

**DECLARATION OF RIGHTS, RESTRICTIONS, AFFIRMATIVE  
OBLIGATIONS AND CONDITIONS APPLICABLE TO  
THE FAIRWAYS NEIGHBORHOOD**

**RECITALS:**

R-1. **BAY CREEK, L.L.C.**, a Virginia limited liability company (hereinafter defined as the "Declarant") owns certain lands located in Northampton County, Virginia, which said lands are described on Exhibit "A" attached hereto.

R-2. The lands described on Exhibit "A" attached hereto are subject to that certain Declaration of Covenants, Conditions and Restrictions for Bay Creek at Cape Charles (the "Bay Creek Declaration"), which said Declaration is dated February 1, 2000, and recorded in the Clerk's Office of the Circuit Court of Northampton County, Virginia, in Deed Book 316, at page 656 and as heretofore amended and supplemented. The Declarant intends to create three (3) residential condominium projects on the Property, and desires to designate the Property as a "Neighborhood", as the term is defined in the Bay Creek Declaration. Further, the Declarant wishes to declare certain restrictive covenants, restrictions, affirmative obligations and conditions affecting the Property so that, among other things, the Property may be administered, managed and operated in a comprehensive and unified manner.

NOW, THEREFORE, the Declarant does hereby declare that the covenants contained herein shall be covenants running with the land and shall apply to the lands described in **EXHIBIT "A"** attached hereto.

**DEFINITIONS**

When used herein, the following words shall have the following meanings:

(a) "Affiliate" shall mean any entity controlled by or under common control with the Declarant.

(b) "Annual Assessment" shall mean and refer to the annual assessments established or levied by the Board pursuant to Article IV of this Declaration.

(c) "ARC" shall mean and refer to the body to be appointed by the Board pursuant to Section 2(b) of Article III of this Declaration.

(d) "Articles" shall mean and refer to the Articles of Incorporation of the Neighborhood Association, as amended from time to time, filed with the State Corporation Commission of the Commonwealth of Virginia.

(e) "Assessments" shall mean Annual Assessments and Special Assessments.

(f) "Neighborhood Association" shall mean the The Fairways Neighborhood Association, Inc., a Virginia non-profit corporation, its successors and assigns.

(g) "Bay Creek Declaration" shall mean the Declaration of Covenants, Conditions and Restrictions for Bay Creek at Cape Charles made by the Declarant and dated February 1, 2000 and recorded in the Clerk's Office in Deed Book 316, at page 656, as the same may heretofore or hereinafter be amended, supplemented or revised from time to time.

(h) "Bay Creek Governing Documents" shall mean the Bay Creek Declaration, the Bylaws of the Bay Creek at Cape Charles Community Association, Inc., the Articles of Incorporation of the Bay Creek at Cape Charles Community Association, Inc., any rules, restrictions and Board of Director's resolutions promulgated pursuant thereto, as the same may be amended and supplemented from time to time.

(i) "Board" shall mean the Board of Directors of the Neighborhood Association.

(j) "County" shall mean and refer to Northampton County, Virginia.

(k) "Clerk's Office" shall mean the Clerk's Office of the Circuit Court of the County.

(l) "Code" shall mean the Code of Virginia (1950), as amended, as now in effect and modified or amended from time to time hereafter.

(m) "Common Areas and Facilities" and "Common Area or Facility" shall mean (i) all portions of any condominium created on the Property that are defined as Common Elements in the Declaration for that condominium and (ii) those portions of the Property that are not subjected to a Condominium.

(n) "Condominium" shall mean any portion of the Property becoming a condominium pursuant to the Condominium Act.

(o) "Condominium Act" shall mean the Condominium Act of Virginia, Section 55-79.39 of the Code.

(p) "Condominium Association" shall mean a unit owners' association formed in connection with a condominium pursuant to the requirements of the Condominium Act.

(q) "Condominium Facilities" shall mean all improvements to any portion of the Property within a Condominium (other than the dwelling units constructed therein that constitute Condominium Units) and the Property upon which such improvements are constructed.

(r) "Condominium Instruments" shall mean the Declaration and Bylaws for a Condominium created on the Property and any and all rules and regulations promulgated pursuant thereto.

(s) "Condominium Unit" shall mean a Unit in a Condominium created on the Property.

(t) "Declarant" shall mean Bay Creek, L.L.C., a Virginia limited liability company, its successors and any Person to whom or which it has expressly assigned its rights or delegated its duties hereunder (whether in whole or in part) pursuant to an instrument recorded in the Clerks' Office.

(u) "Declaration" shall mean this instrument.

(v) "The Fairways Neighborhood" shall mean the lands in the County that are shown on Exhibit "A".

(w) "General Property Covenants" shall mean the covenants and restrictions contained in this Declaration.

(x) "HUD" shall mean the United States Department of Housing and Urban Development and any successor agency thereto.

(y) "Improvement" shall mean any improvement duly approved pursuant to Article VI, Section 8.

(z) "Members" shall mean the Type "A" Members and Type "B" Member, if any, collectively.

(aa) "Owner" shall mean (i) the owner as shown by the real estate records in the Clerk's Office, whether it be one (1) or more Persons, of fee simple title to any Condominium Unit or any portion of the Property that is not a Condominium Unit, where the context so requires, but, notwithstanding any applicable theory of a deed of trust, shall not mean or refer to a trustee, mortgagee or holder of a deed of trust, its successors or assigns, unless it has acquired fee simple title pursuant to foreclosure or a proceeding or deed in lieu of foreclosure, nor any Tenant of an Owner.

(bb) "Party Exercising Architectural Control" shall mean the party designated as such pursuant to Article VI, Section 6.

(cc) "Person" shall mean any individual, corporation, partnership, limited liability company, association, trust or other form of legal entity recognized as such under the laws of the Commonwealth of Virginia.

(dd) "Property" shall mean the property described in EXHIBIT "A" attached hereto.

(ee) "Reserve Fund" shall be the fund created pursuant to Section 9 of Article IV of this Declaration.

(ff) "Rules and Regulations" shall mean the Rules and Regulations, if any, promulgated by the Board in furtherance of its responsibilities hereunder.

(gg) "Special Assessment" shall mean an assessment levied pursuant to Section 6 of Article IV of this Declaration.

(hh) "Tenant" shall mean the lessee under a written agreement for the rent and hire of improvements on a Unit or a tenant in a multi-family structure or apartment structure.

(ii) "Type "A" Member" shall have the meaning given to such term in the Articles.

(jj) "Type "B" Member" shall have the meaning given to such term in the Articles.

(kk) "Unit" shall be a Condominium Unit or a parcel of real property that is not part of a Condominium but is subject to this Declaration. .

(ll) "Zoning Ordinance" shall mean the zoning ordinance of the County.

## **ARTICLE I: PROPERTY; NEIGHBORHOOD DESIGNATION**

Section 1. Property. The Property shall be held, transferred, sold, conveyed, given, donated, leased, occupied, and used subject to this Declaration.

Section 2. Termination of Declaration as to Portions of Property. The Declarant may terminate this Declaration as to any portion of the Property owned by it other than a Unit by recording an instrument of termination in the Clerk's Office to which is attached a legal description of such portion of the Property, provided such instrument of termination shall simultaneously expressly terminate the General Property Covenants with respect to such portion of the Property.

Section 3. Right To Subject Additional Property to Declaration. Declarant reserves the right, at its discretion, at such time or times as it shall determine to subject to

the provisions of this Declaration additional property owned by the Declarant or an affiliate of the Declarant and located contiguous to or in close proximity to the Property, or such portions thereof as Declarant shall determine, together with improvements thereon, and easements, rights and appurtenances thereunto belonging or appertaining (collectively the "Additional Property"). Each of the additions authorized pursuant to this Section 3 shall be made by the Declarant by recording in the Clerk's Office a Supplemental Declaration describing the additional Property subjected to this Declaration. Each such instrument may also contain such additions, deletions and modifications to the provisions of this Declaration with respect to such additional property as may be desired by the Declarant. Notwithstanding the foregoing, the Declarant shall not be obligated to subject any such additional property to the provisions of this Declaration, and no negative reciprocal easement shall arise out of this Declaration so as to benefit or bind any such additional property until such additional property is expressly subjected to the provisions of this Declaration in accordance with this Section 3. The failure of the Declarant to extend the provisions of this Declaration to additional properties shall not be deemed to prohibit the establishment of a separate scheme of development (including provisions substantially similar or identical to those contained herein) for such additional property to which the Declaration is not extended.

Section 4. No Approval Needed. The exercise of Declarant's rights under Section 2 and Section 3 above is not conditioned upon or subject to the approval of other Owners or any other party whatsoever.

Section 5. Neighborhood Designation. Pursuant to the authority reserved unto the Declarant under the Bay Creek Declaration, the Declarant hereby designates the Property as a "Neighborhood", as the term is defined in the Bay Creek Declaration and further designates the Neighborhood Association as the "Neighborhood Association" for the Neighborhood, as the term is defined in the Bay Creek Declaration.

## **ARTICLE II: PROPERTY RIGHTS IN COMMON AREAS AND FACILITIES**

Section 1. Easement of Enjoyment. Subject to the provisions of this Declaration, the Rules and Regulations, and any fees or charges established by the Neighborhood Association, every Type "A" Member, every Tenant, the immediate family, guests, invitees and domestic partners of and parents and/or grandchildren residing with such a Member or Tenant, and employees and agents of the Type "B" Member for so long as there is a Type "B" Member shall have an easement of enjoyment in and to the Common Areas and Facilities. Other than with respect to employees and agents of the Type "B" Member, such easement shall not be personal, but shall be appurtenant to and pass with the title of every Unit. As determined in the sole and uncontrolled discretion of the Board, Owners may have access to and enjoyment of the Common Areas and Facilities subject to Rules and Regulations and user fees established by the Board. The granting of the foregoing easement in no way grants to anyone other than those parties expressly identified above the right to enter the Common Areas and Facilities without the prior written permission of the Class "B" Member for so long as there is such a Member, and, thereafter, of the Board, and the rights granted a Type "A" Member shall terminate as

to such Member and all those, if any, claiming through him, her or it at such time as such Member no longer is an Owner.

If ingress to or egress from any Unit or any Condominium Unit is through any Common Area or Facility, any conveyance or encumbrance of such Common Area or Facility shall be subject to an easement for the benefit of the Owner of such Unit or Condominium Unit the Owners of such Unit or Condominium Unit permitting ingress to and egress from such Unit or Condominium Unit across such Common Area or Facility.

Section 2. Extent of Type "A" Members' Easements. The easement of enjoyment created hereby shall be subject to the following rights of the Neighborhood Association:

- (a) to borrow money from the Declarant or any lender for the purpose of improving and/or maintaining the Common Areas and Facilities and providing services authorized herein, or any other purpose permitted by the Articles, and, in aid thereof, to subject said Common Areas and Facilities or any portion thereof to the lien of one or more deeds of trust in accordance with the requirements of the Articles ;
- (b) to take such steps as are reasonably necessary to protect the Common Areas and Facilities against foreclosure;
- (c) to charge reasonable admission and other fees for the use of recreational facilities and services on the Common Areas and Facilities;
- (d) to permit the use of the Common Areas and Facilities by third parties engaged in providing goods or services to the Members (whether for profit or on a non-profit basis);
- (e) to dedicate or transfer appropriate easements to any public or private utility on any part of the Common Areas and Facilities; and
- (f) to give or sell all or any part of the Common Area or Facility, including leasehold interests, subject to the limitations and restrictions imposed by the General Property Covenants and all other restrictions and limitations of record at the time of any such gift or sale, to any public agency, authority, public service district, utility, or private concern for such purposes and subject to such conditions as may be agreed to by the Board, provided, however, that no such gift or sale of any parcel of land and improvements thereon, or determination as to the purposes or as to the conditions thereof, shall be effective unless such dedication, transfer, and determination as to purposes and conditions shall be authorized by the affirmative vote of two-thirds (2/3rds) of the Board (excluding the Declarant) and, while there is a Type "B" Member, the Type "B" Member. Upon any such conveyance, a true copy of such resolution, together with a certificate of the results of the

vote taken thereon, shall be made and acknowledged by the President or Vice President and Secretary or Assistant Secretary of the Neighborhood Association and annexed to the deed and recorded therewith in the Clerk's Office. Such certificate shall be conclusive evidence of authorization by the Board. The gift or sale of any personal property owned by the Neighborhood Association shall be determined by the Board in its discretion.

