments for correction of scrivener's errors or other nonmaterial changes may be made by Declarant alone until the Turnover Date and by the Board thereafter and without the need of consent of the Owners.

D. Amendments to Declarant's Rights. Notwithstanding anything to the contrary herein contained, no amendment to these Protective Covenants shall be effective which shall impair or prejudice the rights or priorities of Declarant, the Association or of any Institutional Mortgagee under the Association Documents without the specific written approval of such Declarant, Association and/or Institutional Mortgagee affected thereby. Furthermore, notwithstanding anything to the contrary herein contained, no amendment to these Protective Covenants shall be effective which would prejudice the rights of a then Owner or his family members, guests, invitees and lessees to utilize or enjoy the benefits of the then existing Association Property unless the Owner or Owners so affected consent to such amendment in writing or unless such amendment is adopted in accordance with the procedures required for adoption of an amendment to these Protective Covenants after the Turnover Date. Additionally, notwithstanding anything to the contrary contained herein, no amendment to these Protective Covenants shall be effective which shall eliminate or modify the provisions

of Section G of Article XIII and any such amendment shall be deemed to impair and prejudice the rights of Declarant hereunder.

E. HUD-FHA/VA Approval Prior to Turnover Date. Notwithstanding anything contained herein to the contrary, as long as the "Class B" membership exists, if the Property is subject to the requirements of the Veteran's Administration ("VA"), The Federal Housing Administration ("FHA"), the Federal Home Loan Mortgage Corporation or any other governmental or quasi-governmental agency which insures, guaranties, or purchases mortgages, amendment of these Protective Covenants requires the prior approval of HUD-FHA, VA, or the appropriate entity authorized to approve planned unit development documents for qualification for the federal loan program or programs applicable to the Property.

F. Certification and Recording of Amendments. A true copy of any amendment to these Protective Covenants shall be sent certified mail by the Association to Declarant and to all Institutional Mortgagees holding a mortgage on any portion of the Property requesting notice. The amendment shall become effective upon the recording of a Certificate of Amendment to these Protective Covenants setting forth the amendment or modification in the Public Records of the County.

G. Amendments to Satisfy Lending Requirements. Notwithstanding anything contained herein to the contrary, Declarant may, without the consent of any Owners, file any amendments which may be required by an Institutional Mortgagee for the purpose of satisfying its planned unit development criteria or such other criteria as may be established by such mortgagee's secondary mortgage market purchasers, including, without limitation, the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation; provided, however, any of Declarant's filed amendments must be in accordance with any applicable rules, regulations and other requirements promulgated by the United States Department of Housing and Urban Development.

ARTICLE XIII GENERAL PROVISIONS

A. Conflict with Other Association Documents. In the event of any conflict between the provisions hereof and the provisions of the Articles, Bylaws, and/or rules and regulations promulgated by the Association, the provisions of these Protective Covenants shall control.

B. Notices. Any notice or other communication required or permitted to be given or delivered hereunder shall be deemed properly given and delivered upon the mailing thereof by United States mail, first class, postage prepaid, to: (i) any Owner, at the address of the person whose name appears as the Owner on the records of the Association at the time of such mailing and, in the absence of any specific address, at the address of the Home owned by such Owner; and (ii) the Association, certified mail, return receipt requested, at 77 Towne Drive, Bluffton, South Carolina 29910, or such other address as the Association shall hereinafter notify Declarant and the Owners of in writing; and (iii) Declarant, certified mail, return receipt requested, at 77 Towne Drive, Bluffton, South Carolina 29910, or such other address or addresses as Declarant shall hereafter notify the Association of in writing, any such notice to the Association of a change in Declarant's address being deemed notice to the Owners. Upon request of an Owner, the Association shall furnish to such Owner the then current address for Declarant as reflected by the Association records.

C. Enforcement. The covenants and restrictions herein contained may be enforced by Declarant (so long as Declarant holds an equitable or legal interest in any Lot and/or Home), the Association, any Owner, and any Institutional Mortgagee holding a mortgage on any portion of the Property in any judicial proceeding

seeking any remedy recognizable at law or in equity, including damages, injunction or any other form of relief against any person, firm or entity violating or attempting to violate any covenant, restriction or provision hereunder. The failure by any party to enforce any such covenant, restriction or provision herein contained shall in no event be deemed a waiver of such covenant, restriction or provision or of the right of such party to thereafter enforce such covenant, restriction or provision. The prevailing party in any such litigation shall be entitled to all costs thereof, including, but not limited to, Legal Fees. All rights, remedies and privileges granted to the parties entitled to enforce the covenants, restrictions and provisions of these Protective Covenants pursuant to any terms, provisions, covenants or conditions of these Protective Covenants, the Articles or the Bylaws, shall be deemed to be cumulative, and the exercise of any one or more shall neither be deemed to constitute an election of remedies, nor shall it preclude a party entitled to enforce the covenants, restrictions and provisions of these Protective Covenants from executing any additional remedies, rights or privileges as may be granted or as it might have by law.

D. Captions, Headings and Titles. Article and Section captions, headings and titles inserted throughout these Protective Covenants are intended as a matter of convenience only and in no way shall such captions, headings or titles define, limit or in any way affect the subject matter or any of the terms and provisions thereunder or the terms and provisions of these Protective Covenants.

E. Context. Whenever the context so requires or admits, any pronoun used herein may be deemed to mean the corresponding masculine, feminine or neuter form thereof, and the singular form of any nouns and pronouns herein may be deemed to mean the corresponding plural form thereof and vice versa, as appropriate.

F. Severability. In the event any of the provisions of these Protective Covenants shall be deemed invalid by a court of competent jurisdiction, said judicial determination shall in no way affect any of the other provisions hereof, which shall remain in full force and effect, and any provisions of these Protective Covenants deemed invalid by a court of competent jurisdiction by virtue of the term or scope thereof shall be deemed limited to the maximum term and scope permitted by law. In the event that any court hereafter determines that any provision of these Protective Covenants is in violation of the rule of property known as the "rule against perpetuities" or any other rule of law because of the duration of a time period, such provision shall not thereby become invalid, but instead the duration of such time period shall be reduced to the maximum period allowed under such rule of law, and in the event the determination of the duration of such time period requires measuring lives, such measuring life shall be that of the incorporator of the Association.

G. Certain Rights of Declarant and Centex. Notwithstanding anything to the contrary herein contained, no Improvements constructed or installed by Declarant or Centex shall be subject to the approval of the Association, the Committee, or with respect to Improvements constructed by Centex, by Declarant. During the period that Improvements constructed by Declarant and Centex are owned by those parties, Declarant's and Centex's Improvements shall not be subject to the provisions and requirements of these Protective Covenants. Notwithstanding the other provisions of these Protective Covenants, Declarant reserves the right for Declarant and Centex, and their nominees, to enter into and transact on the Property any business necessary to consummate the sale, lease or encumbrance of Homes or real property including, but not limited to, the right to maintain models and a sales and/or leasing office, place signs, employ sales and leasing personnel, use the Association Property and show Homes. Declarant reserves the right for Declarant and Centex to make repairs to the Association Property and to carry on construction activity for the benefit of the Property. Declarant and Centex and their nominees may exercise the foregoing rights applicable to each without notifying the Association. Any such models, sales and/or leasing office, signs and any other items pertaining to such sales or

leasing efforts shall not be considered a part of the Association Property and shall remain the property of Declarant, Centex or their nominees, as applicable. This Section G may not be suspended, superseded or modified in any manner by any amendment to these Protective Covenants unless such amendment is consented to in writing by Declarant and Centex. This right of use and transaction of business as set forth herein and the other rights reserved by Declarant on behalf of Declarant and Centex in the Association Documents may be assigned in writing by Declarant or Centex in whole or in part. For the purposes of this Section G of Article XIII, the term "Declarant" and the term "Centex" shall include any "Lender" which has loaned money to Declarant or Centex to acquire or construct improvements upon the Property or its successors and assigns if such Lender, its successors or assigns, acquires title to any portion of the Property as a result of the foreclosure of any mortgage encumbering any portion of the Property securing any such loan to Declarant or Centex or acquires title thereto by deed in lieu of foreclosure. The rights and privileges of Declarant and Centex as set forth in this Section G, which are in addition to, and are no way a limit on, any other rights or privileges of Declarant or Centex under any of the Association Documents, shall terminate upon Declarant or Centex, as applicable, no longer owning any portion of the Property or having any equitable or legal interest therein, or upon such earlier date as Declarant or Centex, as applicable, shall notify the Association in writing of such party's voluntary election to relinquish the aforesaid rights and privileges.

H. Disputes as to Use. In the event there is any dispute as to whether the use of the Property or any portion or portions thereof complies with the covenants, restrictions, easements or other provisions contained in these Protective Covenants, such dispute shall be referred to the Board, and a determination rendered by the Board with respect to such dispute shall be final and binding on all parties concerned therewith. Notwithstanding anything to the contrary herein contained, any use by Declarant of the Property or any parts thereof in accordance with Section G of this Article XII shall be deemed a use which complies with these Protective Covenants and shall not be subject to a contrary determination by the Board.

I. Delegation. The Association, pursuant to a resolution duly adopted by the Board, shall have the continuing authority to delegate all or any portion of its responsibilities for maintenance, operation and administration, as provided herein, to any managing agency or entity selected by the Board from time to time and whether or not related to Declarant. All contracts with management companies shall contain a provision that allows the Association to unilaterally terminate the contract without cause after ninety (90) days notice.

J. Term. These Protective Covenants and the terms, provisions, conditions, covenants, restrictions, reservations, regulations, burdens and liens contained herein shall run with and bind the Property and inure to the benefit of Declarant, the Association, Owners, and their respective legal representatives, heirs, successors and assigns for a term of twenty-five (25) years from the date of recording these Protective Covenants in the Public Records of the County, after which time these Protective Covenants shall be automatically renewed and extended for successive periods of ten (10) years each, unless at least one (1) year prior to the termination of such twenty-five (25) year term or any such ten (10) year extension there is recorded in the Public Records of the County an instrument agreeing to terminate these Protective Covenants signed by Owners owning two-thirds (2/3) of the Lots and by Institutional Mortgagees holding first mortgages encumbering two-thirds (2/3) of all Lots encumbered by first mortgages held by Institutional Mortgagees, in which event these Protective Covenants shall be terminated upon the expiration of the fifty (25) year term or the ten (10) year extension during which such instrument was recorded.

K. Rights of Mortgagees.

1. Right to Notice. The Association shall make available for inspection upon request, during normal business hours or under reasonable circumstances, the Association Documents and the books, records and financial statements of the Association to Owners and the holders, insurers or guarantors of any first mortgages encumbering any portion of the Property. In addition, evidence of insurance shall be issued to each Owner and mortgagee holding a mortgage encumbering a Home upon written request to the Association.