Section 3. Certain Rights of Declarant. Notwithstanding anything contained in this Article II to the contrary, for so long as it is an Owner or owns any portion of the Property, the Declarant and its express assigns shall be entitled to use and enjoy the Common Areas and Facilities, all improvements constructed on the Common Areas or Facilities and all personal property related thereto for sales and marketing functions in connection with its marketing efforts, provided the exercise of the rights granted in this Section 3 does not materially adversely affect the interests of other Owners and/or the Neighborhood Association.

Section 4. Damage or Destruction of Common Area or Facility by Owner. If any Common Area or Facility or improvement thereon is damaged or destroyed by an Owner, his family members, Tenants, guests, licensees, or agents, the Neighborhood Association or the Declarant (so long as the Declarant is an Owner) may repair such damage at the Owner's expense. The Neighborhood Association or Declarant shall repair such damage to the extent practicable in a good and workmanlike manner and in substantial conformance with the original plans and specifications of the Common Area or Facility involved, or as such Common Area or Facility may have been theretofore modified or altered by the Neighborhood Association, in the discretion of the Neighborhood Association or Declarant. The cost of such repairs, together with interest thereon, late charges and costs of collection, if any, including attorneys' fees, shall become a Special Assessment on the Unit of such Owner, due upon demand, and shall also be the personal obligation of the Owner of the Unit at the time such Assessment fell due.

### **ARTICLE III: FUNCTIONS OF NEIGHBORHOOD ASSOCIATION**

Section 1. Easement for Access to Common Areas and Facilities. The Neighborhood Association shall maintain the Common Areas and Facilities and all improvements thereon and personal property related thereto for any purpose not inconsistent with this Declaration. Certain Common Areas and Facilities are or may be located within a Condominium created on the Property. An easement is created in favor of the Neighborhood Association over all portions of the Property, whether such portions are located in a Condominium now or in the future, for the Neighborhood Association to carry out its responsibilities under this Declaration.

Section 2. Minimum List of Functions and Services. Unless the Declarant shall consent to the contrary in writing, so long as the Declarant is an Owner, the Neighborhood Association shall:

- (a) Establish, levy and collect Assessments.
- (b) Establish and operate an architectural review committee ("ARC"), which shall be composed of at least three (3), but no more than five (5) members, all of whom shall be appointed by the Board. Commencing at such time as there are at least one hundred eighty (180) Type "A" Members other than the Declarant, at least one (1) Type "A" Member of the Neighborhood Association other than a representative of the Declarant shall be appointed to the ARC at all times. Unless the right to have a representative on the Board is waived in writing by the Declarant, at least one representative of the Declarant shall be appointed to such ARC for so long as the Declarant is an Owner, and no ARC decision shall be made without the affirmative vote of the Declarant's representative. The purpose of the ARC shall be to approve any alterations to Improvements (as such term is defined in the General Property Covenants) duly constructed on the Property.
- (c) Manage, control and maintain the Common Areas and Facilities.
- (d) Should the Declarant appoint the Neighborhood Association its agent or otherwise assign its rights to the Neighborhood Association for such purposes, administer and enforce the General Property Covenants, this Declaration, and any other covenants and restrictions of record, and assume responsibility for any obligations that are incident thereto.
- (e) Obtain on behalf of each Condominium appropriate liability and hazard insurance coverage for the improvements and activities in each Condominium in accordance with the insurance requirements as contained in the Declaration for that Condominium, all in accordance with the provisions of Section 3 of this Article III.
- (f) Endeavor to provide appropriate Director's and Officers' Legal Liability Insurance for the directors and officers of the Neighborhood Association.
- (g) Keep a complete record of all its acts and corporate affairs.
- (h) Maintain all private drainage easements and the facilities located therein within The Fairways Neighborhood.
- (i) Do or cause to be done all things reasonably necessary to assure compliance by the Neighborhood Association with the provisions of the Property Owners' Association Act, Section 55-508 of the Code, including creation and maintenance of the disclosure packet required by Section 55-512 of such Code.

Section 3. Maintenance of Common Areas and Facilities. The Neighborhood Association shall maintain, repair, and when necessary, replace all of the Common Areas

and Facilities located in The Fairways Neighborhood, whether such Common Areas and Facilities are located within a Condominium or not. In addition, as to buildings located in the Condominium that contain Condominium Units, the Neighborhood Association shall be responsible for the painting of all exterior doors, door trim and jambs and the Neighborhood Association shall also be responsible for the maintenance, replacement and repair of all exterior door trim, thresholds and jambs. If, as part of such maintenance, replacement or repair of exterior door trim, thresholds, and/or jambs, work must be performed inside of a Unit, (i.e. removal of sheetrock or flooring materials), the Neighborhood Association shall perform such work, but the Unit Owner shall be responsible for the costs of the work performed inside the Condominium Unit. In the event a Common Area or Facility is located within a Condominium and serves that Condominium only, then the cost of such maintenance, replacement or repair shall be paid from the assessment income received from that Condominium. If the Board, in its reasonable discretion, finds that there is insufficient assessment income from that Condominium to pay for such maintenance, repair or replacement, then the Board shall levy a special assessment against the Condominium Units in that Condominium to defray the costs of such maintenance, repair or replacement.

Section 4. Insurance. Insurance coverage relating to the Neighborhood Association shall be governed by the following provisions:

- (a) The Neighborhood Association shall have no obligation to procure insurance coverage for any portion of the Property that is not subjected to a Condominium. Instead, the owner of any portion of the Property that is not subjected to a Condominium shall obtain, at its own expense, insurance for all improvements and all personal property shall be insured in an amount equal to one hundred percent (100%) of the insurable replacement value. Such coverage shall provide protection against loss or damage by fire and other hazards covered by a standard extended coverage endorsement, and such other risks as from time to time shall be customarily covered with respect to comparable improvements in property. All policies shall contain clauses providing for waiver of subrogation. If a portion of the Property not subjected to a Condominium does not have any improvements of insurable value, then the aforesaid insurance coverage shall not be required. However, as to any portion of the Property not subjected to a Condominium, the owner thereof, at its sole cost and expense, shall obtain public liability insurance for limits of liability of no less than One Million and no/100ths Dollars (\$1,000,000.00) per occurrence.
- (b) As to any portion of the Property that is subjected to a Condominium, the Neighborhood Association shall obtain, on behalf of the Unit Owners Association for that Condominium, such coverages of hazard and liability and other insurance as are required by the Condominium Instruments for that Condominium. The cost of such coverages shall be paid out of assessment income received by the Neighborhood Association from that

Condominium. If the Board determines, in its reasonable discretion, that the assessment income from that Condominium is insufficient to pay for the cost of such insurance, then the Board shall levy a special assessment against the Condominium Units in that Condominium to defray the cost of such insurance.

#### **ARTICLE IV: COVENANTS FOR ASSESSMENTS**

Section 1. Covenant to Pay Assessments. Each Owner covenants to pay to the Neighborhood Association Assessments pursuant to this Article. In the case of co-ownership of a Unit such co-Owners shall be jointly and severally liable for the entire amount of any Assessments.

Section 2. Purposes of Assessments. Annual Assessments shall be used to improve, maintain, enhance, enlarge, and operate the Common Areas and Facilities and to provide services that the Neighborhood Association is authorized to provide, which services include, but are not limited to, maintenance, repair and replacement of Common Elements in any Condominium created on the Property and the procuring on behalf of a Unit Owners' Association of a Condominium, the policies of insurance required by that Condominium Instruments for that Condominium. Special Assessments shall be used exclusively for the purposes set forth in Section 6 of this Article IV.

Section 3. Annual Assessments. The initial Annual Assessments for each Unit that is a Condominium Unit is Two Thousand Two Hundred Eighty Dollars (\$2,280.00). The Initial Annual Assessment for each Unit that is not a Condominium Unit is One Hundred Dollars (\$100.00) Dollars.

Section 4. Changes in Annual Assessment. The Annual Assessment may be increased each fiscal year in the amount deemed necessary by the Board in order to fund the Neighborhood Association's obligations pursuant to the annual budget adopted by the Board for such year pursuant to Article V, Section 2 below. In addition, the annual assessments for the Condominium Units in one Condominium may be different than the annual assessments for Condominium Units in other Condominiums in the event that there are circumstances or conditions in one Condominium that result in the annual assessments for Condominium Units in that Condominium to be different from the annual assessments for Condominium Units in the other Condominiums created on the Property. For so long as the Declarant is an Owner, the Annual Assessment for a fiscal year shall not be reduced below the amount thereof for the preceding fiscal year without the Declarant's consent. Thereafter, the Annual Assessment for a fiscal year may be reduced below the amount thereof for the preceding fiscal year at the discretion of the Board, provided the Annual Assessment shall not be reduced to a level lower than that reasonably required pursuant to the budget adopted by the Board for the fiscal year in question pursuant to Article V, Section 2 below. If the Board determines that the Annual Assessment established for a given fiscal year will be insufficient to fund the obligations of

the Neighborhood Association intended to be funded thereby, the Board may levy a Special Assessment in the amount reasonably necessary to satisfy any such insufficiency.

Section 5. Billing Dates for Annual Assessments. The Board shall bill Owners for Annual Assessments annually or, in its sole discretion, more frequently. Except as set forth below, payment shall be due within thirty (30) days of the date of the bill rendered. If the Board elects to utilize a third party billing service, such service shall set the date on which Assessment bills shall be due and payable, subject to the approval of the Board and, for so long as the Declarant is an Owner, the Declarant.

Section 6. Special Assessments. The Board may levy Special Assessments as necessary for construction, reconstruction, repair or replacement of, or additions to, capital improvements and for any personal property related thereto located upon the Common Areas and Facilities or to repay any loan obligation of the Neighborhood Association or pursuant to the provisions of Section 4 of this Article IV. In addition, any amount duly payable as a Special Assessment pursuant to the terms of this Declaration from one (1) or more, but less than all, of the Owners shall be deemed to be a Special Assessment duly levied by the Board. Special Assessments may be in different amounts for Condominium Units and Units that are not Condominium Units as the Board may determine. If the Board determines that the assessment income from a Condominium located on the Property is insufficient to defray the costs, maintenance, repair or replacement of Common Areas and Facilities located within a Condominium and which are for the use or benefit of that Condominium only or that assessment income from a Condominium is insufficient to defray the costs of the policies of insurance required to be obtained for that Condominium pursuant to the Condominium Instruments of that Condominium, then the Board may levy a special assessment to defray such cost, which such special assessment shall be levied against the Condominium Units in that Condominium.

Section 7. Late Fee; Acceleration. If any Assessment or other charge or amount owed to the Neighborhood Association is not paid when due, the Neighborhood Association shall be entitled to levy a late fee in the amount of Thirty (30) Dollars and to recover interest on the amount of such Assessment not paid when due at the rate of Twelve Percent (12%) per annum from the Thirtieth (30<sup>th</sup>) day following the due date thereof until finally paid. The Board, with the consent of the Declarant for so long as the Declarant is an Owner, shall have the right to change the amount of the foregoing late fee and rate of interest in its discretion from time to time. In addition, if any Assessment is being collected in installments, upon failure to pay any installment when due, the Neighborhood Association may accelerate the due date of the remaining installments due, if any.

Section 8. Capitalization of Neighborhood Association. Upon acquisition of title to a Condominium Unit by the first Owner thereof other than the Declarant, such Owner shall make a non-refundable contribution to the working capital of the Neighborhood Association equal to one-fourth (1/4) of the amount of the then-current Annual Assessment on such Condominium Unit. The payment of any initial capital contribution required pursuant to the Condominium Instruments for any Condominium located on the

Property will be deemed to satisfy the provisions of this Section 8, so long as the amount of such initial capital contribution required pursuant to such Condominium Instruments is equal to the amount of the contribution required by this Section 8.

Section 9. Reserve Fund. The Neighborhood Association shall establish a reserve fund with a portion of the proceeds of Annual Assessments to be held in an interest bearing account or investments as a reserve for major rehabilitation or repairs of improvements on the Common Areas and Facilities, emergency and other repairs required to such improvements as a result of storm, fire, natural disaster, or other casualty loss, or the initial costs of any new services to be performed by the Neighborhood Association. The Neighborhood Association shall segregate for the benefit of each Condominium those portions of the reserve funds that are designated for rehabilitation, repair or replacement of improvements within a Condominium and which serve that Condominium only as reflected by the budget adopted pursuant to Article V. In the event that it is necessary to draw upon the reserve funds for rehabilitation, replacement, repair or improvement of a facility in a specific Condominium that is for the use of that Condominium only, the funds therefor shall be disbursed from the portion of the reserve funds that has been allocated to that specific Condominium. If the Board determines that the portion of the reserve funds allocated for that Condominium is insufficient for the rehabilitation, repair or improvements undertaken, then the Board shall levy a special assessment against the Units in that Condominium to defray such costs.

Section 10. Certificates Relating to Assessments. At the request of an Owner, the Neighborhood Association, or any billing service engaged by the Neighborhood Association, shall furnish a certificate signed by an Officer of the Neighborhood Association or of such billing service setting forth the payment status of any Assessments for which such Owner is responsible. Such certificate shall be conclusive evidence against all but the Owner of the information set forth therein.

Section 11. Neighborhood Association Lien Rights; No Election of Remedies. The Neighborhood Association shall have a lien against each Unit to secure the obligation of the Owner thereof to pay Assessments and all late fees and attorneys fees and other charges, if any, due in connection therewith. The Neighborhood Association's lien rights shall be perfected and exercised in the manner set forth in Section 55-516 of the Code. The priority of the Neighborhood Association's lien for Assessments shall be as set forth in Section 55-516A of the Code. The institution of a suit at law for collection of any delinquent Assessment may be maintained by the Neighborhood Association without waiving the Neighborhood Association's lien rights. Proceeding by foreclosure to attempt to effect collection of delinquent Assessments shall not be deemed an election precluding the institution of suit at law for collection of the same. All Owners waive pleading the theory of "election of remedies" in any such proceedings.

## **ARTICLE V: FINANCIAL STATEMENTS; BOOKS AND RECORDS**

Section 1. Annual Statements. Within ninety (90) days after the close of each fiscal year of the Neighborhood Association, the Neighborhood Association shall have prepared and an officer of the Neighborhood Association shall execute under oath a balance sheet for the Neighborhood Association as of the close of such fiscal year and a statement of income and expense for such fiscal year. Such statement of income and expense shall contain an itemization of the income received from and the funds expended for or on behalf of each Condominium located on the Property. Such financial statements shall be provided to any Type "A" Member or holder of a note secured by a first deed of trust on any Unit making a request therefore in writing within thirty (30) days after receipt of such request. In the absence of fraud or manifest error, in executing an oath with regard to such balance sheet and statement of income and expense, the officer doing so shall be entitled to rely upon the representation by the accountant, accounting firm, or management company preparing such materials as to the accuracy thereof.

Section 2. Annual Budget. Commencing with fiscal 2006, at least sixty (60) days prior to the first day of each fiscal year, the Board shall prepare or cause to be prepared and make available to all Type "A" Members a budget outlining anticipated receipts and expenses for the following fiscal year. The budget shall be itemized for each Condominium located on the Property and shall reflect the anticipated assessment income and receipts and anticipated expenditures and reserves for each Condominium located on the Property. The annual budget for each Condominium shall be that portion of the budget that has been itemized for that particular Condominium and the annual regular condominium assessment for a particular Condominium Unit shall be the same amount as the annual assessment levied against that Condominium Unit pursuant to the terms and conditions of this Declaration. Further, it is anticipated that certain Common Areas and Facilities, such as for example a swimming pool, will be constructed within the bounds of one (1) Condominium on the Property, but which will be available for the use of the owners of all of the Condominium Units in The Fairways Neighborhood. If such a facility is constructed, then the budget shall contain a separate itemization of expenditures and reserves for such facility. The annual budget for each Condominium shall include a pro-rata amount of the expenditures and reserves for such facility, based on the number of Condominium Units in that Condominium relative to the number of Condominium Units located on the Property as a whole.

Section 3. Books and Records. The books and records of the Neighborhood Association shall be open to inspection by appointment during normal business hours by any Owner or holder of a note secured by a first deed of trust on any Unit or portion of the Common Area.

## **ARTICLE VI: GENERAL PROPERTY COVENANTS**

Section 1. Purpose of General Property Covenants. The primary purpose of these General Property Covenants is the creation of a community that is aesthetically

pleasing and functionally convenient. The establishment of certain objective standards makes it possible to take full advantage of the characteristics of the Property and of technological advances and environmental values.

Section 2. Implementation of General Property Covenants. In order to implement the purpose of these General Property Covenants, the Declarant (and the Board of Directors of the Neighborhood Association after the Class B membership terminates) may establish and amend from time to time architectural standards, sign regulations, landscape guidelines, environmental rules and regulations, and other standards and guidelines and rules and regulations that shall be binding on all Owners. Without limiting the generality of the foregoing, such guidelines shall be uniform in nature

Section 3. Actions by Declarant. Unless stated to the contrary herein, wherever the approval of or any determination by the Declarant is required in this Declaration, approval or disapproval may be based by the Declarant upon any ground, including purely aesthetic considerations, which in the sole and uncontrolled discretion of the Declarant shall seem sufficient. If the Declarant fails to decline to give any required approval within forty-five (45) days following due written request therefor, which request is accompanied by all supporting materials required to be submitted therewith by the Declarant and payment of any related fee permitted to be charged pursuant to this Declaration, such approval shall be deemed to have been given.

Section 4. Architectural Control. Architectural control will be exercised over all proposed improvements and changes or modifications thereto to insure the development of The Fairways Neighborhood as a residential community of high standards and aesthetic beauty. It is the intent of this Section that the Party Exercising Architectural Control shall have the right to control all architectural aspects of any proposed improvements, including, but not limited to, design, height, site planning, set-back requirements, open space, exterior design, color schemes and finishes, landscaping, aesthetic criteria, construction schedules and coordination of drainage and utility services, to the end that The Fairways Neighborhood may be developed as a planned high-quality residential community with each Unit and Common Area thereupon complementing all other portions thereof.

Section 5. Interior Non Structural Improvements. An Owner of a Condominium Unit may make improvements or alterations to the interior of his Condominium Unit that do not impair the structural integrity of any improvement or otherwise lessen the support of any portion of the Condominium in which such Condominium Unit is located and which such improvements are not plainly visible from the exterior of the Condominium Unit. Such changes shall not require the prior approval of the Party Exercising Architectural Control.

Section 6. Designation of Party to Exercise Architectural Control. For so long as it is an Owner, the Declarant shall be the party to exercise architectural control with

regard to proposed improvements. Thereafter, and also with regard to alterations or modifications to completed Improvements, the ARC shall exercise such control.

Section 7. Approval to be Obtained. Except as provided in Section 5 of this Article VI, no building, fence, other structure or improvement or change or modification thereto shall be erected or placed, nor, without the prior written approval of the Party Exercising Architectural Control, shall a building permit for any such building, fence, other structure or improvement or change or modification thereto be applied for on any portion of the Property unless and until final plans and specifications therefore, including exterior elevations, site plans, landscaping plans and parking plans, a schedule of exterior colors and finish materials and such other plans as the Party Exercising Architectural Control may dictate, have been submitted to and approved by the Party Exercising Architectural Control. The plans and specifications to be submitted shall comply with any design criteria and standards promulgated pursuant to this Declaration, shall fully describe in detail the proposed improvements, and shall, with dates certain, set forth a construction schedule for construction and completion thereof. Duplicate copies of all plans shall be submitted, and one copy of each plan submitted shall become the sole property of the Party Exercising Architectural Control, provided that at such time as the Declarant is no longer the Party Exercising Architectural Control, it shall deliver all plans then retained by it in such capacity to the ARC. If the Party Exercising Architectural Control deems such plans and specifications insufficient, it may require the submission of additional and/or more detailed plans and specifications.

Section 8. Approval of Plans and Specifications. The Party Exercising Architectural Control shall have the right to approve or disapprove any and all proposed improvements and changes and modifications thereto with respect to which its approval is required. Such Party may base such approval or disapproval on any ground, including purely aesthetic considerations, which in the sole and uncontrolled discretion of such Party shall seem sufficient, including but not limited to failure of the plans and specifications to comply with then-existing design criteria and standards and the general review standards set forth in Section 9 of this Article VI, but may not approve any proposed improvement that would violate any provision of this Declaration. Without limiting the generality of the foregoing, the Party Exercising Architectural Control shall not be obligated to approve proposed improvements on the grounds that the layout, design and other aspects of such improvements are the same or substantially the same as the layout, design and other aspects of improvements approved at the request of another Owner. The Party Exercising Architectural Control shall approve or disapprove any proposed improvements within thirty (30) days after receipt of all required plans, specifications and other materials in proper form, by written notice to the Owner submitting same. If the Party Exercising Architectural Control fails to disapprove any proposed improvements within such period or to require that the plans therefor be resubmitted with designated changes incorporated, they shall be deemed to have been approved. Any approval of proposed improvements which is conditioned upon changes being made or additional information or plans being provided shall be deemed a disapproval until such time as the Owner requesting such approval agrees to the changes, revises the plans and specifications therefore to reflect the changes requested

or provides the additional information or plans requested, and such information or plans is or are accepted by the Party Exercising Architectural Control. If the Party Exercising Architectural Control approves, or is deemed to have approved, any proposed improvements, the Owner requesting such approval may proceed to make undertake construction of such Improvements in strict conformance with the plans, specifications and other materials submitted and approved or deemed to have been approved, subject to the obligation to comply with conditions to approval, if any, set forth by the Party Exercising Architectural Control.

Section 9. General Review Standards. Approval or disapproval by the Party Exercising Architectural Control shall be based, among other things, on adequacy of site dimensions, storm drainage considerations, conformity and harmony of external design with neighboring portions of the Property and Improvements, relation of the topography, grade and finished ground elevation of the portion of the Property proposed to be improved to that of neighboring portions of the Property, proper facing of the main elevation with respect to nearby streets, conformity of the plans and specifications to the purpose, general plan and intent of this Declaration.

Section 10. Period Approval Effective. Approval of plans and specifications by the Party Exercising Architectural Control shall be valid for a period of one (1) year from the date given or deemed to have been given. If within such period, in the opinion of the Party Exercising Architectural Control, substantial commencement of construction of the Improvements has not begun, all related approvals shall be deemed to have expired and no construction shall thereafter continue or commence without a written renewal of such approvals.

Section 11. Alterations to Completed Improvements. No alteration in the exterior appearance of any completed Improvement, including but not limited to exterior elevations, site plan, landscaping plan, parking plan and exterior color or finish, shall be made without prior written approval by the ARC. All such alterations shall be completed strictly in accordance with the approved plans therefor. The provisions of Sections 8-10 of this Article VI shall apply to the ARC with respect to proposed alterations to completed Improvements with the same force and effect as such Sections apply to the Declarant or ARC, as the case may be, with respect to proposed improvements.

Section 12. Location of Improvements. Improvements shall be located so that the maximum view, privacy, sunlight, and breeze will be available to each building or structure and so that structures will be located with due regard to the topography of the Property, taking into consideration the location of large trees and other aesthetic and environmental considerations.

Section 13. Signage. No sign shall be erected or maintained on any portion of the Property until the proposed sign size, color, content and location shall have been approved in writing by the Party Exercising Architectural Control. No alteration in the appearance of any sign shall be made without like prior written approval by the ARC. All signage shall also comply with all Rules and Regulations applicable to signage.

Section 14. Mailboxes; Alteration Thereof. No mailbox shall be erected or maintained on any portion of the Property until the proposed design, color, and location have been approved in writing by the Party Exercising Architectural Control. No alteration in the appearance of any mailbox shall be made without like prior written approval by the ARC. All mailboxes and mailbox clusters shall also comply with all Rules and Regulations applicable to mailboxes and mailbox clusters.