2. Rights of Listed Mortgagee. Upon written request to the Association, identifying the name and address of the holder, insurer, or guarantor (such holder, insurer or guarantor is herein referred to as a "Listed Mortgagee") of a mortgage encumbering a Lot and the legal description of such Lot the Association shall provide such Listed Mortgagee with timely written notice of the following:

i. Any condemnation, loss or casualty loss which affects any material portion of the Association Property;

ii. Any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association;

iii. Any proposed action which would require the consent of mortgagees holding a mortgage encumbering a Lot; and

iv. Any failure by an Owner owning a Lot encumbered by a mortgage held, insured or guaranteed by such Listed Mortgagee to perform his obligations under the Association Documents, including, but not limited to, any delinquency in the payment of Assessments, or any other charge owed to the Association by said Owner where such failure or delinquency has continued for a period of sixty (60) days.

3. Right of Listed Mortgagee to Receive Financial Statement. Any Listed Mortgagee shall, upon written request made to the Association, be entitled to financial statements for the Association for the prior fiscal year free of charge and the same shall be furnished within a reasonable time following such request.

L. Approval of Association Lawsuits by Owners. Notwithstanding anything contained herein to the contrary, the Association shall be required to obtain the approval of three-fourths (3/4) of all Members at a duly called meeting of the Members at which a quorum is present prior to the payment of legal or other fees to persons or entities engaged by the Association for the purpose of suing, or making, preparing or investigating any lawsuit, or commencing any lawsuit other than for the following purposes:

1. the collection of Assessments;

2. the collection of other charges which Owners are obligated to pay pursuant to the Association Documents;

3. the enforcement of the use and occupancy restrictions contained in the Association Documents;

4. in an emergency where waiting to obtain the approval of the Owners creates a substantial risk of irreparable injury to the Association Property or to Owner(s) (the imminent expiration of a statute of limitations shall not be deemed an emergency obviating the need for the requisite vote of three-fourths (3/4) of the Members);

5. filing a compulsory counterclaim; or

6. termination of employment relationship or enforcement of a contract.

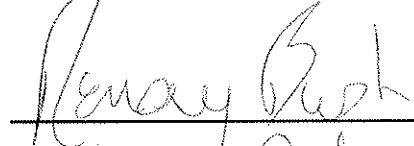
M. Compliance with Provisions. Every person who owns, occupies or acquires any right, title, estate or interest in or to any Lot except as elsewhere herein provided does and shall be conclusively deemed to have consented to and agreed to every limitation, restriction, easement, reservation, condition and covenant contained herein, whether or not any reference to these restrictions is contained in the instrument by which such person acquired an interest in such property.

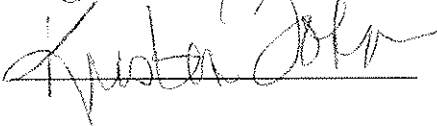
N. Rights and Requirements of Governmental Authorities. Any governmental authority or agency, including, but not limited to the County, its agents, and employees, shall have the right of immediate access to the Property at all times if necessary for the preservation of public health, safety and welfare. Should the Association or its Board fail to maintain the Association Property in accordance with the specifications set forth in the applicable governmental approvals for Hidden Lakes for an unreasonable time, not to exceed ninety (90) days, after written request to do so, the County and any other applicable governmental authority, by and through the affirmative action of a majority of the governing body, shall have the same right (but not the obligation), power and authority as is herein given to the Association and its Board to enforce these Protective Covenants and levy Assessments necessary to maintain the Association Property, it being understood that in such event the applicable governing body may elect to exercise the rights and powers of the Association or its Board, to the extent necessary to take any action required and levy any Assessment that the Association might have taken, either in the name of the Association or otherwise, to cover the cost of maintenance of any Association Property. The rules granted herein are supplemental to any governmental authority the County may have, and application of this provision shall not diminish, limit, or restrict the right of the County to apply any other legal rights it may have.

O. Joinder and Consent of Declarant's Lender. Regions Bank, a banking association ("Lender"), and the holder and beneficiary of a security interest in a portion of the Property, hereby joins in the execution of these Protective Covenants for the purpose of confirming its recognition of these Protective Covenants and agreeing not to extinguish, terminate or void these Protective Covenants or otherwise alter, diminish or limit the terms and conditions of these Protective Covenants, upon any foreclosure of its lien or otherwise. Declarant may, as additional collateral for the deed of trust given by Declarant for the benefit of Lender, assign to Lender, or its successors, the rights and privileges of Declarant under these Protective Covenants.

IN WITNESS WHEREOF, these Protective Covenants have been signed by Declarant and Centex on the dates set forth below.

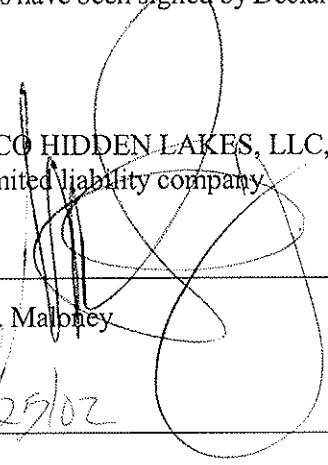
WITNESSES AS TO DECLARANT:





DECLARANT:

QUINNCO-D'AMICO HIDDEN LAKES, LLC,
a South Carolina limited liability company

By: _____ 

Name: Michael F. P. Maloney

Title: Manager

Date: 2/29/02

[SIGNATURES CONTINUED ON FOLLOWING PAGES]

CENTEX:

WITNESSES AS TO CENTEX:

CENTEX HOMES, a Nevada general partnership

By: Centex Real Estate Corporation,
a Nevada corporation
Its: Managing General Partner

[Signature]

[Signature]

By: [Signature]
Division President Its Area Manager

(SEAL)

Attest: _____
Assistant Secretary

Date: _____

STATE OF SOUTH CAROLINA § ACKNOWLEDGMENT
COUNTY OF BEAUFORT §

The foregoing instrument was acknowledged before me, this 25 day of February
____, 2002, by Michael F. P. Maloney, Manager of Quinnco-D'Amico Hidden Lakes, LLC, a South
Carolina limited liability corporation, the Declarant named in the foregoing instrument.

(SEAL)

[Signature]
Notary Public for South Carolina
My Commission Expires: MY COMMISSION EXPIRES JUNE 17, 2006

STATE OF SOUTH CAROLINA § ACKNOWLEDGMENT
COUNTY OF CHARLESTON §

* The foregoing instrument was acknowledged before me, this 1st March day of February,
2002, by ~~Jay Thrower, Division President~~ of Centex Real Estate Corporation, a Nevada corporation,
the Managing General Partner of Centex Homes, a Nevada general partnership.
* Craig Lovette, Area Manager

(SEAL)

[Signature]
Notary Public for South Carolina
My Commission Expires: 02/06/02

JOINDER AND CONSENT OF LENDER

REGIONS BANK, a banking association ("Lender") joins in the execution of these Protective Covenants for the purpose of acknowledging and agreeing that Lender's security interest in the Property, secured by an instrument dated July 11, 2001, given by Quinnco-D'Amico Hidden Lakes, LLC, for the benefit of Lender, and recorded in the Office of the Register of Deeds for Beaufort County, South Carolina, in Book 1447, Page 1459 referred to as the "Mortgage"), shall not amend, negate or otherwise affect the terms, provisions, conditions and obligations of these Protective Covenants. Accordingly, Lender acknowledges and agrees that upon any foreclosure or deed or other proceedings in lieu of foreclosure of the Mortgage, or upon any other action taken to enforce the lien of the Mortgage, these Protective Covenants shall remain in full force and effect, and shall not be void as a result of any such foreclosure, deed or other proceeding in lieu of foreclosure or other action.

WITNESSES:

REGIONS BANK

Debra J White
Nancy L Mahan

By: *Randall C Grant*
Title: *SR Vice President*
Print Name: *Randall C Grant*
Date: *2/28/02*

STATE OF SOUTH CAROLINA §

ACKNOWLEDGMENT

COUNTY OF BEAUFORT §

The foregoing instrument was acknowledged before me, this *28th* day of February, 2002, by *Randall C Grant*, acting on behalf of Regions Bank, a banking association, as its *Sr. Vice President*.

(SEAL)

Nancy L Mahan
Notary Public for South Carolina
My Commission Expires: *5/11/08*

JOINDER AND CONSENT OF LENDER

FAIRFIELD FINANCIAL SERVICES, INC. ("Lender") joins in the execution of the e Protective Covenants for the purpose of acknowledging and agreeing that Lender's security interest in the Property, secured by an instrument dated February 1, 2002, given by Quinnco-D'Amico Hidden Lakes, LLC, for the benefit of Lender, and recorded in the Office of the Register of Deeds for Beaufort County, South Carolina, in Book 1538, Page 395 referred to as the "Mortgage"), shall not amend, negate or otherwise affect the terms, provisions, conditions and obligations of these Protective Covenants. Accordingly, Lender acknowledges and agrees that upon any foreclosure or deed or other proceedings in lieu of foreclosure of the Mortgage, or upon any other action taken to enforce the lien of the Mortgage, the e Protective Covenants shall remain in full force and effect, and shall not be void as a result of any such foreclosure, deed or other proceeding in lieu of foreclosure or other action.

WITNESSES:

FAIRFIELD FINANCIAL SERVICES, INC

Amy Moore
Unofficial Witness

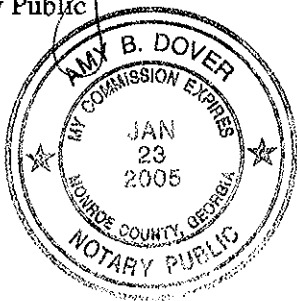
By: James DeWitt

Name: James DeWitt

Amy B. Dover
Notary Public

Title: VICE CHAIRMAN

Date: FEBRUARY 26, 2002



STATE OF GEORGIA § ACKNOWLEDGMENT
COUNTY OF Bibb §

The foregoing instrument was acknowledged before me, this 26th day of February, 2002, by James DeWitt, acting on behalf of Fairfield Financial Services, Inc., as its VICE CHAIRMAN

(SEAL)

Amy B. Dover

Notary Public for Georgia

My Commission Expires: 1-23-05

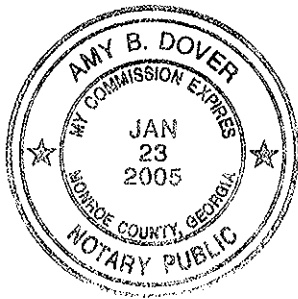


EXHIBIT "A"

All that certain piece, parcel or tract of land, containing 111.69 acres, situate, lying and being in the Shults Tract, Town of Bluffton, Beaufort County, South Carolina, said tract being more specifically shown and described on a plat thereof entitled "A Plat of A 111.69 Ac. Tract Being a Portion of the George E. Shults Tract," said plat prepared by Thomas & Hutton Engineering Co., and certified by Boyce L. Young, SCRLS No. 11079, which plat is dated September 25, 1997, last revised November 17, 1997, and which is recorded in the Office of the Register of Deeds in Plat Book 70 at Page 57. For a more specific reference to said tract by metes and bounds reference is hereby made to said plat of record.