Section 15. Approvals by Bay Creek Architectural Review Committee. In addition to the approvals required by Section 6, certain activities on the Property are subject to the prior approval of the Architectural Review Committee pursuant to Article IV of the Bay Creek Declaration. Any approvals granted pursuant to this Article VI, do not and shall not constitute an approval required pursuant to Section IV of the Bay Creek Declaration and irrespective of any approvals obtained pursuant to this Article VI, the approvals required under Section IV of the Bay Creek Declaration must also be obtained.

Section 16. Utilities Easement. The Declarant reserves a perpetual, alienable, and releasable easement and right, on, over and under portions of the Property to erect, maintain, and use or to permit third parties to erect, maintain, and use electric, community antenna television, cable television, telephone and other utility poles, wires, cables, and conduits, streetlights, drainage ways, sewers and water mains, and all related equipment for the provision of electric, telephone, gas, sewer, water, drainage, or other public conveniences or utilities to the Property; provided, however, that no such utility easement shall be applicable to any portion of any Property that may (a) have been used prior to the installation of such utilities on such portion of the Property for construction of Improvements, or (b) may be designated as the site for a building on a site plan that has been approved in writing by the Party Exercising Architectural Control. The foregoing easement includes the right to cut any trees, bushes, or shrubbery, make any grading of the soil, or to take any other similar action necessary to provide economical and safe utility services and to maintain reasonable standards of health, safety, and appearance.

Section 17. Wells, Pumping Stations, Etceteras. The Declarant may locate wells, pumping stations, siltation basins, ponds, and tanks on the Property in compliance with County ordinances pursuant to Article IX, Section 8, provided that if it does not have the right to do so pursuant to an express reservation of easement in a deed to a Unit which deed has been recorded in the Clerk's Office, it shall not do so on any Unit without the prior written consent of the Owner thereof.

Section 18. Topographical Changes. Except as expressly set forth in this Declaration, topographic and vegetation characteristics of the Property shall not be altered by excavation, grading, removal, reduction, addition, clearing, cutting, pruning, seeding, planting, transplanting, or any other means without the prior written approval of the Party Exercising Architectural Control. Topographical changes and changes in the vegetation characteristics of the Property pursuant to a landscaping plan approved by the Party Exercising Architectural Control shall be deemed to have been approved for purposes of this Section 18.

Section 19. Removal of Trees. Except as set forth below, no trees (other than those that are dead or diseased) measuring six (6) inches or more in diameter at a point two (2) feet above ground level may be removed from any portion of the Property without the prior written approval of the Party Exercising Architectural Control. Any trees located within twenty (20) feet of the foundation of an Improvement may be removed without the approval of the Party Exercising Architectural Control.

Section 20. Easement for Pest and Fire Control. The Declarant reserves a perpetual, alienable and releasable easement and right on, over and under the Property, including Condominium Units, to dispense pesticides and take other actions necessary or desirable to control insects and vermin and to control fires on any portion of the Property or any Improvements thereon.

Section 21. Consultation with Architects, Etceteras; Administrative Fee. In connection with the discharge of its responsibilities under this Article VI, the Party Exercising Architectural Control may engage or consult with architects, engineers, planners, surveyors, attorneys and others. Any Person seeking the approval of the Party Exercising Architectural Control pursuant hereto agrees to pay all fees thus incurred and further agrees to pay an administrative fee to the Party Exercising Architectural Control in such amount as the Party Exercising Architectural Control may from time to time reasonably establish. The payment of all such fees is a condition to the approval or disapproval of any proposed improvements, and the commencement of review of any proposal may be conditioned upon the payment of the Party Exercising Architectural Control's estimate of such fees. Administrative fees established, levied and collected by the Party Exercising Architectural Control shall be in amounts reasonably calculated to defray the costs of carrying out the responsibilities of the Party Exercising Architectural Control, including, in the case of the ARC, reasonable compensation for its members other than those appointed by and associated with the Declarant. The Party Exercising Architectural Control shall have the right to impose fees in differing amounts for different categories of Owners (e.g., builders versus "retail" purchasers) and to impose fees on some categories of Owners but not others. Subject to retention of a reasonable reserve for working capital purposes, any surplus funds held by the ARC at the end of a given calendar year shall be disbursed by it to the Neighborhood Association.

Section 22. Lawful Use. No improper, offensive or unlawful use shall be made of the Property or any part thereof, and all valid laws, zoning ordinances and regulations of all governmental agencies having jurisdiction thereof shall be observed. All laws, orders, rules, regulations or requirements of any governmental agency having jurisdiction thereof relating to any portion of the Property shall be complied with, by and at the sole expense of the Owner, the Neighborhood Association and the Declarant, whichever shall have the obligation for the upkeep of such portion of the Property.

Section 23. Emissions. There shall be no emissions of dust, sweepings, dirt, cinders, odors, gases or other substances into the atmosphere except for normal

residential chimney emissions from any portion of the Property or discharges of liquid, solid wastes or other environmental contaminants into the ground or any body of water, if such emission, production, storage or discharge may adversely affect the use or intended use of any portion of the Property or may adversely affect the health, safety or comfort of any Person.

Section 24. Noise. No Person shall cause any unreasonably loud noise (except for duly operating security devices) anywhere on the Property, nor shall any Person permit or engage in any activity, practice or behavior for the purpose of causing annoyance, discomfort or disturbance to any Person lawfully present on any portion of the Property.

Section 25. Obstructions. No Person shall obstruct any of the Common Areas or Facilities or otherwise impede the rightful access of any other Person on any portion of the Property upon which such Person has the right to enter. No Person shall place or cause or permit anything to be placed on or in any of the Common Areas or Facilities without the approval of the Board. Nothing shall be altered or constructed in or removed from the Common Areas of Facilities except with the proper written approval of such Board.

Section 26. Limitation of Liability. The approval by the Party Exercising Architectural Control of any proposed improvements or alterations, and/or any requirement by the Party Exercising Architectural Control that the proposed improvements or alterations be modified, shall not constitute a warranty or representation by the Party Exercising Architectural Control of the adequacy, technical sufficiency or safety of the proposed improvements or alterations, as the same may be modified, and the Party Exercising Architectural Control Board shall have no liability whatsoever for the failure of the proposed improvements or alterations to comply with applicable building codes, laws and ordinances or to comply with sound engineering, architectural or construction practices or for the negligence of any party involved in construction of such improvements or alterations once approved. In addition, in no event shall the Party Exercising Architectural Control have any liability whatsoever to an Owner, a contractor, or any other party for any costs or damages (consequential or otherwise) that may be incurred or suffered on account of such Party's approval, disapproval or conditional approval of any proposed improvements or alterations. Any Owner, contractor or other party asserting a claim against the Party Exercising Architectural Control in contravention of the provisions of this Section 26 shall reimburse such Party for all costs and expenses, including reasonable attorneys' fees and court costs, incurred by it in connection therewith. Such costs and expenses, together with interest thereon at the rate of Twelve percent (12%) per annum from the due date thereof until paid, a late charge of thirty (30) dollars, and costs of collection, including attorneys' fees, shall become a Special Assessment (as such term is defined herein) upon the Unit owned by the Owner asserting a claim shall be due upon demand, and shall be the personal obligation of such Owner or developer.

Section 27. Mining. No portion of the Property shall be used for the purpose of boring, mining, quarrying, exploring for or removing oil or other hydrocarbons, minerals, gravel or earth without the consent of the Declarant, which consent the Declarant shall not be obligated to give.

Section 28. Animals. Except as set forth below, the maintenance, keeping, boarding or raising of animals, livestock, poultry or reptiles of any kind, regardless of number, is prohibited on any portion of the Property. The keeping of guide animals and orderly domestic pets (e.g., dogs, cats or caged birds) is permitted, subject to the Rules and Regulations; provided, however, that such pets are not kept or maintained for commercial purposes or for breeding and that any such pet causing or creating a nuisance or unreasonable disturbance or noise shall be permanently removed from the Property upon ten (10) days' written notice from the Board. Pets shall not be permitted upon the Common Area unless accompanied by someone who controls the pet and unless carried or leashed. Pet droppings shall be removed by the person in control of the pet. Any Owner who keeps or maintains or permits to be kept or maintained any pet upon any portion of the Property agrees to indemnify and hold the Neighborhood Association, each Owner and the Declarant free and harmless from any loss, claim or liability of any kind or character whatever (including reasonable attorneys' fees and costs) arising by reason of keeping or maintaining such pet within the Property. All pets shall be registered and inoculated as required by law.

#### **ARTICLE VII: ADDITIONAL RESTRICTIONS AFFECTING COMMON AREA AND FACILITIES**

Section 1. Right to Convey. The Declarant reserves the right to dedicate, transfer, sell, convey, give, donate, or lease to the Neighborhood Association or to any third party any portion of the Common Areas and Facilities that do not constitute a portion of a Condominium, subject to the provisions of this Article VII and all other restrictions or limitations that the Declarant shall elect to impose, provided that so long as there is a Type "B" Member of the Neighborhood Association, the Declarant shall not dedicate, transfer, sell, convey, give, donate or lease such Common Area and/or Facility to the Neighborhood Association without the approval of HUD, if HUD approval is applicable or required. As an appurtenance to any such conveyance to the Neighborhood Association, the Neighborhood Association shall have all of the powers, immunities, and privileges reserved unto the Declarant in this Article VII as well as all of the Declarant's obligations with respect thereto, provided, however, that so long as the Declarant is an Owner, the Declarant, in addition to and jointly with the Neighborhood Association, shall retain all rights reserved unto it in this Article VII. Without limiting the generality of the foregoing, when it transfers, sells, conveys, gives, donates or leases to the Neighborhood Association or to any third party any portion of any such Common Area or Facility, the Declarant shall be entitled to reserve for its own benefit or the benefit of any Affiliate of the Declarant such signage easements as in its sole discretion may be necessary or desirable. Notwithstanding anything contained herein to the contrary, all Common Areas and Facilities that are not part of a Condominium and which are shown and described on any recorded plat of any portion of the Property, other than a Condominium Plat, shall be

conveyed to the Neighborhood Association free and clear of all encumbrances before HUD insures the first mortgage secured by a deed of trust on a Unit shown and described on such plat.

Section 2. Improvements. The Common Areas and Facilities may be improved with facilities for social, recreational and community buildings, pools, private clubs, playground areas and other recreational facilities, and indoor and outdoor recreational establishments. Such facilities may include, but shall not be limited to, appropriate buildings, structures, roads, driveways, parking areas and utility equipment.

Section 3. Declarant's Right of Access. The Declarant reserves the right to enter upon the Common Areas and Facilities to construct, landscape, maintain and operate any Improvements located thereupon. The Declarant further reserves the right to authorize the construction, landscaping, maintenance or operation of such facilities within the Common Areas and Facilities (including maintenance of landscaping thereupon) by the Neighborhood Association or any other third party.

Section 4. Use of Common Areas and Facilities. The Common Areas and Facilities and any Improvements located thereupon shall be used only for the furnishing of the services and facilities for which the same is reasonably suited and which are incident to the use and occupancy of the Units. The Improvements located on the Common Areas and Facilities shall be used only for their intended purposes. Except with respect to use thereof by the Declarant in connection with its sales and marketing efforts for The Fairways Neighborhood, no Owner shall make any private, exclusive or proprietary use of the Common Areas and Facilities or any portion thereof without the prior written approval of the Board, which shall only have the authority to approve such use on a temporary basis.

Section 5. BMP Facilities. It is anticipated that the Common Areas and Facilities will include a "best management practices" facility or facilities consisting of a pond or ponds. No swimming or boating shall be permitted on the ponds. The only permitted uses of the ponds shall be those, if any, set forth in the Rules and Regulations in effect from time to time.

## **ARTICLE VIII: ADDITIONAL RESTRICTIONS AFFECTING UNITS**

Section 1. Use. Subject to the right of the Declarant to use a portion of the Property for the purpose of its sales offices and models and as otherwise set forth below, all Units shall be used solely for residential purposes, recreational purposes incidental thereto, and customary accessory uses. The use of a portion of a dwelling unit on a Unit as an office by an Owner or Tenant shall be considered a residential use provided that, in the opinion of the Declarant, such use does not create undue customer or client traffic, as determined by the Declarant, to and from the Single Family Unit and such use is in compliance with County ordinances pursuant to Article IX, Section 8 and is also in compliance with the Bay Creek Declaration.