EXHIBIT B

PUD DISTRICT
MASTER PLAN

Hidden Lakes

Prepared for:
Quinnco - D'Amico Hidden Lakes LLC
Land Planning:
LandPlan Partnership, Inc.
Civil Engineer:
Thomas & Hutton Engineering Co.

PUD SUMMARY

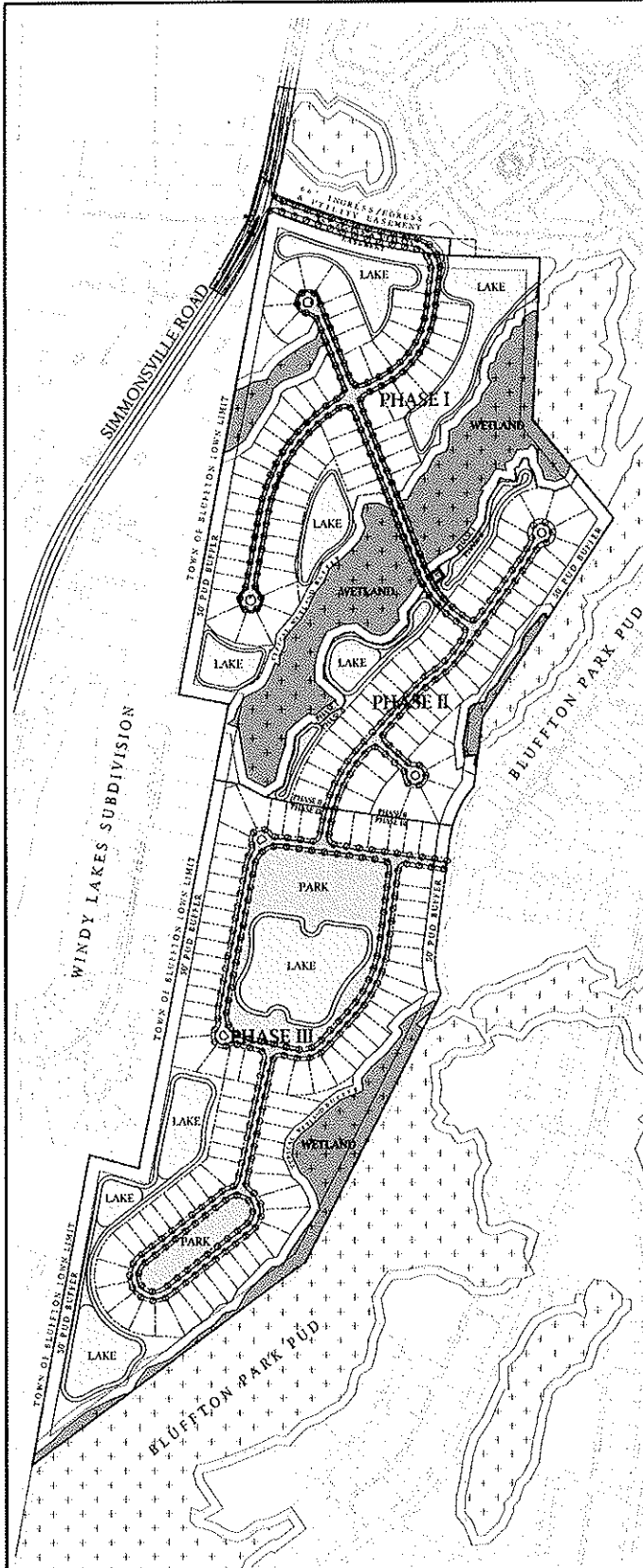
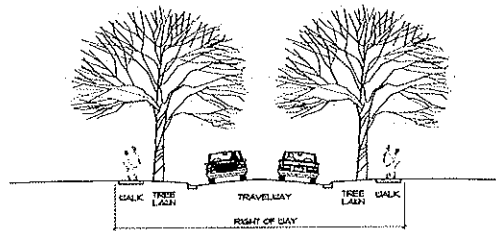
- Permitted Uses
 - Single family detached dwellings
 - Model home/sales center
 - Parks and open space
- Density and Setback Standards
 - General Open Space: 1.70 DU/Ac (Maximum of 190 lots)
 - Maximum density: Minimum width of 63' for the majority of the lots
 - Minimum lot size: Minimum width of 50' for no more than fifty (50) lots
 - Minimum lot depth of 100'
- Open Space Standards
 - The Hidden Lakes PUD will incorporate a minimum of fifty-five percent (55%) General Open Space
 - The Hidden Lakes PUD will incorporate a minimum of eighteen (18) acres of Common Open Space
 - Parks
 - A centrally located park of approximately eight (8) acres incorporating grassed open play fields, shaded areas for relaxation and comfort, a three and one-half (3 1/2) acre lake with a dock and staked for fishing, walks and benches.
 - A second park of approximately one and one-quarter (1 1/4) acres is located in the southern portion of the community. This is an open grassed park, surrounded by walks and benches, which focus on a central gazebo.
- Sidewalk and Street Trees
 - Pedestrian sidewalks are provided on both sides of all roads
 - Street trees will be planted approximately fifty feet (50') on center on both sides of all roads. These trees will be located in tree lawns between the back of curbs and sidewalks and will be a minimum of two and one-half inches (2 1/2") diameter breast height (DBH) and eight to ten feet (8-10') in height at planting.

TABLE 1: LOT STANDARDS

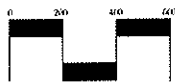
General Notes:	Single-Family Detached
1. The Applicant may adapt standards to terrain and accessibility that are more restrictive than the standards in TABLE 1.	
2. Minimum lot setbacks will be measured to the building's main vertical walls, chimneys, covered steps, bay windows, or other projections and will not include encroachments.	
3. All setbacks are subject to the 10-foot minimum buffer of 50' and applicable wetland buffers. The grass setback will apply.	
Front Yard Minimum Setback (1) House (1)	20'
Detached Garages, etc. (2)	20'
Side Street Minimum Setback for Green Lot (3) House (3)	20'
Detached Garages, etc. (2)	20'
Side Yard Minimum Setback (4) House (4)	7'-6"
Detached Garages, etc. (2)	7'-6"
Rear Yard Minimum Setback (5) House (5)	10' House 10' Garage
Detached Garages, etc. (2)	10'
Minimum Tree Area	4 sqd. 50'
Minimum Lot Width at Backing Line	60'
Maximum Height of Structure	The lesser of 40' or 3 stories

Notes:

- Houses (including units) including porches and garages incorporated into the building structure, and primary custom buildings (such as retreat or country buildings)
- Detached garages, garages attached by covered walkways, and outbuildings such as storage buildings or pool houses
- The minimum distance between buildings will be based on the greater of building and fire safety codes or a stated lot area
- Corner lot setbacks may need to be greater than those listed in TABLE 1 to maintain minimum access for site triangle clearances at street intersections. Individual site plans will be assessed on a case-by-case basis for lot corner site clearances.
- Height measurement will be from the base (ground elevation or finished grade, whichever is greater) height will be measured to the main roof ridge or parapet and will not include features such as cupolas, "windy walks", chimneys, weather vanes, etc.



Note:
1. This master plan is conceptual in nature, and subject to approval of local, state, and federal agencies. All property lines, tract dimensions and descriptions are for graphic representation and serve as an aid to site locations only. Quinnco - D'Amico Hidden Lakes LLC, its successors and assigns, reserves the right to change the conceptual nature of the plan.



FEET
Date: August 14, 2001
September 26, 2001 Revised

. Bird
2/10
2/16/03
^

1ST AMENDMENT TO BLUFFTON PARK COMMUNITY COVENANT

ORIGINAL COVENANT RECORDED August 1, 2001 AT BOOK 1453 PAGE 883 (Office of the Register of Deeds for Beaufort County, SC)

Quinnco-D'Amico Shults, LLC, as Declarant of the above referenced Community Covenant for Bluffton Park, hereby waives the right to annex and hereby deletes from Exhibit B of the above referenced Community Covenant For Bluffton Park the property referred to on said Exhibit B as 111.69 acres (now known as "Hidden Lakes"), said tract being more particularly shown and described on a plat prepared by Thomas & Hutton dated September 25, 1997, last revised November 17, 1997 entitled " A Plat Of A 111.69 Ac. Tract Being A Portion of the George E. Shults Tract", said plat being recorded in the Office of the Register of Deeds for Beaufort County in Plat Book 70 at page 57. Further, the undersigned hereby confirms that the undersigned has not assigned this right of annexation to any other party and that Hidden Lakes may not be subjected to the above referenced Community Covenant for Bluffton Park.

DECLARANT:

QUINNCO-D'AMICO SHULTS, LLC
a South Carolina Limited Liability Company

By: _____
Michael F. P. Maloney
Manager
Date: 2/28/02

BEAUFORT COUNTY SC - ROD
BK 01551 PG 0215
FILE NUM 2002015434
RECORDING FEES 10.00
RECORDED BY R WEBB RCPT# 36218
RECORDED 03/06/2002 03:35:34 PM

Witnesses as to Declarant:

[Signature]
[Signature]

STATE OF SOUTH CAROLINA
COUNTY OF BEAUFORT

ACKNOWLEDGMENT

I, the undersigned Notary Public, do hereby certify that Michael F. P. Maloney, Manager of Quinnco-D'Amico Shults, LLC, personally appeared before me this day and acknowledged the due execution of the foregoing instrument.

Witness my hand and seal this the 28 day of February, 2002.

[Signature]
Notary Public for the State of South Carolina
My Commission expires: MY COMMISSION EXPIRES JUNE 17, 2006

Bird
3/10
W
b

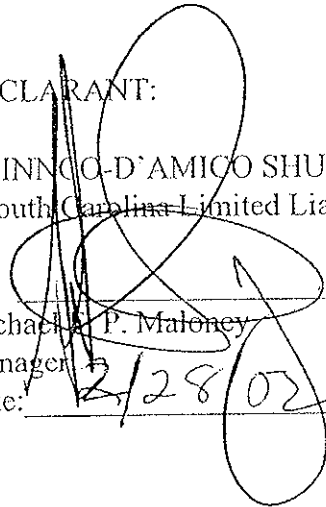
3rd AMENDMENT TO BLUFFTON PARK RESIDENTIAL COVENANTS

ORIGINAL DECLARATION RECORDED August 1, 2001 AT BOOK 1453 PAGE 942
(Office of Register of Deeds for Beaufort County)

Quinnco-D'Amico Shults, LLC, as Declarant of the above referenced Covenants, hereby waives the right to annex and hereby deletes from Exhibit B of the above referenced Declaration Of Covenants, Conditions, And Restrictions For Bluffton Park Residential Property the property referred to on said Exhibit B as 111.69 acres (now known as "Hidden Lakes"), said tract being more particularly shown and described on a plat prepared by Thomas & Hutton dated September 25, 1997, last revised November 17, 1997 entitled " A Plat Of A 111.69 Ac. Tract Being A Portion of the George E. Shults Tract", said plat being recorded in the Office of the Register of Deeds for Beaufort County in Plat Book 70 at page 57. Further, the undersigned hereby confirms that the undersigned has not assigned this right of annexation to any other party and that Hidden Lakes may not be annexed as part of or subjected to the above referenced Declaration.