Section 2. Subdivision. Units that are not Condominium Units may not be subdivided or its boundary lines changed without the prior written consent of the Declarant and compliance with County ordinances pursuant to Article IX, Section 8. The Declarant may replat any Unit that is not a Condominium Unit owned by it and take such other steps as are reasonably necessary to make such replatted Unit that is not a Condominium Unit suitable and fit as a building site, including, but not limited to, the relocation of easements, walkways, rights of way, recreational and community facilities and other amenities to conform to the new boundaries of said replatted Unit that is not a Condominium Unit.

Section 3. Timeshares. No Unit or Condominium Unit shall be subjected to or used for any timesharing, cooperative, licensing or other arrangement that would entail weekly, monthly, or any other type of revolving or periodic occupancy by multiple Owners, cooperators, licensees, or timesharing participants.

Section 4. Leasing. The leasing of Condominium Units shall be in strict accordance with the terms and conditions of the Bay Creek Governing Documents.

Section 5. Nuisances. No nuisance shall be permitted to exist in or on any Unit. Noxious, destructive, or offensive activity, or any activity constituting an unreasonable source of annoyance, shall not be conducted in or on any Unit, Common Area or Facility or any part thereof. Each Owner shall refrain and cause others to refrain from any act or use of his Unit that could reasonably cause embarrassment, discomfort, or annoyance to other Owners, their Tenants, family members, guests and invitees.

Section 6. Hazardous Uses; Waste. Nothing shall be done or kept in or on any Unit that increases the rate of insurance applicable for any policies of insurance required to be obtained by this Declaration without the prior written consent of the Board, including, without limitation, any activities that are unsafe or hazardous with respect to any person or property. No Person shall permit anything to be done or kept in or on any Unit that will result in the cancellation of any policy of insurance required to be obtained by this Declaration or that would be in violation of any law, regulation or administrative ruling. No vehicle of any size that transports inflammatory or explosive cargo may be kept or driven on the Property at any time. Each Owner shall comply and shall be responsible for assuring that its Tenant, if any, family members, guests and invitees comply with all federal, state and local statutes, regulations, ordinances, or other rules intended to protect the public health and welfare as related to land, water, groundwater, air or other aspects of the natural environment, including, but not limited to, those laws regulating the use, generation, storage or disposal of hazardous substances, toxic wastes and other environmental contaminants. No Owner shall knowingly use, generate, manufacture, store, release, dispose of or permit to be used, generated, manufactured, stored, released, or disposed of by its Tenant or any third party or permit to exist in, on, under or about any portion of the Property or transport or permit to be transported to or from any portion of the Property any hazardous materials

except in compliance with all applicable environmental laws, or commit any waste on any portion of the Property.

**ARTICLE IX: DURATION; TERMINATION; ADDITIONS; RELATIONSHIP TO ZONING ORDINANCES; LIMITATIONS; VIOLATION; SUBORDINATION**

Section 1. Duration. This Declaration shall run with the land for an initial term of thirty (30) years from the its date of recordation in the Clerk's Office. Upon the expiration of said thirty (30) year period, this Declaration shall be automatically extended for successive terms of ten (10) years (the number of such extension terms being unlimited), unless this Declaration is terminated in the manner set forth below.

Section 2. Termination of Declaration. This Declaration may be terminated at the end of the then-current term by the affirmative vote of three-fourths (3/4ths) of the votes cast by the Type "A" Members present in person or by proxy at a duly called meeting held during the final year of such term.

Section 3. Amendments Generally. Subject to the rights granted the Declarant in Sections 4, 6 and 10 of this Article IX, this Declaration may be amended only by the affirmative vote or written consent, or a combination thereof, of seventy-five percent (75%) of the Class A votes and, while there is a Type "B" Member, the approval of the Type "B" Member and if necessary or applicable, HUD. Any amendment that specifically affects the rights of holders of notes secured by deeds of trust encumbering Units, all or any portion of the Common Areas and Facilities shall be subject to the consent of such noteholders, with the procedures relating to such consent to be those set forth in Section 55-515.1 of the Code. In addition, any amendment shall be subject to the approval of the Board of Directors of the Bay Creek at Cape Charles Community Association, Inc. in order to be effective. An action to challenge the validity of an amendment may not be brought more than one (1) year after the amendment is effective.

Section 4. Declarant's Unilateral Right to Amend. The Declarant shall have the unilateral right to amend this Declaration set forth in Section 55-515.2.F. of the Code. Further, the Declarant, for so long as the Declarant owns any portion of the Property, shall have the unilateral right to (i) make any amendment required in order for the provisions of this Declaration be in compliance with the provisions of the Bay Creek Governing Documents as the same may be amended from time to time, (ii) make any amendment required by the Town of Cape Charles, the County of Northampton, or the Virginia Department of Transportation, or any governmental agency or authority as a result or condition of changes to governmental laws, ordinances, rules and regulations pertaining to or relating to construction activities or as a condition of any required approval by such agencies of this Declaration, (iii) make any amendment required by the Declarant's construction and/or development lender and, (iv) make any amendment necessary for the Declaration to comply with the requirements, as the same may be amended from time to time, of any mortgage agency (including, without limitation, the Department of Veterans Affairs, Federal Home Loan Mortgage Association, Federal National Mortgage

Association, or HUD) with respect to their purchase of mortgage loans secured by Condominium Units.

Section 5. Intentionally Deleted.

Section 6. Effective Date of Termination or Amendment. Any amendment or termination of this Declaration shall become effective upon the recording of a Certificate of Termination or an amendment to this Declaration, unless a later effective date is specified in the amendment or termination instrument, which amendment or termination instrument shall be recorded in the Clerk's Office.

Section 7. Additional Restrictive Covenants. The Declarant may add additional restrictive covenants affecting the Property or any portion thereof prior to or at the time of the conveyance of the Property or a portion thereof to a third party or to limit the application of these covenants thereto prior to or at the time of such conveyance with the approval of HUD.

Section 8. Relationship To Zoning Ordinances, Etceteras. The provisions of this Declaration are subject and subordinate to the County zoning, subdivision and other ordinances. If any provision of this Declaration is less restrictive than a comparable provision in such zoning, subdivision or other ordinances, such zoning, subdivision or other ordinances, shall prevail. Without limiting the generality of the foregoing, such ordinances affect; the types of signage that may be approved by the Declarant pursuant to Article VI, Section 13; the ability to locate wells, pumping stations, and similar facilities on the Property pursuant to Article VI, Section 17; the use of a portion of a dwelling as an office pursuant to Article VIII, Section 1; and the provisions for resubdivision of Units set forth in Article VIII, Section 12.

Section 9. Remedy for Monetary Breach. In the event of default by an Owner in any monetary obligation imposed by or pursuant to this Declaration, the Neighborhood Association and, the Declarant shall independently have the right to proceed at law or in equity to compel compliance to the terms hereof and recover sums due and/or money damages, including but not limited to reasonable attorneys' fees and other costs of collection. In the event of such a default and the failure of the Neighborhood Association and/or the Declarant to so proceed within thirty (30) days after receipt of notice from any Owner of a demand that it or they do so, such Owner shall independently have such right to proceed, with any sums due that are recovered and/or money damages that are awarded being for the account of the Neighborhood Association.

Section 10. Remedy for Non-Monetary Breach. Subject to the notice provisions set forth below and the dispute resolution provisions set forth in Section 11 of this Article IX, in the event of a breach by an Owner or of a Unit or any other party claiming the right to use such Unit by, through or under such Owner in performance of any non-monetary obligation imposed by or pursuant to this Declaration, the Declarant shall have the right to enter upon such Owner's Unit and take such actions as are necessary in the Declarant's sole and absolute discretion to remedy the same at the expense of such Owner. If the

nature of such breach is such, in the opinion of the Declarant, as to require immediate corrective action, the Declarant shall have such right to take corrective action after written notice to such Owner and such Owner's failure to take satisfactory immediate corrective action; in any other event, except as otherwise set forth herein, the Declarant shall have such right if, after thirty (30) days written notice of such violation or breach, it shall not have been corrected. Subject to the dispute resolution provisions set forth in Section 11 of this Article IX, in the event of a threatened breach by an Owner or any other party claiming the right to use such Unit by, through or under such Owner in performance of any non-monetary obligation imposed by or pursuant to this Declaration, the Declarant shall be entitled to bring an action against such Owner in equity for injunctive and other relief provided it first gives such Owner ten (10) days' notice of its intention to do so unless, in the opinion of the Declarant, the nature of the threatened breach is such as to require immediate legal action. If the Declarant fails to exercise the rights granted in this Section 10 upon a breach by an Owner or any such other party in performance of any non-monetary obligation imposed by or pursuant to this Declaration within thirty (30) days after receipt of notice from the Neighborhood Association of a demand that it do so, the Neighborhood Association shall be entitled to exercise such rights. If neither the Declarant nor the Neighborhood Association exercises such rights within forty-five (45) days after receipt of notice from any Owner of a demand that it or they do so, such Owner shall be entitled to do so.

Section 11. Alternative Dispute Resolution. If the Declarant, the Neighborhood Association, or an Owner, as the case may be, asserts that a non-monetary breach or threatened breach by an Owner or any other party acting by, through or under an Owner exists that is of such a nature that the Declarant, the Neighborhood Association or such Owner is obligated to give such Owner or developer notice thereof pursuant to Section 10 of this Article IX (a "Section 10 Notice") before pursuing any remedy therefor, the Declarant, the Neighborhood Association or such Owner on its own initiative may elect in such Section 10 Notice to notify such other Owner that within ten (10) days after receipt of such Section 10 Notice, the sender or any recipient of such Section 10 Notice may elect by notice to the Declarant, the Neighborhood Association or such other Owner, as the case may be, to submit any matter in dispute to binding arbitration in the County in accordance with the provisions of the Uniform Arbitration Act, Section 8.01-581.01 et. seq. of the Code, provided in any such event there shall only be one (1) arbitrator appointed by the court pursuant to Section 8.01-581.03 of such Act and the arbitrator shall not be entitled to award any party punitive damages recoverable from any other party. The party giving notice of its election to submit a matter in dispute to such arbitration shall apply to the Circuit Court of the County for the appointment of an arbitrator within ten (10) days after giving such notice, failing which any other party to the matter in dispute may do so.

Section 12. Certain Rights of Neighborhood Association. Subject to the provisions of Section 13 of this Article IX, the Neighborhood Association shall have the following rights hereunder:

- (a) The Board may suspend the voting rights of any Type "A" Member during the period when an Assessment is delinquent, but, upon payment of

such Assessment and all related costs incurred which the Neighborhood Association is entitled to recover from such Member, such rights shall be restored.

(b) The Board may suspend a Type "A" Member's right to use facilities or services provided directly through the Neighborhood Association for nonpayment of Assessments which are more than sixty (60) days delinquent, to the extent that access to such Member's Unit is not precluded and provided that such suspension shall not endanger the health, safety, or property of any Owner, Tenant or occupant. Any such suspension shall also act as a suspension of the right to use such facilities or services of any party claiming by, through or under such Member.

(c) The Board may assess charges against any Type "A" Member for any violation of this Declaration, the General Property Covenants, or the Rules and Regulations for which such Member or his family members, Tenants, guests, or other invitees is responsible. The amount of any such charges shall not be limited to the expense or damage to the Neighborhood Association caused by the violation, but shall not exceed the maximum amounts for a single offense or per day for any offense of a continuing nature permitted pursuant to Section 55-513 of the Code and shall be treated as a Special Assessment against the Member's Unit for purposes of Section 55-516 of the Code, and the charges in connection with a violation of a continuing nature shall not be assessed for a period exceeding ninety (90) days or such longer period of time as may be permitted by Section 55-513 of the Code.

Section 13. Due Process Rights. No suspension pursuant to Section 12 of this Article IX or charge pursuant to Subsection 12(c) of this Article IX shall be imposed against a Type "A" Member before such Member is given an opportunity to be heard and to be represented by counsel before the Board. Notice of such hearing, including a statement of the charges or other sanctions that may be imposed, shall be given to such Member at least fourteen (14) days prior to the hearing. Notice of the hearing result shall be given to such Member within three (3) days after the hearing.