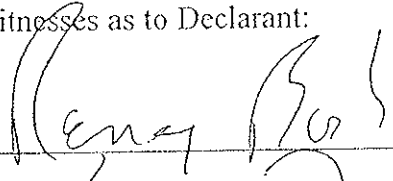
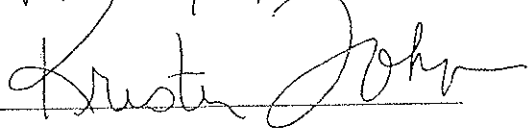
DECLARANT:

QUINNCO-D'AMICO SHULTS, LLC
a South Carolina Limited Liability Company

By: 
Michael P. Maloney
Manager

Date: 2/28/02

Witnesses as to Declarant:

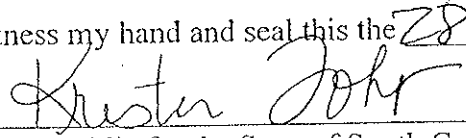
STATE OF SOUTH CAROLINA

COUNTY OF BEAUFORT

ACKNOWLEDGMENT

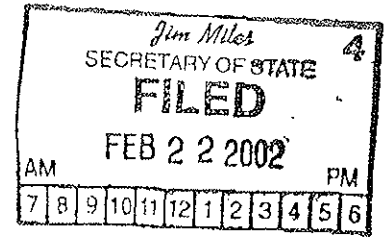
I, the undersigned Notary Public, do hereby certify that Michael F. P. Maloney, Manager of Quinnco-D'Amico Shults, LLC, personally appeared before me this day and acknowledged the due execution of the foregoing instrument.

Witness my hand and seal this the 28 day of February, 2002.


Notary Public for the State of South Carolina
My Commission expires: MY COMMISSION EXPIRES JUNE 17, 2006

BEAUFORT COUNTY SC - ROD
BK 01551 PG 0214
FILE NUM 2002015433
RECORDING FEE \$ 10.00
RECORDED BY R WEBB RCP# 36218
RECORDED 03/06/2002 03:35:34 PM

TO BE A TRUE AND CORRECT COPY
IN FROM AND COMPARED WITH THE
ORIGINAL ON FILE IN THIS OFFICE



FEB 22 2002

STATE OF SOUTH CAROLINA
SECRETARY OF STATE
NONPROFIT CORPORATION
ARTICLES OF INCORPORATION
(A South Carolina Nonprofit Corporation)

Jim Miles
SECRETARY OF STATE OF SOUTH CAROLINA

Article 1. **Name.** The name of the nonprofit corporation is: Hidden Lakes Property Owners Association, Inc. ("Association").

Article 2. **Registered Agent and Office.** The initial registered office of the nonprofit corporation is: 32 Office Park Road, Suite 100, Hilton Head, South Carolina 29928.

The name of the registered agent of the nonprofit corporation at that office is John P. Qualey, Jr.

I hereby consent to the appointment as registered agent of Hidden Lakes Property Owners Association, Inc.

John P. Qualey, Jr.
John P. Qualey, Jr.

Article 4. **Membership.** This corporation will be a mutual benefit corporation and will have members without certificates or shares of stock. Each Person who is the Owner of a Lot or a Tract (as such capitalized terms are defined in the Declaration of Covenants, Restrictions and Easements for Hidden Lakes Subdivision recorded or to be recorded by Quinnco-D'Amico Hidden Lakes, LLC, as Declarant, in the Office of the Register of Deeds of Beaufort County, South Carolina (the "Declaration")) is subject to the Declaration as a member of the Association and shall be entitled to vote as provided in the Declaration and By-Laws of Hidden Lakes Property Owners Association, Inc. (the "By-Laws").

Article 5. **Principal Office.** The address of the principal office of the nonprofit corporation is: c/o Quinnco-D'Amico Hidden Lakes, LLC, 77 Towne Drive, Bluffton, South Carolina 29910.

Article 6. **Dissolution.** The Association may be dissolved only upon a resolution duly adopted by its Board of Directors and approved by the affirmative vote of members of the Association who hold not less than two-thirds (2/3) of the total eligible votes of the membership of the Association. In addition, so long as Declarant owns any property subject to the Declaration or which Declarant may unilaterally make subject to the Declaration pursuant to the Declaration, Declarant's written consent shall be required.

Upon dissolution of the mutual benefit corporation, the (remaining) assets shall be granted, conveyed, and assigned to any nonprofit corporation, association, trust or other organization to be devoted to such similar purposes.

Article 7. Duration. The Association shall have perpetual duration.

Article 8. Purpose and Powers. The Association does not contemplate pecuniary gain or profit, direct or indirect, to its members.

- (i) In way of explanation and not of limitation, the purposes for which it is formed are:
 - (A) to be and constitute the Association to which reference is made in the Declaration Recorded or to be Recorded in the Register of Deeds of Beaufort County by Declarant to perform all obligations and duties, and to exercise all the Association's rights and powers, as specified therein, in the By-Laws and as provided by law; and
 - (B) to provide an entity for the furtherance of the interests of the Owners in the Property (as such terms are defined in the Declaration).
- (ii) In furtherance of its purposes, the Association shall have the following powers, which, unless indicated otherwise by the Declaration or By-Laws, may be exercised by the board of directors:
 - (A) all of the powers conferred upon nonprofit corporations by common law and South Carolina statutes in effect from time to time;
 - (B) all of the powers necessary or desirable to perform the obligations and duties and to exercise the rights and powers set out in these Articles, the By-Laws, or the Declaration, including, without limitation, the following:
 - (1) to fix and to collect assessments or other charges to be levied;
 - (2) to manage, control, operate, maintain, repair, and improve property subjected to the Declaration or any other property for which the Association by rule, regulation, declaration, or contract has a right or duty to provide such services;
 - (3) to enforce covenants, conditions, or restrictions affecting any property to the extent the Association may be authorized to do so under the Declaration or By-Laws;
 - (4) to engage in activities which will actively foster, promote, and advance the common interests of all Owners of property subject to the Declaration;

- (5) to buy or otherwise acquire, sell or otherwise dispose of, mortgage or otherwise encumber, exchange, lease, hold, use, operate, and otherwise deal in and with real, personal, and mixed property of all kinds and any right or interest therein for any purpose of the Association;
 - (6) to borrow money for any purpose;
 - (7) to enter into, make, perform, or enforce contracts of every kind and description, and to do all other acts necessary, appropriate, or advisable in carrying out any purpose of the Association, with or in association with any other association, corporation, or other entity or agency, public or private;
 - (8) to adopt, alter, and amend or repeal such By-Laws as may be necessary or desirable for the proper management of the affairs of the Association; provided, such By-Laws may not be inconsistent with or contrary to any provisions of the Declaration; and
 - (9) to provide any and all supplemental municipal services as may be necessary or proper.
- (iii) The forgoing enumeration of powers shall not limit or restrict in any manner the exercise of other and further rights and powers which may now or hereafter be allowed or permitted by law; and the powers specified in each of the paragraphs above are independent powers, not to be restricted by reference to or inference from the terms of any other paragraph or provisions of this Section.

Article 9. Board of Directors. The Association's business and affairs shall be conducted, managed, and controlled by a Board of Directors. The Board may delegate its operating authority to such corporations, individuals, and committees as it, in its discretion, may determine.

The Board of Directors shall consist of not less than three nor more than five directors, as determined in accordance with the By-Laws. The initial Board of Directors shall consist of three directors. The names and addresses of the members of the initial Board of Directors, who shall hold office until their successors are elected and have qualified, or until their resignation or removal, are as follows:

David W. D'Amico
100 Main Street, Suite 100
Hilton Head, South Carolina 29926

Larry D. Heichel
800 Main Street, Suite 100
Hilton Head, South Carolina 29926

Michael F.P. Maloney
77 Towne Drive
Bluffton, SC 29910

The number, the method of selection, removal, and filling of vacancies on the Board of Directors, and the term of office of members of the Board of Directors, shall be as set forth in the By-Laws.

Article 10. Indemnification of Directors. To the extent consistent with the South Carolina Nonprofit Corporation Code, as it exists on the date hereof or as it may hereafter be amended, the Association shall indemnify its officers and directors as required by the Declaration and By-Laws. No amendment to or repeal of this paragraph shall apply to or have any effect on the liability or alleged liability of any director of the Association for or with respect to any acts or omissions of such director occurring prior to such amendment or repeal.

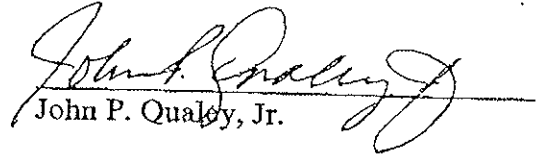
Article 11. Merger and Consolidation. The Association may merge or consolidate only upon a resolution duly adopted by the Board of Directors and the affirmative vote of members who hold not less than two-thirds (2/3) of the total eligible votes of the membership of the Association (other than the Declarant) and Declarant's consent so long as Declarant owns any property subject to the Declaration or which may be unilaterally subjected to the Declaration by the Declarant.

Article 12. Amendments. These Articles may be amended only upon a resolution duly adopted by the Board of Directors and the affirmative vote of at least two-thirds (2/3) of the total eligible votes of the members and Declarant's consent so long as Declarant owns any property subject to the Declaration or which may be unilaterally subjected to the Declaration by the Declarant; provided, no members shall be entitled to vote on any amendment to these Articles of Incorporation for the sole purpose of complying with the requirements of any governmental (including without limitation, HUD or VA) or quasi governmental entity or institutional lender authorized to fund, insure or guarantee mortgages on individual Lots and Homes, as such requirements may exist from time to time, which amendments may be adopted by the Board of Directors.

Article 13. HUD/VA Approval. So long as the Declarant may appoint and remove a majority of the Board and so long as the U.S. Department of Housing and Urban Development ("HUD") or the U.S. Department of Veterans Affairs ("VA") is holding, insuring, or guaranteeing any loan secured by property subject to the Declaration, the following actions shall require the prior approval of HUD and/or VA, respectively: annexation of additional property, any dedication or mortgage of the Association Property, any merger or consolidation in which the Association is a participant, dissolution of the Association, or material amendment of these Articles.

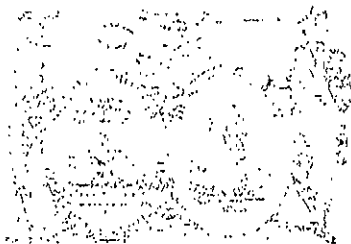
Article 14. Incorporator. The name and address of the sole incorporator is as follows:
John P. Qualey, Jr., 32 Office Park Road, Suite 100, Hilton Head Island, South Carolina
29928.

Incorporator:


John P. Qualey, Jr.

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The State of South Carolina



Office of Secretary of State Jim Miles Certificate of Incorporation, Nonprofit Corporation

I, Jim Miles, Secretary of State of South Carolina Hereby certify that:

HIDDEN LAKES PROPERTY OWNERS ASSOCIATION, INC.,
a nonprofit corporation duly organized under the laws of the state of South Carolina on **February 22nd, 2002**, and having a perpetual duration unless otherwise indicated below, has as of the date hereof filed a Declaration and Petition for Incorporation of a nonprofit corporation for Religious, Educational, Social, Fraternal, Charitable or other eleemosynary purpose.

Now, therefore, I Jim Miles, Secretary of State, by virtue of the authority in me vested, by Chapter 31, Title 33, Code of 1976 and Acts amendatory thereto, do hereby declare the organization to be a body politic and corporate, with all the rights, powers, privileges and immunities, and subject to all the limitations and liabilities, conferred by Chapter 31, Title 33, Code of 1976 and Acts amendatory thereto.

Given under my Hand and the Great Seal of the State of South Carolina this 6th day of March, 2002.

Jim Miles, Secretary of State

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BEAUFORT COUNTY SC - ROD
BK 01551 PG 0203
FILE NUM 2002015430
RECORDING FEE \$ 10.00
RECORDED BY R WHEE RCPT# 36218
RECORDED 03/06/2002 03:35:34 PM

STATE OF SOUTH CAROLINA)
)
COUNTY OF BEAUFORT) **DEED**

KNOW ALL MEN BY THESE PRESENTS, THAT **QUINNCO-D'AMICO HIDDEN LAKES, LLC**, a South Carolina limited liability company (hereinafter the "Grantor"), in the State aforesaid, for and in consideration of the sum of **TEN AND NO/100 (\$10.00) DOLLARS** to it in hand paid at and before the sealing of these presents by **HIDDEN LAKES PROPERTY OWNERS ASSOCIATION, INC.**, a South Carolina non-profit corporation (hereinafter the "Grantee"), in the State aforesaid, the receipt whereof is hereby acknowledged, has granted, bargained, sold and released, and by these Presents does grant, bargain, sell and release unto the said Grantee, its successors and assigns forever, the following described property, to-wit:

See Exhibit "A" which is attached hereto and incorporated herein by reference.

Grantee's Address: 77 Towne Drive, Bluffton, SC 29910

TOGETHER with all and singular, the Rights, Members, Hereditaments and Appurtenances to the said Premises belonging, or in anywise incident or appertaining.

TO HAVE AND TO HOLD, all and singular, the said Premises before mentioned unto the said Grantee, its successors and assigns forever.

AND Grantor does hereby bind Grantor and Grantor's successors and assigns, to warrant and forever defend, all and singular, the said Premises unto the said Grantee, its successors and assigns, only against Grantor and Grantor's successors lawfully claiming or to claim the same, or any part thereof.

BY accepting this deed, Grantee expressly agrees to accept without warranty or representation of any kind all existing and all future improvements to the property described on

Portion of 600-31-203

EXHIBIT "A"
Legal Description

ALL those certain pieces, parcels or tracts of land situate, lying and being in the Town of Bluffton, Beaufort County, State of South Carolina, being designated as "**COMMON AREA #1**," containing 3.680 acres, more or less, "**COMMON AREA #2**," containing 3.687 acres, more or less, "**COMMON AREA #3**," containing 2.408 acres, more or less, "**COMMON AREA #4**," containing 1.701 acres, more or less, and "**COMMON AREA #5**," containing 0.327 acres, more or less, which parcels of land contain a **total of 11.803 acres**, more or less, and which are more fully shown on the plat of survey entitled "A Plat of Phase I Hidden Lakes Subdivision Being a Portion of George E. Shults Tract," prepared by Thomas & Hutton Engineering Co., Boyce L. Young, SCRLS No. 11079, dated January 24, 2002, which is recorded in the Office of the Register of Deeds for Beaufort County in Plat Book 85 at Page 3.

AND ALSO ALL those certain pieces, parcels or tracts of land situate, lying and being in the Town of Bluffton, Beaufort County, State of South Carolina, being designated as "**WETLAND A**," containing 5.714 acres, more or less, "**WETLAND B**," containing 5.206 acres, more or less, "**WETLAND BUFFER #1**," containing 0.329 acres, more or less, "**WETLAND BUFFER #2**," containing 2.279 acres, more or less, "**WETLAND BUFFER #3**," containing 0.800 acres, more or less, "**WETLAND BUFFER #4**," containing 0.809 acres, more or less, and "**WETLAND BUFFER #5**," containing .499 acres, more or less, which parcels contain a **total of 16.712 acres**, more or less, and which are more fully shown on the plat of survey entitled "A Plat of Phase I Hidden Lakes Subdivision Being a Portion of George E. Shults Tract," prepared by Thomas & Hutton Engineering Co., Boyce L. Young, SCRLS No. 11079, dated January 24, 2002, which is recorded in the Office of the Register of Deeds for Beaufort County in Plat Book 85 at Page 3.

NOTICE: AS TO SUCH WETLANDS AND WETLAND BUFFERS, THIS CONVEYANCE IS MADE SUBJECT TO THE TERMS, CONDITIONS, AND RESTRICTIVE COVENANTS CONTAINED IN THE DECLARATION OF RESTRICTIVE COVENANTS, DATED APRIL 18, 2000 AND RECORDED IN BOOK 1355 AT PAGE 1043.

BEING a portion of the Property conveyed to the Grantor by deed of Resource Development Group, LLC, dated July 11, 2001, which is recorded in Book 1447 at Page 1451.

This Deed was prepared by John P. Qualey, Jr., Esq., Qualey Law Firm, P.A., P.O. Box 10, Hilton Head Island, SC 29938.

BY-LAWS
OF
HIDDEN LAKES PROPERTY OWNERS ASSOCIATION, INC.

Article I Name, Principal Office, and Definitions

1.1. Name.

The name of the corporation is Hidden Lakes Property Owners Association, Inc. (the "Association").

1.2. Principal Office.

The Association's principal office shall be located in Beaufort County, South Carolina. The Association may have such other offices as the Board may determine or as the Association's affairs require.

1.3. Definitions.

The words used in these By-Laws shall be given their normal, commonly understood definitions. Capitalized terms shall have the same meaning as set forth in that certain Declaration of Covenants, Restrictions and Easements for Hidden Lakes Subdivision on file in the Public Records of Beaufort County, South Carolina, as it may be amended ("Declaration"), unless the context indicates otherwise.

Article II Membership: Meetings, Quorum, Voting, Proxies

2.1. Membership.

The Association shall have two classes of membership, Class "A" and Class "B," as more fully set forth in the Declaration. The provisions of the Declaration pertaining to membership are incorporated by this reference.

2.2. Place of Meetings.

The Association shall hold meetings at the Association's principal office or at such other suitable place the Board may designate.

2.3. Annual Meetings.

The Association shall hold its first meeting, whether a regular or special meeting, within one year after the Association's incorporation. The Board shall set subsequent regular annual meetings so as to occur within 90 days before or after the close of the Association's fiscal year.

2.4. Special Meetings.

The President may call special meetings. In addition, it shall be the duty of the President or the Secretary to call a special meeting if so directed by Board resolution or upon a petition signed by Members representing at least 10% of the total Class "A" votes in the Association.

2.5. Notice of Meetings.

The Association's Secretary shall cause written notice stating the place, day, and hour of any Association meeting to be given in any manner permitted by South Carolina law. Notice may be mailed, or sent by personal delivery, or, if permitted, notice may be posted in a conspicuous, prominent place within the , sent by facsimile, electronic mail, or other electronic communication device, or provided in such other manner, which is reasonably calculated, as determined in the Board's discretion, to provide personal notice to the Members. Notice shall be given at least 10 but less than 60 days before the date of the meeting, by or at the direction of the President or the Secretary or the officers or Persons calling the meeting.

In the case of a special meeting or when a statute or these By-Laws require otherwise, the notice shall state the purpose or purposes for which the meeting is called. No business shall be transacted at a special meeting except as stated in the notice.

If posted, notice shall be deemed delivered when posted. If mailed, the notice of a meeting shall be deemed delivered when deposited in the United States mail addressed to the Member at his or her address as it appears on the Association's records, with postage prepaid. If sent by facsimile, electronic mail, or such other electronic communication device, notice shall be deemed to be delivered when transmitted to the Member at his or her address or number as it appears on the Association's records. Failure to receive actual notice of an Association meeting shall not affect the validity of any action taken at such meeting.

2.6. Waiver of Notice.

Waiver of notice of a meeting of the Members shall be deemed the equivalent of proper notice. Any Member may waive, in writing, notice of any meeting of the Members, either before or after such meeting. A Member's attendance at such meeting shall be deemed waiver by such Member of notice of the time, date, and place thereof, unless such Member specifically objects to

lack of proper notice at the time the meeting is called to order. Attendance at a special meeting also shall be deemed waiver of notice of all business transacted at such meeting unless a Member raises an objection on the basis of lack of proper notice before the business is put to a vote.

2.7. Adjournment of Meetings.

If the Association cannot hold a meeting because a quorum is not present, a majority of the Members who are present at such meeting may adjourn the meeting to a time not less than five nor more than 30 days from the time the original meeting was called. At the reconvened meeting, the Association may transact any business which it might have transacted at the original meeting. If a time and place for reconvening the meeting is not fixed by those in attendance at the original meeting, or if the date for the reconvened meeting is changed, notice of the time and place of the reconvened meeting shall be given to Members in the manner described in Section 2.5.

Members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum, provided that at least a majority of the votes required to constitute a quorum approve any action taken.

2.8. Voting.

Members shall have such voting rights as are set forth in the Declaration, which provisions are incorporated herein by this reference. Members may vote at a meeting by voice vote or ballot or may vote by mail without the necessity of a meeting, as determined by the Board; provided, the Board shall hold meetings when required by the Declaration, these By-Laws, or South Carolina law. Votes for the election of directors shall be cast by written ballot. All Member votes cast at meetings are subject to the quorum requirements of Section 2.11. The Board may permit votes to be cast electronically (*i.e., via* the Internet, intranet, or electronic mail) with sufficient verification of authenticity and if permitted by law.

2.9. Proxies.

On any matter as to which a Member is entitled to cast the vote for his or her Lot, such vote may be cast in person or by proxy, subject to the limitations of South Carolina law relating to use of general proxies and subject to any specific provision to the contrary in the Declaration or these By-Laws.