Section 14. Failure No Waiver. The failure by the Owners, the Neighborhood Association, and/or the Declarant to enforce any right, reservation, restriction or condition contained in this Declaration in any one instance, regardless of how long such failure shall continue, shall not constitute a waiver of or a bar to the right to enforce such right, reservation, restriction or condition in any other instance or to enforce any other right, reservation, restriction or condition contained herein.

Section 15. Costs of Corrective Action; Lien. Whenever any corrective action is taken pursuant to Section 10 of this Article IX or otherwise as permitted by this Declaration, the costs thereof shall be a personal obligation of the Owner of the portion of the Property affected at the time such costs are incurred. The costs shall be billed at the

completion of such corrective action, and all bills shall be due and payable thirty (30) days from the date of mailing of same. If the costs are not paid when due, the Declarant, the Neighborhood Association or the Owner initiating corrective action, as the case may be, may sue for a judgment, and, in addition to such costs, recover the costs of preparing and filing a complaint, a reasonable attorney's fee, a late charge of thirty dollars (\$30.00) and interest at the rate of Twelve percent (12%) from the due date until finally paid. The costs of corrective action and all other amounts the Declarant, the Neighborhood Association or such Owner is entitled to recover shall constitute a Special Assessment against and lien on the portion of the Property affected and the Improvements thereon, which lien shall run with the land. Such lien shall be subordinate to the lien of any first deed of trust placed upon the affected portion of the Property prior to the perfection thereof.

Section 16. Venue; Waiver of Trial By Jury; Service of Process. Every Owner agrees that any suit or proceeding brought pursuant to the provisions of this Declaration may be brought in the General District Court or the Circuit Court of the County or any court that in the future may be the successor to either or both of such Courts, waives the right to trial by jury and consents to a trial without a jury.

Section 17. Service of Process. Should suit be instituted against an Owner or developer of a Condominium other than by the Declarant, and any such Owner or developer shall not at the time be residing in the Commonwealth of Virginia or service cannot be accomplished in any other reasonable fashion, each such Owner or developer hereby irrevocably appoints the Secretary of the Commonwealth of Virginia as his, her or its agent for the acceptance of service of process.

Section 18. Assignment. By written instrument recorded in the Clerk's Office, the Declarant may assign to the Neighborhood Association or any other third party in whole or in part, revocably or irrevocably, all of its rights and obligations in this Declaration, subject to any conditions, limitations, or restrictions that the Declarant may elect to impose. Following any such assignment, the Neighborhood Association or such third party shall assume all of the Declarant's obligations that are incident thereto (if any), and the Declarant shall have no further obligation or liability with respect thereto. So long as the Declarant is an Owner or owns any portion of the Property upon which, pursuant to the Master Plan, it is anticipated that Units will be shown on an instrument to be recorded in the Clerk's Office, no such assignment shall limit the rights of easement and other rights of entry reserved unto the Declarant in this Declaration, or the right of the Declarant to act to prevent a violation or breach of this Declaration as provided for herein. If (or to the extent that) the Declarant has not already done so prior to the time it is no longer an Owner, the Declarant shall be deemed to have assigned all of its remaining rights and obligations in this Declaration to the Neighborhood Association as its agent at such time.

Section 19. Appointment of Neighborhood Association as Agent. The Declarant may appoint the Neighborhood Association as its agent to administer and enforce this Declaration. Such appointment may be temporary or permanent, and shall be subject to any conditions, limitations, or restrictions that the Declarant may elect to impose. Upon any such appointment, the Neighborhood Association shall assume any obligations that

are incident thereto. If (or to the extent that) the Declarant has not already done so prior to the time it is no longer an Owner, the Declarant shall be deemed to have appointed the Neighborhood Association as its agent for all such purposes at such time.

Section 20. Declarant and Neighborhood Association Not Liable; No Trespass; No Affirmative Duty. Neither the Declarant nor the Neighborhood Association shall be liable to any Person on account of any claim, liability, damage, or expense suffered, incurred by, or threatened against such Person arising out of or as a result of any action by the Declarant or the Neighborhood Association pursuant to this Declaration. No entry by the Declarant or the Neighborhood Association upon the Property or any portion thereof pursuant to this Declaration shall be deemed a trespass. No reservation of rights by the Declarant in this Declaration shall be construed to impose on the Declarant a burden of affirmative action of any kind or nature whatsoever.

Section 21. Notices. Any notice required or permitted to be sent to any Owner or Member under the provisions of this Declaration shall be deemed to have been properly sent, and notice thereby given, when delivered personally or sent by mail, with the proper postage affixed, to the address appearing on the Neighborhood Association's records. Notice to one (1) of two (2) or more joint Owners or joint Tenants of a Unit shall constitute notice to all joint Owners or joint Tenants, and notice to the Owner or Owners of a Unit shall constitute notice to any Tenant or Tenants on such Unit. It shall be the obligation of every Type "A" Member to immediately notify the Secretary of the Neighborhood Association in writing of any change of address for notice purposes. Any Person who becomes a Type "A" Member following the first day in the calendar month in which said notice is delivered or mailed shall be deemed to have been given notice if notice was given to his, her or its predecessor in title.

Section 22. Severability. Should any Article, Section, Subsection, sentence, clause, phrase or term of this Declaration be declared to be void, invalid, illegal, or unenforceable, for any reason, by the adjudication of any Court or other tribunal having jurisdiction over the parties hereto and the subject matter hereof, such judgment shall in no way effect the other provisions hereof, which are hereby declared to be severable and which shall remain in full force and effect.

Section 23. Interpretation. Subject to the provisions of Section 11 of this Article IX, the Declarant shall have the right to determine all questions arising in connection with this Declaration and to construe and interpret its provisions, and its determination, construction, or interpretation shall be final and binding.

Section 24. Other Agreements. In the event of any conflict between the provisions thereof, the order of precedence of this Declaration, the Articles, the Bylaws and the Rules and Regulations shall be this Declaration, the Articles, the Bylaws and the Rules and Regulations.

Section 25. Exceptions. The Declarant may issue variances exempting a particular Unit or portion of a Condominium or portion of the Common Area from any of

the provisions of Articles VI, VII and VIII, provided no such variance shall materially adversely affect an adjoining Owner's use or enjoyment of his Unit, the use and enjoyment of the Common Area, or development of The Fairways Neighborhood in a manner comparable to other "first-class" planned communities in the Hampton Roads, Virginia area.

Section 26. Limited Liability. In connection with all reviews, acceptances, inspections, permissions, determinations, consents or required approvals by or from the Declarant, the ARC and/or the Neighborhood Association contemplated under this Declaration, the Declarant, the ARC and/or the Neighborhood Association shall not be liable to an Owner or to any other Person on account of any claim, liability, damage, or expense suffered or incurred by or threatened against an Owner or such other Person and arising out of or in any way relating to the subject matter of any such reviews, acceptances, inspections, permissions, consents or required approvals, whether given, granted or withheld.

Section 27. Management and Contract Rights of Neighborhood Association. The Board may enter into a contract with a management company or manager for the purposes of providing any or all elements of the operation, care, supervision, maintenance, and management of the Property, including any Condominiums located thereon. Any such contract entered into while there is a Type "B" Member shall contain or be deemed to contain a provision allowing the Neighborhood Association to terminate such contract without justification or penalty at such time as their no longer is such a Member. Any contract with a management company or manager shall be for this Neighborhood Association and the Unit Owners' Association of any and all Condominiums created on the Property, being the express intent of the Declarant that The Fairways Neighborhood and any and all Condominium projects created therein be managed by a common management company.

Section 28. Rights of Note Holders. Any holder of a note secured by a first deed of trust on a Unit or portion of the Common Area shall be entitled, upon written request therefore, to receive written notice of (a) all meetings of the Neighborhood Association, (b) any condemnation or casualty loss that affects either a material portion of the Property or the Unit or portion of the Common Area securing its deed or trust, (c) any delinquency in the payment of any Assessment levied against such Unit, (d) a lapse, cancellation, or material modification of any insurance policy or fidelity bond maintained by the Neighborhood Association, and (e) any proposed action that requires the consent of a specified percentage of holders of notes secured by such deeds of trust. In addition, such note holder shall be entitled to attend any meeting of the Neighborhood Association and to be furnished upon written request with a copy of any insurance policies maintained by the Neighborhood Association pursuant to this Declaration.

Section 29. Property Owners' Association Act. In the event of any conflict between the provisions hereof and those in the Property Owners' Association Act, Section 55-508 et. seq. of the Code, as now in effect and hereafter modified or amended from time to time, the provisions of such Act shall govern except in those cases where such Act

expressly allows deviations from such provisions in a declaration such as this Declaration. Any obligation imposed upon or right granted to any Owner, the Board, the Neighborhood Association or the Declarant pursuant to such Act not fully set forth herein shall nevertheless be binding upon and inure to the benefit of each Owner, the Board, the Neighborhood Association or the Declarant, as the case may be.

Section 32. Subordination to Bay Creek Declaration and Bay Creek Governing Documents. The terms and conditions of this Declaration, the Bylaws, the Articles and any and all rules and regulations promulgated pursuant thereto are expressly subject to and subordinate in all respects to the Bay Creek Declaration and the Bay Creek Governing Documents, as the same may be amended or supplemented from time to time. Should there be any conflict between The Fairways Neighborhood Association documents and the Bay Creek Governing Documents, the Bay Creek Governing Documents shall control.

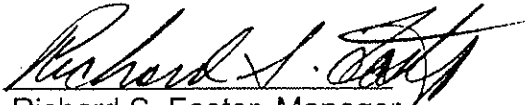
Section 33. Priority of Association Documents over Condominium Instruments. The terms and provisions of this Declaration, the Bylaws, the Articles and all rules and regulations promulgated pursuant thereto are superior in all respects to the Declaration, Bylaws, and rules and regulations of any Condominium created on the Property and the Articles of Incorporation for the Unit Owners' Association for any such Condominium. In the event of a conflict between the Neighborhood Association documents and the Condominium Instruments for a Condominium, the Neighborhood Association documents shall control.

Section 34. Approval of Condominium Instruments; Conflicts. For so long as the Company is an Owner, it shall have the right prior to recordation thereof to approve all instruments required to be recorded in the Clerk's Office pursuant to the provisions of the Condominium Act in connection with formation of a Condominium and any subsequent material modification or amendment thereto (provided no such approval right will exist with respect to documents subsequently put to record to merely add additional phases to the Condominium). The Company shall join in each such instrument, modification or amendment thereto required to be approved by it solely for the purpose of evidencing such approval. The Company shall not be obligated to approve any such instrument, modification or amendment if such instrument, modification or amendment contains any provision that conflicts with the provisions of the Articles, this Declaration, the Bylaws, any rules and regulations promulgated pursuant thereto, or any guidelines established pursuant to the provisions of any of the foregoing. If any such instrument, modification or amendment is not disapproved in writing within fifteen (15) business days after actual receipt thereof by the Company and its counsel, it shall be deemed to have been approved, and the Company shall be obligated to join therein to evidence consent thereto.

WITNESS the following signature pursuant to due authority as of the 18<sup>th</sup> day of APRIL, 2005.

**DECLARANT**

BAY CREEK, L.L.C., a Virginia limited liability company


By:   
Richard S. Foster, Manager

COMMONWEALTH OF VIRGINIA

CITY/CITY OF VIRGINIA BEACH, to-wit:

The foregoing instrument was acknowledged before me this 18<sup>th</sup> day of APRIL, 2005, in my jurisdiction aforesaid, by Richard S. Foster, Manager of Bay Creek, L.L.C., a Virginia limited liability company, on behalf of such company.