Every proxy shall be in writing specifying the Lot for which it is given, signed by the Member or his or her duly authorized attorney-in-fact, dated, and filed with the Association's Secretary prior to the meeting for which it is to be effective. Unless the proxy specifically provides otherwise, a proxy shall be presumed to cover the entire vote which the Member giving such proxy is entitled to cast, and in the event of any conflict between two or more proxies purporting to cover

the same voting rights, the later dated proxy shall prevail, or if dated as of the same date, both shall be deemed invalid.

Every proxy shall be revocable and shall automatically cease upon (a) conveyance of any Lot for which it was given, (b) receipt by the Secretary of written notice of revocation of the proxy or of the death or judicially declared incompetence of a Member, or (c) eleven months from the date of the proxy, unless a shorter period is specified in the proxy.

2.10. Majority.

As used in these By-Laws, the term "majority" shall mean those votes, Owners, or other group as the context may indicate totaling more than 50% of the total eligible number.

2.11. Quorum.

Except as these By-Laws or the Declaration otherwise provide, the presence, in person or by proxy, of Members representing at least 25% of the Association's total Class "A" votes shall constitute a quorum at all Association meetings.

2.12. Conduct of Meetings.

The President or any designee the Board approves shall preside over all Association meetings. The Secretary shall ensure that minutes of the meetings are kept and that all resolutions adopted and all other transactions occurring at such meetings are recorded with the Association's records.

2.13. Action Without a Meeting.

Any action required or permitted by law to be taken at a meeting of the Members may be taken without a meeting, without prior notice, and without a vote, if all Members entitled to vote on such matter sign a written consent specifically authorizing such action. The Secretary shall file such consents with the minutes of the Association along with the Secretary's certification that the subscribers to the consent constitute all of the Members entitled to vote. Such consent shall have the same force and effect as a vote of the Members at a meeting.

Article III Board of Directors: Selection, Meetings, Powers

A. Composition and Selection.

3.1. Governing Body; Composition.

The Board of Directors shall govern the Association's affairs. Each director shall have one equal vote. Except with respect to directors the Class "B" Member appoints, directors shall be Members or residents; provided, no Owner and resident representing the same Lot may serve on the Board at the same time. A "resident" shall be any natural person 18 years of age or older whose principal residence is a Home within Hidden Lakes . If a Member is not an individual, any officer, director, partner, or trust officer of such Member shall be eligible to serve as a director unless a written notice to the Association signed by such Member specifies otherwise; provided, no Member may have more than one such representative on the Board at a time, except in the case of directors the Class "B" Member appoints.

3.2. Number of Directors.

The Board shall consist of three to five directors, as provided in Sections 3.3 and 3.5. The initial Board shall consist of the three directors identified in the Articles of Incorporation.

3.3. Directors Prior to Turnover Date.

The Class "B" Member shall have complete discretion in appointing directors pursuant to Section 3.5. Such directors shall serve at the pleasure of the Class "B" Member.

3.4. Nomination and Election Procedures.

(a) Nomination of Directors. Prior to each election of directors, the Board shall prescribe the opening date and the closing date of a reasonable filing period in which every eligible person who has an interest in serving as a director may file as a candidate for any position to be filled by Class "A" votes. Except with respect to directors the Class "B" Member appoints, nominations for election to the Board shall be made in accordance with policies and procedures the Board establishes. Such policies and procedures may include, but are not limited to, permitting or requiring that nominations be made through a nominating committee, permitting "write-in" candidates, and permitting nominations from the floor.

If appointed, a nominating committee shall consist of a Chairman, who shall be a Board member, and three or more Members or representatives of Members. The nominating committee shall make as many nominations for election to the Board as it deems appropriate in its discretion, but in no event less than the number of positions to be filled as provided in Section 3.5.

All candidates shall have a reasonable opportunity to communicate their qualifications to the Members and to solicit votes.

(b) Election Procedures. Each Owner may cast the entire vote assigned to his or her Lot for each position to be filled. There shall be no cumulative voting. That number of candidates equal to the number of positions to be filled receiving the greatest number of votes shall be elected. Directors may be elected to serve any number of consecutive terms.

3.5. Election and Term of Office.

Except as these By-Laws may otherwise specifically provide, election of directors shall take place at the Association's annual meeting. Notwithstanding any other provision of these By-Laws:

(a) Within 90 days after the time that Class "A" Members other than Builders own 50% of the Total Planned Lots, or whenever the Class "B" Member earlier determines, the President shall call for an election by which the Class "A" Members shall elect one of the three directors. (A director which the Class "A" Members elect is referred to as a "Class "A" Director.") The remaining two directors shall be the Class "B" Member's appointees. The Class "A" Director shall not be subject to removal by the Class "B" Member and shall be elected for a term of two years or until the happening of the event described in subsection (b) below, whichever is shorter. If such director's term expires prior to the happening of the event described in subsection (b) below, a successor shall be elected for a like term.

(b) Within 60 days after the Turnover Date (referred to in the Declaration), the Board shall increase to five directors. The President shall call for an election by which the Class "A" Members shall elect all of the five directors. As of the effective date of such election, the directors appointed by the Class "B" Member shall resign. Initially, three Class "A" Directors shall serve a term of two years and two Class "A" Directors shall serve a term of one year, as such directors determine among themselves.

Thereafter, upon the expiration of the term of office of each Class "A" Director, a successor shall be elected to serve a term of two years. The Class "A" Directors shall hold office until their respective successors have been elected.

3.6. Removal of Directors and Vacancies.

Any Class "A" Director may be removed, with or without cause, by the vote of Members representing a majority of the votes entitled to be cast for the election of such director. Any director whose removal is sought shall be given notice prior to any meeting called for that purpose. Upon

removal of a director, the Class "A" Members shall elect a successor to fill the vacancy for the remainder of the term of such director.

A majority of the directors at a regular or special meeting at which a quorum is present may remove any Class "A" Director who has three consecutive unexcused absences from Board meetings, or who is more than 30 days delinquent (or resides in a Home owned by a Member who is so delinquent) in the payment of any assessment or other charge due the Association. The Board may appoint a successor to fill the vacancy for the remainder of the term.

In the event of the death, disability, or resignation of a Class "A" Director, the Board may declare a vacancy and appoint a successor to fill the vacancy until the next annual meeting, at which time the Class "A" Members shall elect a successor for the remainder of the term.

This Section shall not apply to directors the Class "B" Member appoints or to any director serving as Declarant's representative. The Class "B" Member or Declarant shall appoint a successor to fill any vacancy on the Board resulting from the death, disability, or resignation of a director appointed by or elected as a representative of the Class "B" Member or Declarant.

B. Meetings.

3.7. Organizational Meetings.

The Board shall hold an organizational meeting within 10 days following each annual membership meeting at such time and place as the Board shall fix.

3.8. Regular Meetings.

The Board shall hold regular meetings at such time and place as a majority of the directors shall determine, but the Board shall hold at least four such meetings during each fiscal year with at least one per quarter.

3.9. Special Meetings.

The Board shall hold special meetings when called by written notice which the President, Vice President, or any two directors sign(s).

3.10. Notice; Waiver of Notice.

(a) Notices of Board meetings shall specify the time and place of the meeting and, in the case of a special meeting, the nature of any special business to be considered. The Board shall give notice to each director by (i) personal delivery; (ii) first class mail, postage prepaid; (iii) telephone communication, either directly to the director or to a person at the director's office or home who

would reasonably be expected to communicate such notice promptly to the director; or (iv) facsimile, electronic mail, or other electronic communication device, with confirmation of transmission. All such notices shall be given at the director's telephone number, fax number, electronic mail address, or sent to the director's address as shown on the Association's records. The Board shall deposit notices sent by first class mail into a United States mailbox at least five business days before the time set for the meeting. The Board shall give all other notices at least four days before the time set for a regular meeting, and at least 72 hours before the time set for a special meeting.

(b) . Transactions of any Board meeting, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice if (i) a quorum is present, and (ii) either before or after the meeting each director not present signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. Notice of a meeting also shall be deemed given to any director who attends the meeting without protesting before or at its commencement about the lack of adequate notice.

3.11. Telephonic Participation in Meetings.

Members of the Board or any committee the Board designates may participate in a Board or committee meeting by means of conference telephone or similar communications equipment, through which all persons participating in the meeting can hear each other. Participation in a meeting pursuant to this subsection shall constitute presence at such meeting.

3.12. Quorum of Board.

At all Board meetings, a majority of the directors shall constitute a quorum for the transaction of business, and the votes of a majority of the directors present at a meeting at which a quorum is present shall constitute the Board's decision, unless these By-Laws or the Declaration specifically provide otherwise. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of directors, if at least a majority of the required quorum for that meeting approves any action taken. If the Board cannot hold a meeting because a quorum is not present, a majority of the directors present at such meeting may adjourn the meeting to a time not less than five nor more than 30 days from the date of the original meeting. At the reconvened meeting, if a quorum is present, the Board may transact without further notice any business which it might have transacted at the original meeting.

3.13. Conduct of Meetings.

The President or any designee the Board approves by resolution shall preside over all Association meetings. The Secretary shall ensure that minutes of the meetings are kept and that all resolutions adopted and all other transactions occurring at such meetings are recorded with the Association's records.

3.14. Open Meetings; Executive Session.

(a) Subject to Section 3.15, all Board meetings shall be open to all Owners, but attendees other than directors may not participate in any discussion or deliberation unless a director requests that they be granted permission to speak. In such case, the President may limit the time any such individual may speak.

(b) Notwithstanding the above, the President may adjourn any Board meeting and reconvene in executive session, and may exclude persons other than directors, to discuss matters of a sensitive nature, such as pending or threatened litigation, personnel matters, etc.

3.15. Action Without a Formal Meeting.

Any action to be taken or which may be taken at a Board meeting may be taken without a meeting if all of the directors sign a written consent, setting forth the action so taken. Such consent shall have the same force and effect as a unanimous vote. The Secretary shall file written consents with the minutes of the Board's proceedings. The Board shall post a notice of the Board's action in a prominent place within the Residential Properties within three business days after obtaining all written consents to an action. Failure to give notice shall not render the action taken invalid.

C. Powers and Duties.

3.16. Powers.

The Board shall have all of the powers necessary for administering the Association's affairs and for performing all Association responsibilities and exercising all Association rights set forth in the Association Documents and as provided by law. The Board may do or cause to be done on the Association's behalf all acts and things except those which the Association Documents or South Carolina law require to be done or exercised exclusively by the membership generally.

3.17. Duties.

The Board's duties shall include, without limitation:

- (a) Acting in compliance with the Declaration , as it may be amended;
- (b) adopting, in accordance with the Declaration, an annual Budget establishing each Owner's share of the Association's Operating Expenses;
- (c) levying and collecting Assessments from the Owners;

(d) providing for the operation, care, upkeep, and maintenance of the Association Property in accordance with the Declaration;

(e) designating, hiring, and dismissing personnel necessary to carry out the Association's rights and responsibilities and, where appropriate, providing for compensation of such personnel and for the purchase of equipment, supplies, and materials to be used by such personnel in the performance of their duties;

(f) depositing all funds received on the Association's behalf in a bank depository which it shall approve, and using such funds to operate the Association; provided, any reserve funds may be deposited, in the Board's business judgment, in depositories other than banks;

(g) opening bank accounts on the Association's behalf and designating the signatories required;

(h) making or contracting for the making of repairs, additions, and improvements to or alterations of the Association Property in accordance with the Association Documents;

(i) enforcing by legal means the provisions of the Association Documents and bringing any proceedings which may be instituted on behalf of or against the Owners concerning the Association; provided, the Association's obligation in this regard shall be conditioned in the manner provided in the Declaration;

(j) obtaining and carrying property and liability insurance and fidelity bonds, as provided in the Declaration, paying the cost thereof, and filing and adjusting claims, as appropriate;

(k) paying the cost of all services rendered to the Association;

(l) keeping books with detailed accounts of the Association's receipts and expenditures;

(m) making available to any prospective purchaser of a Lot, any Owner, and the Institutional Mortgagees having an interest in any Lot, copies of the Association Documents, other books, records, and financial statements of the Association as provided in Section 6.4;

(n) permitting utility suppliers to use portions of the Association Property reasonably necessary to the ongoing development or operation of the Property; and

(o) indemnifying an Association director, officer, or committee member, or former Association director, officer, or committee member to the extent South Carolina law, the Articles of Incorporation, or the Declaration requires such indemnity.

3.18. Compensation.

Directors shall not receive any compensation from the Association for acting as such unless Members representing a majority of the total Class "A" votes in the Association approve of compensation at a regular or special Association meeting. The Association may reimburse any director for expenses he or she incurs on the Association's behalf upon approval of a majority of the other directors. Nothing herein shall prohibit the Association from compensating a director, or any entity with which a director is affiliated, for services or supplies he or she furnishes to the Association in a capacity other than as a director pursuant to a contract or agreement with the Association, provided that such director made his or her interest known to the Board prior to entering into such contract and a majority of the Board, excluding the interested director, approved such contract.

3.19. Right of Class "B" Member to Disapprove Actions.

So long as the Class "B" membership exists, the Class "B" Member shall have a right to disapprove any action, policy, or program of the Association, the Board, and any committee which, in the Class "B" Member's sole judgment, would tend to impair rights of Declarant, any affiliate of Declarant, or Builders under the Declaration or these By-Laws; interfere with development or construction of any portion of the Subdivision; or diminish the level of services which the Association provides.

(a) Notice. The Association shall give the Class "B" Member written notice of all meetings and proposed actions approved at Association, Board, or committee meetings (or by written consent in lieu of a meeting). The Association shall give such notice by certified mail, return receipt requested, or by personal delivery at the address the Class "B" Member has registered with the Association, which notice complies as to Board meetings with Sections 3.8, 3.9, 3.10, and 3.11 and which notice shall, except in the case of the regular meetings the Board holds pursuant to these By-Laws, set forth with reasonable particularity the agenda to be followed at such meeting; and

(b) Opportunity to be Heard. The Association shall give the Class "B" Member the opportunity at any such meeting to join in or to have its representatives or agents join in discussion from the floor of any prospective action, policy, or program which would be subject to the right of disapproval set forth herein.

The Board shall not implement any action, policy, or program subject to the right of disapproval set forth herein until and unless the requirements of this Section have been met.

The Class "B" Member, its representatives or agents, shall make its concerns, thoughts, and suggestions known to the Board and/or the members of the subject committee. The Class "B" Member, acting through any officer or director, agent, or authorized representative, may exercise its

right to disapprove at any time within 10 days following the meeting at which such action was proposed or, in the case of any action taken by written consent in lieu of a meeting, at any time within 10 days following receipt of written notice of the proposed action. The Class "B" Member may use this right to disapprove to block proposed actions but shall not use it to require any action or counteraction of any committee, the Board, or the Association. The Class "B" Member also shall not use its right to disapprove to reduce the level of services which the Association is obligated to provide or to prevent capital repairs or any expenditure required to comply with applicable laws and regulations.

3.20. Management.

The Board may employ for the Association a professional management agent or agents at such compensation as the Board may establish, to perform such duties and services as the Board shall authorize. The Board may delegate such powers as are necessary to perform the manager's assigned duties but shall not delegate policy-making authority or those duties set forth in Sections 3.17(a) (with respect to adoption of the budget), 3.17(b), 3.17(f), and 3.17(h). The Board may employ Declarant or any affiliate of Declarant as managing agent or manager.

The Board may delegate to one of its members the authority to act on the Board's behalf on all matters relating to the duties of the managing agent or manager, if any, which might arise between Board meetings.

The Association shall not be bound, either directly or indirectly, by any management contract executed prior to the Turnover Date unless such contract contains a right of termination which the Association may exercise with or without cause and without penalty, at any time after expiration of the turnover Date upon not more than 90 days' written notice.

3.21. Accounts and Reports.

The following management standards of performance shall be followed unless the Board by resolution specifically determines otherwise:

- (a) accounting and controls should conform to generally accepted accounting principles;
- (b) the Association's cash accounts shall not be commingled with any other accounts;
- (c) the managing agent shall accept no remuneration from vendors, independent contractors, or others providing goods or services to the Association, whether in the form of commissions, finder's fees, service fees, prizes, gifts, or otherwise; any thing of value received shall benefit the Association;

(d) the managing agent promptly shall disclose to the Board any financial or other interest which he or she may have in any firm providing goods or services to the Association;

(e) commencing at the end of the quarter in which the first Lot is sold and closed, the Board shall prepare financial reports for the Association at least quarterly containing:

(i) an income statement reflecting all income and expense activity for the preceding period on an accrual basis;

(ii) a statement reflecting all cash receipts and disbursements for the preceding period;

(iii) a variance report reflecting the status of all accounts in an "actual" versus "approved" budget format;

(iv) a balance sheet as of the last day of the preceding period; and

(v) a delinquency report listing all Owners who are delinquent in paying any Assessments at the time of the report (any assessment or installment thereof shall be considered to be delinquent on the 15th day following the due date unless the Board specifies otherwise by resolution); and

(f) an annual report consisting of at least the following shall be available for Members' review within 180 days after the close of the fiscal year: (i) a balance sheet; (ii) an operating (income) statement; and (iii) a statement of changes in financial position for the fiscal year. An independent public accountant shall prepare such annual report on an audited, reviewed, or compiled basis, as the Board determines.

3.22. Borrowing.

The Association shall have the power to borrow money for any legal purpose; provided, the Board shall obtain membership approval in the same manner provided in Section C of Article V of the Declaration for Special Assessments if the proposed borrowing is for the purpose of making discretionary capital improvements and the total amount of such borrowing, together with all other debt incurred within the previous 12-month period, exceeds or would exceed five percent (5%) of the Association's budgeted gross expenses for that fiscal year.

3.23. Right To Contract.

The Association shall have the right to contract with any Person for the performance of various duties and functions. This right shall include, without limitation, the right to enter into

common management, operational, or other agreements with trusts, condominiums, cooperatives, or other owners or residents associations, within or outside of the Residential Properties. Any common management agreement shall require the Board's consent.

3.24. Enforcement.

(a) The Association shall have the power to enforce the Association Documents and to impose sanctions for violations of the Association Documents in the same manner set forth in the Declaration for the imposition of fines by the Association. The Board shall comply with the procedures set forth in Section K of Article IV of the Declaration prior to imposition of sanctions.

(b) Additional Enforcement Rights. Notwithstanding anything to the contrary in this Article, if the Declaration permits, the Board may elect to enforce any provision of the Association Documents by self-help (specifically including, but not limited to, towing vehicles that violate parking rules, requiring persons violating rules relating to Association Property use to cease such violating use immediately) or if applicable, by suit at law or in equity to enjoin any violation or to recover monetary damages or both, without the necessity of compliance with the procedure set forth above. In any such action, to the maximum extent permissible, the Owner or occupant responsible for the violation of which abatement is sought shall pay all costs, including reasonable attorneys' fees actually incurred. Any entry onto a Lot for purposes of exercising this power of self-help shall not be deemed as trespass.

3.25. Board Training Seminar; Board Sponsored Education and Training Opportunities.

The Board shall provide or provide for seminars and continuing educational opportunities designed to educate and inform directors of their responsibilities as directors. Such programs shall include instruction on applicable South Carolina corporate and fiduciary law principles, other issues relating to administering the Association's affairs, and upholding and enforcing the Association Documents. The Board may retain industry professionals, which may include property managers, attorneys, and accountants, as appropriate or necessary for such purpose. Each newly elected, and each re-elected director, shall complete a training seminar within the first six months of assuming the director position. The seminar may be live, video, or audiotape, or any other format.

In a similar manner, the Board may provide or provide for Owner and resident education and training opportunities designed to foster awareness of Hidden Lakes' governance, operations, and concerns. The Board shall provide or provide for training and information classes designed to educate Class "A" Members of the Association's nomination, election, and voting processes, the duties and responsibilities of directors and officers, and the overall governance structure of the Property, as provided in the Association Documents .

3.26. Board Standards.

In the performance of their duties, Association directors and officers shall be insulated from personal liability as provided by South Carolina law for directors and officers of nonprofit corporations, and as otherwise provided in the Association Documents. Directors are required to exercise the ordinary and reasonable care of directors of a corporation, subject to the business judgment rule.

As defined herein, a director shall be acting in accordance with the business judgment rule so long as the director (a) acts within the express or implied terms of the Association Documents and his or her actions are not *ultra vires* (i.e., outside the scope of the director's authority); (b) affirmatively undertakes to make decisions which are necessary for the Association's continued and successful operation and, when decisions are made, they are made on an informed basis; (c) acts on a disinterested basis, promptly discloses any real or potential conflict of interests (pecuniary or other), and avoids participation in decisions and actions when a conflict exists; and (d) acts in a non-fraudulent manner and without reckless indifference to the Association's affairs. A director acting in accordance with the business judgment rule shall be protected from personal liability.

Board determinations of the meaning, scope, and application of Association Document provisions shall be upheld and enforced so long as such determinations are reasonable. The Board shall exercise its power in a fair and nondiscriminatory manner and shall adhere to the procedures established in the Association Documents.

Article IV Officers

4.1. Officers.

The Association's officers shall be a President, Vice President, Secretary, and Treasurer. The President and Secretary shall be elected from among Board members; other officers may, but need not be, Board members. The Board may appoint such other officers, including one or more Assistant Secretaries and one or more Assistant Treasurers, as it shall deem desirable, such officers to have such authority and perform such duties as the Board prescribes. The same person may hold any two or more offices, except the offices of President and Secretary.