My commission expires: 01/31/08

  
Notary Public

## EXHIBIT "A"

ALL THOSE certain parcels of land, with the buildings and improvements thereon and the appurtenances thereunto belonging, situate, lying and being in Northampton County, Virginia, designated as "SECTION 1-A 296,889.3 SQ.FT. 6.816 ACRES", "PART OF SECTION 1-B 188,740.2 SQ.FT. 4.333 ACRES", "PART OF SECTION 1-B 49,952.8 SQ.FT. 1.147 ACRES", "SECTION 2 347,371.2 SQ.FT. 7.975 ACRES" and "SECTION 3 395,525.3 SQ.FT. 9.080 ACRES", on that certain plat entitled "REVISED PLAT OF VILLAGE H BEING A RESUBDIVISION OF 'COURSE PARCEL 2B-4B' AND 'PARCEL H' OF BAY CREEK AT CAPE CHARLES PHASE TWO FOR BAY CREEK LLC (FORMERLY BAYMARK CONSTRUCTION CORPORATION) (DEED REFERENCE: D.B.317, P.378) (MAP BOOK REFERENCES: M.B.26, P.62 AND M.B.27 P.26) TOWN OF CAPE CHARLES, CAPEVILLE DISTRICT NORTHAMPTON COUNTY, VIRGINIA" prepared by LandTech Resources, Inc., recorded in the Clerk's Office of the Circuit Court of Northampton County in Plat Book 33 at page 92, as Instrument Number 050000916.

Network/Condominium Declaration and Bylaws/The Fairways Neighborhood Declaration FINAL  
Rev: 4/18/05

## BYLAWS

### THE FAIRWAYS NEIGHBORHOOD ASSOCIATION, INC.

1. Office. The office of the ASSOCIATION shall be located at such place or places as the BOARD may determine from time to time.

2. Fiscal Year. The first fiscal year of the ASSOCIATION shall be from the date of its incorporation until December 31, 2005. Thereafter, the fiscal year of the ASSOCIATION shall be the calendar year.

3. Seal. The seal of the ASSOCIATION shall have inscribed thereon the name of the ASSOCIATION. The seal may be used by causing it, or a facsimile thereof, to be impressed, affixed, or otherwise reproduced upon any instrument or document executed in the name of the ASSOCIATION.

4. Definitions. Unless the context otherwise requires, all capitalized terms used in these BYLAWS shall have the definitions given to them in the ARTICLES or in the DECLARATION.

5. Annual Meeting. The annual meeting of the MEMBERS for the election of the Voting Member and the alternative Voting Member and transaction of such other business as may come before the meeting shall be held in the month of each year commencing in 2006, at such time and place as shall be designated by the BOARD.

6. Special Meetings. Special meetings of the MEMBERS may be requested at any time by written notice to the Secretary by a majority of the BOARD, CLASS "A" MEMBERS having at least twenty-five percent (25%) of the votes which may be cast by all of the CLASS "A" MEMBERS, the CLASS "B" MEMBER, or the President.

7. Place of Meetings. All meetings shall be held at the office of the ASSOCIATION or at such other location as is determined by the BOARD and, unless another time is fixed in the notice of meeting, at 7:30 p.m.

8. Quorum; Action by the MEMBERS. At all meetings of the MEMBERS the presence of CLASS "A" MEMBERS in person or by proxy entitled to cast one-third (1/3<sup>rd</sup>) of the votes of all of the CLASS "A" MEMBERS shall constitute a quorum. If a quorum is present, the affirmative vote of a majority of the votes cast at the meeting in person or by proxy by the CLASS "A" MEMBERS shall be the act of the MEMBERS, other than to the extent a greater affirmative vote is required by the DECLARATION and/or the affirmative vote of the CLASS "B" MEMBER and/or the consent of HUD if the consent of HUD is also required. In the absence of a quorum, any officer of the ASSOCIATION, the CLASS "B"

MEMBER, or, if no officer is present and the CLASS "B" MEMBER is not present, the CLASS "A" MEMBERS present and entitled to vote, by majority vote, may adjourn the meeting from time to time. After a quorum has been established at a meeting, the subsequent withdrawal of CLASS "A" MEMBERS or proxies, so as to reduce the number of CLASS "A" MEMBERS present in person or by proxy and entitled to vote at the meeting below the number required for a quorum, shall not affect the validity of any action taken at the meeting or any adjournment thereof, whether such action is taken before or after such withdrawal.

9. Organization. At each meeting of the MEMBERS the President, or, in the absence of the President, the Vice-President (if any), or, in the absence of the President and Vice President (if any), any PERSON chosen by a majority of the CLASS "A" MEMBERS present and, so long as there is a CLASS "B" MEMBER, with the approval of the CLASS "B" MEMBER, shall preside. The Secretary, or in his or her absence or inability to act, any PERSON appointed by the chairman of the meeting shall act as secretary of the meeting.

10. MEMBER Register. The Secretary of the ASSOCIATION shall maintain a register in the ASSOCIATION office of the names and addresses of the MEMBERS. It shall be the obligation of each MEMBER to advise the Secretary of any change of address of such MEMBER or change of ownership of any UNIT owned in whole or in part by such MEMBER. The ASSOCIATION shall not be responsible for reflecting any change of address and/or ownership for purpose of notification until notified of any such change in writing. If any UNIT is owned by more than one (1) PERSON, the OWNERS shall advise the Secretary of the name and address of the PERSON to whom notice shall be directed, notice to whom shall be deemed to be sufficient notice to such OWNERS. In the absence of any such designation, notice may be sent to any one of such OWNERS, which notice shall be deemed to be sufficient notice to such OWNERS. Notice to an OWNER that is an entity shall be sent to the address provided by such entity to the Secretary, or, in the absence of any such address, to the registered office of such entity in the Commonwealth of Virginia.

11. Directors. The following provisions shall apply to Directors of the ASSOCIATION and meetings of the BOARD:

- a. All Directors shall be of legal age, but need not be MEMBERS.
- b. While there is a CLASS "B" MEMBER, meetings of the BOARD may be held at such place within the Commonwealth of Virginia as the BOARD may from time to time determine or as shall be specified in the notice or waiver of notice of such meeting. Thereafter, such meetings shall be held at a location in Northampton County, Virginia.

- c. The BOARD shall meet for the purpose of organization, the election of Officers and the transaction of other business as soon as practicable after each annual meeting of the MEMBERS. Notice of such meeting need not be given if such meeting is to occur on the same day and at the same place where the annual meeting is to be held. If all of the Directors are not present after the annual meeting of the MEMBERS, or if the Directors determine not to have the organizational meeting on the same day as the annual meeting of the MEMBERS, such organizational meetings shall be held as soon as practicable thereafter, at a time and place which shall be specified in a notice given as hereinafter provided.
- d. While there is a CLASS "B" MEMBER, regular meetings of the BOARD need not be held. Thereafter, such meetings shall be held at such time and place as the BOARD may from time to time determine, provided such meetings shall be held not less than twice each fiscal year. Notice of regular meetings of the BOARD need not be given, except as otherwise required by statute or these BYLAWS.
- e. While there is a CLASS "B" MEMBER, special meetings of the BOARD may be called solely by such MEMBER. Thereafter, such meetings may be called by any member of the BOARD or the President.
- f. The President or, in his or her absence, a Director designated by those Directors present, shall preside at meetings of the BOARD.
- g. A Director may resign at any time by giving written notice of his or her resignation to the President or the Secretary. Any such resignation shall take effect at the time specified therein or, if the time when such resignation is to become effective is not specified therein, then immediately upon its receipt. Acceptance of such resignation shall not be necessary to make it effective.
- h. Directors designated by the CLASS "B" MEMBER shall not be entitled to any compensation. Directors elected by the CLASS "A" MEMBERS shall not be entitled to any compensation unless the CLASS "A" MEMBERS elect to pay them compensation and, while there is a CLASS "B" MEMBER, the CLASS "B" MEMBER consents to such compensation, and the CLASS "A" MEMBERS set the amount of such compensation, at any meeting of the CLASS "A" MEMBERS.

12. Officers. The following provisions shall apply to Officers of the ASSOCIATION:

- a. The President shall be the chief executive officer of the ASSOCIATION. He or she shall have all of the powers and duties usually vested in the office of president of an association comparable to the ASSOCIATION.
- b. The Vice-President (if any) shall, in the absence or disability of the President, exercise the powers and perform the duties of the President. He or she shall also assist the President generally and exercise such other powers and perform such other duties as shall be prescribed by the BOARD.
- c. The Secretary shall keep the minutes of all proceedings of the BOARD and the MEMBERS. He or she shall attend to the giving and serving of all notices to the MEMBERS and Directors and other notices required by law. He or she shall have custody of the seal of the ASSOCIATION and affix the same to instruments requiring a seal when duly executed. He or she shall keep the records of the ASSOCIATION, except those of the Treasurer (if any), and shall perform all other duties incident to the office of secretary of an association and as may be required by the BOARD or the President. Until such time as the BOARD elects a Treasurer, the SECRETARY shall also serve as and perform the functions of the TREASURER.
- d. The Treasurer shall have custody of all property of the ASSOCIATION, including funds, securities, and evidences of indebtedness. He or she shall keep books of account for the ASSOCIATION in accordance with good accounting practices, which, together with substantiating papers, shall be made available to the BOARD for examination at reasonable times. He or she shall submit a Treasurer's report to the BOARD at reasonable intervals and shall perform all other duties incident to the office of treasurer. The Association shall have the authority to delegate the Treasurer's duties to a professional management company.
- e. The Officers shall not be entitled to compensation unless the BOARD specifically votes to compensate them. However, neither this provision, nor the provision that Directors elected by the CLASS "A" MEMBERS will not be compensated unless otherwise determined pursuant to Subsection 11(h) above, shall preclude the BOARD from employing a Director or an Officer as an employee of the ASSOCIATION, contracting with a Director or Officer for the management of the NEIGHBORHOOD, or engaging a Director or Officer to provide other services to the ASSOCIATION, and in any such event compensating such Director or Officer in a reasonable manner.

13. Budget. Prior to each fiscal year commencing with fiscal 2006 , the BOARD shall adopt a budget for such fiscal year, which shall include the estimated funds required to defray ,the expenses for which the Association is responsible for pursuant to the Declaration, including maintaining replacement, improvement, and maintenance reserves. Commencing with fiscal 2006 , if the budget for any fiscal year is not adopted before the beginning of the fiscal year, the existing budget shall remain in effect until the budget for the fiscal year is adopted. Once adopted, the budget may be amended or revised by the BOARD in its discretion. All budgets and amendments and revisions thereof shall be made available for inspection by the CLASS "A" MEMBERS and INSTITUTIONAL LENDERS upon reasonable request. Notwithstanding the foregoing, the adoption of a budget shall not be a condition precedent to the effectiveness...of any ASSESSMENTS or SPECIAL ASSESSMENTS, and nothing contained herein shall be construed as restricting the right of the BOARD, at any time in its sole discretion, to levy additional ASSESSMENTS or SPECIAL ASSESSMENTS. The budget shall be prepared in accordance with the provisions relating to the budget as set forth in the Declaration.

14. Amendments. These BYLAWS may be amended by the Directors from time to time, provided no amendment to these BYLAWS while there is a CLASS "B" MEMBER shall become effective unless consented to by the CLASS "B" MEMBER and if applicable or required, HUD. Any amendment to these Bylaws shall be subject to the prior approval of the Board of Directors of The Fairways Neighborhood Association, as the term is defined in the Declaration.


15. Parliamentary Rules. , Roberts' Rules of Order (latest edition) shall govern the conduct of ASSOCIATION meetings when in conflict with the ARTICLES or these BYLAWS.

16. Order of Precedence. In the event of any conflict between the ARTICLES, BYLAWS, RULES AND REGULATIONS and/or the DECLARATION, the order of precedence of such instruments shall be the DECLARATION, the ARTICLES, the BYLAWS, and the RULES AND REGULATIONS.

17. Applicability of the ACT. Except to the extent duly modified herein, in the ARTICLES, or in the DECLARATION, the provisions of the Virginia Property Owners' Association Act, Chapter 26, Title 55 of the CODE as in effect on the date hereof or hereafter modified or amended shall apply to governance of the affairs of the ASSOCIATION.


\* \* \* \* \*

The foregoing BYLAWS of The Fairways Neighborhood Association, Inc. were adopted by the Incorporator on April 18, 2005

  
\_\_\_\_\_  
Harry R. Purkey, Jr.,  
Incorporator

STATE OF VIRGINIA,  
CITY OF VA. BEACH, to wit;

The foregoing was acknowledged before me this 18<sup>th</sup> day of April, 2005, by Harry R. Purkey, Jr., Incorporator.

  
\_\_\_\_\_  
Notary Public

Jan 31, 2028  
My commission expires

Condominium Declaration and Bylaws/ The Fairways Neighborhood FINAL  
Rev: 12/31/04

INSTRUMENT #050005310  
RECORDED IN THE CLERK'S OFFICE OF  
NORTHAMPTON COUNTY ON  
JUNE 17, 2005 AT 11:04AM  
TRACI L. JOHNSON, CLERK

RECORDED BY: 586

**ARTICLES OF INCORPORATION OF  
THE FAIRWAYS NEIGHBORHOOD ASSOCIATION, INC.**

The undersigned hereby forms a non-stock corporation under the provisions of Chapter 10 of Title 13.1 of the Code ("Act"), and to that end adopts the following Articles of Incorporation for such corporation.

**ARTICLE I: NAME**

The name of the corporation is The Fairways Neighborhood Association, Inc.

**ARTICLE II: PURPOSES**

The sole purposes and powers of the corporation are:

(a) To manage, maintain and care for the Common Areas and Facilities located in the Fairways Neighborhood, including any Common Areas and Facilities located within any condominium created in any portion of the Fairways Neighborhood, and to oversee the affairs of any and all condominium projects created within the Fairways Neighborhood, and to assess, collect and disburse the charges due the Corporation from its Members, as hereinafter provided.

(b) To acquire (by gift, purchase or otherwise), own, hold, improve, build upon, operate, maintain, sell, lease, transfer, mortgage, encumber, dedicate for public use or otherwise dispose of real or personal property in connection with the affairs of the corporation.

(c) To do any and all things and acts that the corporation, from time to time, in its discretion, may deem to be for the benefit of the Fairways Neighborhood and the Members, or advisable, proper or convenient for the promotion of the peace, health, comfort, safety or general welfare of such Members, and to conduct any and all business that a corporation organized under the Act by law may now or hereafter conduct and have or exercise all powers rights and privileges that are not required to be specifically set forth in these Articles.

Notwithstanding any other provisions of these Articles, the corporation shall not carry on any activities not permitted to be carried on by a homeowners association exempt from federal income tax under Section 501 of the Internal Revenue Code of 1986 or the corresponding provision of any future Internal Revenue law.

**ARTICLE III: MEMBERS AND VOTING**

The Association shall have two classes of membership, Class "A" and Class "B".

CLASS "A": Class "A" Members shall be all the Owners except the Class "B" Member, if any. Class "A" Members shall one (1) equal vote for each Condominium Unit they own. All Class "A" votes shall be cast

as provided in this Section III and subject to the restrictions on voting as set forth in this Article III.

**CLASS "B":** The sole Class "B" Member shall be the Declarant or any assignee of the Declarant as the Declarant may so direct. The Class "B" Membership shall terminate upon the earlier of (i) four (4) months after the conveyance of more than 75% of the Condominium Units in the last condominium project created in the Fairways Neighborhood or (ii) when, in its discretion the Declarant so determines and records in the Clerk's Office an instrument terminating the Class "B" Membership. Upon termination of the Class "B" Membership, the Declarant shall be a Class "A" Member entitled to Class "A" Votes for each Condominium Unit in the Fairways Neighborhood it owns.

In any situation where a Member is entitled personally to exercise the Vote for his or her Unit, and there is more than one Owner of such Unit, the vote for such Unit shall be exercised as the Co-Owners determine among themselves and advise the Secretary of the Association in writing prior to the vote being taken. Absent such advice, the Unit's vote shall be suspended if more than one person seeks to exercise it.

#### **LIMITATION ON VOTING RIGHTS**

The Class "A" Members voting rights are restricted to electing the Voting Member and the alternate Voting Member for the Fairways Neighborhood as set forth in the Bay Creek Declaration, the election of one (1) member of the Board of Directors of the Corporation as set forth in Article IV below and such other matters as are specifically enumerated in these Articles. Class "A" Members are not entitled to vote on any matter for which voting rights in the Class "A" Members are not specifically set forth herein. Among other matters, the Class "A" Members shall not have the right to elect or remove Members of the Board of Directors other than the one (1) member of the Board of Directors the Class "A" Members are Authorized to elect as set forth above.

#### **ARTICLE IV: MANAGEMENT OF CORPORATION**

The affairs of the Association shall be managed by the Board of Directors having no fewer than three (3) and no more than seven (7) members. The initial Board of Directors shall have three members and those persons identified as such in Article V below shall serve as such initial Board (the "Initial Board Members") until the first Annual Meeting of the Board after the Declarant of the first Condominium to be created in the Fairways Neighborhood has relinquished control of the Unit Owner's Association. At the first Annual meeting of the Board after the Declarant of the first Condominium to be created in the Fairways Neighborhood has relinquished control of that Condominium, the Board of Directors of the Corporation shall be increased from three to five members, with the Initial Board Members shall remain as members of the Board and the other two Directors shall be those persons elected by the Board of Directors of the first Condominium to be

created in the Fairways Neighborhood to serve on the Board of Directors of the Corporation. At the first annual meeting after the Declarant has relinquished control of the second Condominium to be created in the Fairways Neighborhood, the Board of Directors shall be increased to seven (7) members, the Initial Board members shall continue to serve as Board members, the Board members elected by the Board of Directors of the first Condominium shall continue to serve as Board members and the remaining two Board members shall be elected by the Board of Directors of the second Condominium to be created in the Fairways Neighborhood to serve on the Board of Directors of the Corporation. At the first Annual meeting after the Declarant has relinquished control of the third Condominium to be created in the Fairways Neighborhood, the Initial Board Members shall resign, the Board members selected by the Boards of Directors of the first and second Condominiums to be created in the Fairways Neighborhood shall continue to serve as Board members, two members of the Board of Directors of the Corporation shall be elected by the Board of Directors of the third Condominium to be created in the Fairways Neighborhood, and the seventh Board member shall be appointed by the Class "B" Member and shall serve until the next annual meeting of the Corporation. At said next annual meeting of the Corporation, the Class "A" Members shall elect one (1) member to the Board and thereafter, the Board shall consist of seven members, two of which shall be elected by the Board of Directors of each Condominium in the Fairways Neighborhood and one of which shall be elected by the Class "A" Members. All Board members shall serve for a term of two (2) years.

A Board member may be removed from office, with or without cause by the members of the Board at a meeting of the members of the Board of the Corporation expressly called for that purpose, provided that notice of such meeting shall state that the purpose, or one of the purposes, of the meeting is removal of that Director. For so long as there is a Class "B" Member, any removal of Initial Board Members as set forth in Article V below or any Director elected by the Class "B" Member as set forth above shall be subject by the consent and approval of the Class "B" Member. Otherwise, if a member of the Board is removed and that Board member was elected to the Board by the Board of Directors of a Condominium, then the members of the Board of Directors of that Condominium shall elect such successor Board member as soon as practical at a special meeting called for that purpose. If the member of the Board was elected by the Class "A" Members as set forth above, then the Class "A" Members shall elect such successor Director. The foregoing provisions shall also apply in the event that a Director resigns, becomes disabled, or dies.

An Initial Board Member or any Director elected by the Class "B" Member shall not be required to disqualify themselves upon any vote, upon any management contract lease or other matter between the Class "B" Member and the Neighborhood Association whether under circumstances or by virtue of which the Class "B" Member may have a pecuniary or other interest. No such actual or apparent conflict of interest shall be a cause of partial or total invalidity of the matter voted on, whether or not the vote of any Initial Board Member or any Director selected by the Class "B" Member was necessary for the adoption, ratification, or execution of the same.

**ARTICLE V: INITIAL BOARD OF DIRECTORS**

The names and addresses of those persons who are to constitute the initial Board of Directors are:

<u>NAME</u>	<u>ADDRESS</u>
Richard S. Foster	1100 Eaglewood Drive Virginia Beach, VA 23454
Jeffery A. Foster	1100 Eaglewood Drive Virginia Beach, VA 23454
S. Scott Foster	1100 Eaglewood Drive Virginia Beach, VA 23454

**ARTICLE VI: REGISTERED OFFICE AND AGENT**

The address of the initial registered office of the corporation is 303 34<sup>th</sup> Street, Suite 5, Virginia Beach, Virginia 23451. The name of the initial registered agent is Harry R. Purkey, Jr., whose business address is 303 34<sup>th</sup> Street, Suite 5, Virginia Beach, Virginia, 23451, which is located in the City of Virginia Beach. Mr. Purkey is a resident of Virginia and a member of the Virginia State Bar.

**ARTICLE VII: LOANS; DEEDS OF TRUST**

The Board of Directors shall have the power and authority to enter into deeds of trust encumbering the property of the corporation and to pledge the revenues of the corporation as security for loans made to the corporation which loans shall be used by the corporation in performing its authorized functions; provided that any such deed of trust is with the prior consent of more than two-thirds (2/3rds) of the votes of the Board and, so long as there is a Class "B" Member, the affirmative vote of the Class "B" Member, and, if applicable, HUD. Notwithstanding anything in the Declaration to the contrary, without the express written consent of the Declarant, the corporation shall not be allowed to reduce the level of the Annual Assessment at any time there are outstanding any amounts due the Declarant as repayment of any loans made by the Declarant to the corporation.

**ARTICLE VIII: MERGER; CONSOLIDATION; SALE OF ASSETS; DISPOSITION OF ASSETS IN DISSOLUTION**

So long as there is a Class "B" Member, the corporation shall not participate in a merger or consolidation, sell, lease, exchange, or otherwise dispose of all, or substantially all, of its

property, with or without the good will, otherwise than in the usual and regular course of business, or dissolve without the consent of HUD, if applicable. Subject to the provisions of the preceding sentence, the corporation may participate in such a merger, consolidation disposition of assets or be dissolved by the affirmative vote of more than two-thirds (2/3rds) of the votes of the Board and so long as there is a Class "B" Member, of the Class "B" Member. Prior to dissolution of the corporation, the assets of the corporation shall be offered for dedication to the County of Northampton, Virginia. If such dedication is refused, such assets shall be granted, conveyed and assigned to any nonprofit corporation, association, trust or other organization to be devoted to purposes similar to those contemplated by the Declaration and General Property Covenants. In the event of such a dissolution and transfer, the assets shall continue to be used and maintained for the purposes set out herein.

#### ARTICLE IX: INDEMNIFICATION

The corporation shall have all of the powers of indemnification set forth in Article 9 of the Act as in effect on the date hereof or as hereafter modified or amended, provided that whenever pursuant to such Article (i) a determination that indemnification is permissible is to be made, (ii) indemnification is to be authorized, and/or (iii) an evaluation as to the reasonableness of expenses against which an individual is to be indemnified is to be made, in any such case by a vote of the Members, the vote required shall be the affirmative vote of more than two-thirds (2/3rds) of the Board, so long as there is a Class "B" Member, of the Class "B" Member, provided membership interests owned or voted under the control of Directors who are at the time parties to the proceeding in question may not be voted on the determination, authorization, or evaluation, as the case may be.

#### ARTICLE X: DEFINITIONS; CONFLICTS

All capitalized terms used in these Articles and not defined herein shall have the meaning given to them in the Declaration of Rights, Restrictions, Affirmative Obligations and Conditions Applicable to the Fairways Neighborhood made by Bay Creek, L.L.C., a Virginia limited liability company, which will be recorded in the Clerk's Office following incorporation of the corporation. In the event of a conflict between these Articles and the foregoing Declaration, the Declaration shall govern. Further, in the event of a conflict between these Articles and the Bay Creek Governing Documents, then the Bay Creek Governing Documents shall control.

Dated: 3/28/05

  
\_\_\_\_\_  
Harry R. Purkey, Jr.  
Incorporator

Network/Articles of Incorporation/ The Fairways Neighborhood Jan 3 Rev CLEAN  
Rev. 3/28/05

# Commonwealth of Virginia



## STATE CORPORATION COMMISSION

Richmond, April 5, 2005

*This is to certify that the certificate of incorporation of*

**The Fairways Neighborhood Association, Inc.**

*was this day issued and admitted to record in this office and that the said corporation is authorized to transact its business subject to all Virginia laws applicable to the corporation and its business. Effective date: April 5, 2005*



State Corporation Commission

Attest:

*Joel Heck*  
Clerk of the Commission