4.2. Election and Term of Office.

The Board shall elect the Association's officers at the first Board meeting following each annual meeting of the Members, to serve until their successors are elected.

4.3. Removal and Vacancies.

The Board may remove any officer whenever in its judgment the Association's best interests will be served, and may fill any vacancy in any office arising because of death, resignation, removal, or otherwise, for the unexpired portion of the term.

4.4. Powers and Duties.

The Association's officers shall each have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as the Board may specifically confer or impose. The President shall be the Association's chief executive officer. The Treasurer shall have primary responsibility for preparing the Budget as provided for in the Declaration and may delegate all or part of the preparation and notification duties to a finance committee, management agent, or both.

4.5. Resignation.

Any officer may resign at any time by giving written notice to the Board, the President, or the Secretary. Such resignation shall take effect on the date of the receipt of such notice or at any later time specified therein, and unless otherwise specified therein, acceptance of such resignation shall not be necessary to make it effective.

4.6. Agreements, Contracts, Deeds, Leases, Checks, Etc.

At least two officers, or such other person or persons as the Board may designate by resolution, shall execute all Association agreements, contracts, deeds, leases, checks, and other instruments.

4.7. Compensation.

Officers' compensation shall be subject to the same limitations as directors' compensation under Section 3.18.

Article V Committees

The Board may appoint committees as it deems appropriate to perform such tasks and to serve for such periods as the Board may designate by resolution. Each committee shall operate in accordance with the terms of such resolution.

Article VI Miscellaneous

6.1. Fiscal Year.

The Association's fiscal year shall be the calendar year unless the Board establishes a different fiscal year by resolution.

6.2. Parliamentary Rules.

Except as may be modified by Board resolution, *Robert's Rules of Order* (the most current edition) shall govern the conduct of Association proceedings when not in conflict with South Carolina law or the Association Documents.

6.3. Conflicts.

If there are conflicts among the provisions of South Carolina law, the Declaration, the Articles of Incorporation, and these By-Laws, the provisions of South Carolina law, the Declaration, the Articles of Incorporation, and the By-Laws (in that order) shall prevail.

6.4. Books and Records.

(a) Inspection by Members and Mortgagees. The Board shall make available for inspection and copying by any Institutional Mortgagee having an interest in any Lot, any Member, or the duly appointed representative of any of the foregoing at any reasonable time and for a purpose reasonably related to his or her interest in a Lot: the Association Documents, the membership register, books of account, and the minutes of meetings of the Members, the Board, and committees. The Board shall provide for such inspection to take place at the Association's office or at such other place within the Property as the Board shall designate.

(b) Rules for Inspection. The Board shall establish rules with respect to:

- (i) notice to be given to the custodian of the records;
- (ii) hours and days of the week when such an inspection may be made; and
- (iii) payment of the cost of reproducing documents requested.

(c) Inspection by Directors. Every director shall have the absolute right at any reasonable time to inspect all Association books, records, and documents and the physical properties the Association owns or controls. The director's right of inspection includes the right to make a copy of relevant documents at the Association's expense.

6.5. Notices.

Except as the Declaration or these By-Laws otherwise provide, all notices, demands, bills, statements, or other communications under the Declaration or these By-Laws shall be in writing and shall be deemed to have been duly given if delivered personally or if sent by United States mail, first class postage prepaid:

(a) if to a Member, at the address which the Member has designated in writing and filed with the Secretary or, if no such address has been designated, at the address of the Home of such Member;

(b) if to the Association, the Board, or the managing agent, at the principal office of the Association or the managing agent or at such other address as shall be designated by notice in writing to the Members pursuant to this Section; or

(c) if to any committee, at the Association's principal address or at such other address as the committee shall designate by written notice to the Members pursuant to this Section.

6.6. Amendment.

(a) By Class "B" Member. Prior to the conveyance of the first Lot to a Class "A" Member other than a Builder, Declarant unilaterally may amend these By-Laws. Thereafter, the Class "B" Member or the Board unilaterally may amend these By-Laws at any time and from time to time if such amendment is necessary (i) to bring any provision into compliance with any applicable governmental statute, rule, or regulation, or judicial determination; (ii) to enable any reputable title insurance company to issue title insurance coverage on the Lots; or (iii) to enable any Institutional Mortgagee, for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to make, purchase, insure, or guarantee mortgage loans on the Lots; provided, any such amendment shall not adversely affect the title to any Lot unless the Owner shall consent thereto in writing.

In addition, so long as the Class "B" membership exists, the Class "B" Member unilaterally may amend these By-Laws for any other purpose, provided the amendment has no material adverse effect upon the rights of more than five percent (5%) of the Members.

(b) By Members Generally. Except as provided above, these By-Laws may be amended only by the affirmative vote or written consent, or any combination thereof, of Members representing 67% of the Association's total Class "A" votes, and the consent of the Class "B" Member, if such exists. Notwithstanding the above, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

(c) Validity and Effective Date of Amendments. Amendments to these By-Laws shall become effective upon recording in the Office of the Register of Deeds for Beaufort County, unless a later effective date is specified therein. Any procedural challenge to an amendment must be made within six (6) months after it was recorded, or such amendment shall be presumed to have been validly adopted. In no event shall a change of conditions or circumstances operate to amend any provisions of these By-Laws.

No amendment may remove, revoke, or modify any right or privilege of Declarant or the Class "B" Member without the written consent of Declarant, the Class "B" Member, or the assignee of such right or privilege.

Article VII Transition from Class "B" Control to Class "A" Control of Community

7.1. Purpose.

The time during which Owners assume control and responsibility of the Association is known as the "Transition Period." The Transition Period is a process, whereby control of the Board gradually shifts from the Class "B" Member to Class "A" Members, and the Class "A" Members carry out the responsibilities and functions of the Association as set forth in the Declaration and these By-Laws. During this process, the Class "A" Members, drawing from their experience, education, and training in self-governance, begin to perform the duties of the Board which are outlined in the By-Laws without the assistance of the Class "B" Member or the Class "B" Member-appointed directors.

This Article is intended to guide the Class "B" Member, Class "A" Members, and the Board through the transition process; prepare Class "A" Members to take control of the Board; encourage direct dialogue among all parties in order to anticipate and resolve maintenance and operation issues; and to promote community-wide participation and understanding of the transition process.

7.2. Transition Committee.

The Board shall appoint a three to five member "Transition Committee" at least six months prior to the termination of the Class "B" Member's Control Period. The Transition Committee shall be comprised of a majority of Class "A" Member representatives, and, at a minimum, one Class "B" Member representative.

(a) Transition Agreement.

The Transition Committee shall work in good faith to develop a transition agreement for execution by the Declarant and the Association. Once agreed upon by a majority of Transition Committee members, the transition agreement shall be recommended to the Board for its approval and execution. In the event that a transition agreement is not reached, the Transition Committee shall inform the Board in writing the reasons why it was unable to finalize a Transition Agreement.

The transition agreement may include (i) a five-year financial plan, or alternatively, a one-year financial plan with five-year rollover projections, an evaluation of the physical condition of the Association Property, and a recommendation of which areas are in need of service, repair, or replacement; (ii) an agreement as to which parties are responsible for rendering such service, repair, or replacement and a time line for completing such activities; (iii) a list of all existing contracts and an agreement as to which contracts will be continued; (iv) an agreement as to future Declarant rights and obligations, if any; and (v) any other issue affecting the operation of the Association or the maintenance of the Property.

The following suggestions are listed to guide the Transition Committee in developing a transition agreement:

(i) Inspect all physical structures, recreational areas, and improvements in the Association Property to evaluate their condition and prepare or update the capital improvement plan;

(ii) Place all Association Property services (electric, water, gas, telephone, cable, internet/intranet) in the Association's name;

(iii) Update Association's corporate book, record books, and accounts. A record of all receipts, payments, and expenditures made on the Association's behalf must be maintained;

(iv) Evaluate the Association Documents to ensure that the Association has the necessary power, authority, and infrastructure to operate the Subdivision;

(v) Conclude any pending legal, document, or Association matters, such as deeding any remaining Association Property to the Association, addressing all Declaration enforcement issues, and taking any Assessment collection action;

(vi) Review insurance policies to ensure adequate coverage is being maintained;

(vii) Review property management agreements to develop recommendations on post-developer management of the Association Property ;

(viii) Conduct a financial review of the Association's current budget, assessment rate, reserve accounts, and tax filings and records; and

(ix) Review the Association's real and personal property interests, deeds, and warranties.

(b) Transition Period Education and Training Opportunities.

During the Transition Period, the Transition Committee's vision of transition and strategy for developing a transition agreement should be explained to Owners, and the Owners should be prepared to assume control of the Association. Both objectives may be accomplished by teaching Owners about what transition of control means, what to expect during and after the Transition Period, and how to participate in the process.

During the Transition Period, the Transition Committee shall provide or provide for education and training opportunities for Class "A" Members, focused on the subject of transition. Education or training opportunities shall be held within six months prior to the election during which the Class "A" Members elect the entire Board. Additionally, the Board shall conduct training for the Transition Committee within the first two months of its appointment to assist the Transition Committee in accomplishing its tasks. The Board may retain industry professionals, which may include property managers, attorneys, and accountants, as appropriate or necessary for such purpose. If applicable, the costs and fees for the retention of such industry professionals shall be included in the Operating Expenses of the Association.

(c) Transition Period Notices.

Once formed, the Transition Committee shall keep the Class "B" Member and the Class "A" Members informed of the transition process, including the Transition Committee's agenda, a timeline for creating a transition agreement, and a schedule of transition education, training opportunities, and town hall meetings.

7.3. Town Hall Meetings.

The Transition Committee and the Board shall organize and conduct "town hall" meetings during the Transition Period. Such meetings shall be held for the purpose of promoting open communication among the Transition Committee, the Board, and the Owners. In addition, town hall meetings provide a forum where transition-related issues can be discussed and Owners have an opportunity to ask questions in order to better understand the transition process. For the purposes of preparing the town hall meeting agenda, the Transition Committee may solicit transition related questions from Owners prior to such meetings.

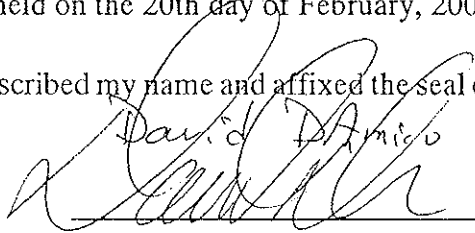
CERTIFICATION

I, the undersigned, do hereby certify:

That I am the duly elected and acting Secretary of Hidden Lakes Property Owners Association, Inc., a South Carolina nonprofit corporation;

That the foregoing By-Laws constitute the original By-Laws of said Association, as duly adopted at a meeting of the board of directors thereof held on the 20th day of February, 2002.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said Association this 20th day of February, 2002.


Secretary [SEAL]