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DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS

FOR

CANAL TOWNS PHASE II

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DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS

FOR

CANAL TOWNS PHASE II

THIS DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS FOR CANAL TOWNS PHASE II ("Declaration") is made as of 30th day of September, 2025, by **SIMCOE AT CANAL TOWNS, LLC**, a Georgia limited liability company ("Declarant").

PART ONE: INTRODUCTION TO THE COMMUNITY

Article I Creation of the Community

1.1. Purpose and Intent.

Declarant, as the owner of the real property described in Exhibit "A," intends by Recording this Declaration to establish a general plan of development for the neighborhood known as Canal Towns Phase II. This Declaration provides a flexible and reasonable procedure for Canal Towns Phase II's future expansion as Declarant deems appropriate and provides for its overall development, administration, maintenance, and preservation. An integral part of the development plan is the creation of Canal Towns Phase II Property Owners Association, Inc., an association comprised of all owners of real property in Canal Towns Phase II, to own, operate, and/or maintain various Common Areas and community improvements and to administer and enforce this Declaration and the other Governing Documents referenced in this Declaration.

Canal Towns Phase II is located within Savannah Quarters East, a planned residential community ("Savannah Quarters East") located within Savannah Quarters, a master planned mixed use development in Chatham County, Georgia ("Savannah Quarters"). All land within Savannah Quarters East, including Canal Towns Phase II, is subject to that certain Declaration of Covenant, Conditions, and Restrictions for Savannah Quarters East, dated November 30, 2004, and recorded in Deed Book 280L, page 213, Chatham County, Georgia records, as amended (collectively referred to herein as the "Master Declaration"). This Declaration shall supplement the covenants, conditions and restrictions of the Master Declaration, and shall constitute Parcel Covenants (as defined in the Master Declaration). Each Owner shall abide by, and shall ensure their tenants, guests and invitees abide by, the terms of the Master Declaration and/or any rules and regulations adopted by the Master Association that govern the Property. The Association shall be the sole and exclusive representative of the Property and Canal Towns Phase II for purposes of participating in the business and affairs of the Master Association and shall be authorized to represent the Owners in all such matters. No individual Owner shall have any right or authority to represent or speak for Canal Towns Phase II vis-à-vis the Master Association or otherwise.

The Declarant is a Member of the Savannah Quarters East Neighborhood Association, Inc. (referred to herein as the "Master Association").

The Declarant has deemed it desirable, for the efficient preservation of the values of and the amenities in Canal Towns Phase II, to create a Parcel Association under the terms of the Master Declaration, to which will be delegated and assigned as further described herein, the powers of (i) maintaining and administering any Common Area or Area of Common Responsibility, (ii) administering and enforcing the Declaration; (iii) establishing and amending the reasonable rules, regulations and policies for the property management of the Association and for the promotion of the health, safety and welfare of the residents of Canal Towns Phase II; and (iv) levying, collecting, and disbursing the Assessments and charges hereinafter created. The Declarant may assign or delegate, either permanently or temporarily, any or all of the foregoing powers to one or more entities or persons without notice to or the consent of any Owner.

This document does not and is not intended to create a condominium under Georgia law.

1.2. Binding Effect.

All property described in Exhibit "A," and any additional property which is made a part of Canal Towns Phase II in the future by Recording one or more Supplemental Declarations, shall be owned, conveyed, and used subject to all of the provisions of this Declaration, which shall run with the title to such property. This Declaration shall be binding upon all Persons having any right, title, or interest in any portion of Canal Towns Phase II, their heirs, successors, successors-in-title, and assigns.

This Declaration, as it may be amended, shall remain in effect and shall be enforceable by Declarant, the Association, any Owner, and their respective legal representatives, heirs, successors, and assigns, for a term of 20 years from the date this Declaration is Recorded. After such time, this Declaration shall be extended automatically for successive periods of 10 years each, unless an instrument signed by a majority of the then Owners has been Recorded within the year preceding any extension agreeing to terminate this Declaration, in which case it shall terminate as of the date specified in such instrument. Notwithstanding this, if any provision of this Declaration would be unlawful, void, or voidable by reason of any Georgia law restricting the period of time that covenants on land may be enforced, such provision shall expire 21 years after the death of the last survivor of the now living descendants of Elizabeth II, Queen of England. Nothing in this Section shall be construed to permit termination of any easement created in this Declaration without the consent of the easement holder.

1.3. Governing Documents.

GOVERNING DOCUMENTS

Articles of Incorporation (filed with Secretary of State of the	establishes the Association as a non-profit corporation under Georgia law

State of Georgia)

By-Laws (the Board of Directors adopts)	governs the Association's internal affairs, such as voting rights, elections, meetings, officers, etc.
Declaration (Recorded)	creates obligations which are binding upon the Association and all present and future owners of property in Canal Towns Phase II
Supplemental Declaration (Recorded)	adds property described on Exhibit "B" or may impose additional obligations or restrictions on such property
Master Declaration (Recorded)	creates obligations which are binding upon the Master Association and all present and future owners of property in Savannah Quarters East
Architectural Guidelines (Declarant adopts)	establish architectural standards and guidelines for improvements and modifications to Living Units, including structures, landscaping, and other items on Living Units
Restrictions and Rules (initial set attached as Exhibit "C")	governs use of property, activities, and conduct within Canal Towns Phase II
Board Resolutions (Board adopts)	establish rules, policies, and procedures for internal governance and Association

The Governing Documents apply to all Owners and occupants of property within Canal Towns Phase II, as well as to their respective tenants, guests, and invitees. Any lease on a Unit shall provide that the Tenant and all occupants of the leased Living Unit are bound by and obligated to comply with the Governing Documents.

If any court should determine that any provision of this Declaration is invalid, or invalid as applied in a particular instance, such determination shall not affect the validity of other provisions or applications of such provision.

Article II Concepts and Definitions

The terms used in the Governing Documents shall generally be given their natural, commonly accepted definitions unless otherwise specified. Capitalized terms shall be defined as set forth below.

"Architectural Guidelines": The architectural, design, and construction guidelines and review procedures adopted pursuant to Article IV, as they may be amended.

"Area of Common Responsibility": The Common Area together with such other areas, if any, for which the Association has or assumes responsibility pursuant to the terms of the Declaration, any Supplemental Declaration, or other applicable covenants, contracts or agreements.

"Articles of Incorporation" or "Articles": The Canal Towns Phase II Property Owners Association, Inc.'s Articles of Incorporation, filed with the Secretary of State of the State of Georgia, as they may be amended.

"Assessments": Assessments for common expenses provided for herein or by any subsequent amendment hereto which shall be used for the purposes of promoting the recreation, welfare, common benefit and enjoyment of the Owners and occupants of the Living Units in the Neighborhood, all as may be specifically authorized from time to time by the Board of Directors.

"Association": The Canal Towns Phase II Property Owners Association, Inc., a Georgia nonprofit corporation, which has been formed to care for the Common Area, Area of Common Responsibility, and/or facilities which are used exclusively by the members of the Association. The Association shall be deemed a Parcel Association (as defined in the Master Declaration).

"Base Assessment": Assessments levied on all Living Units subject to assessment under Article X to fund Common Expenses for the general benefit of all Living Units, as determined in accordance with Section 10.1.

"Board of Directors" or "Board": The body responsible for administration of the Association, selected as provided in the By-Laws and generally serving the same role as the board of directors under Georgia corporate law.

"Builder": Any person, entity or its affiliate designated by Declarant as a "Builder" in this Declaration, a Supplemental Declaration, or in any unrecorded written agreement between Declarant and said Builder with respect to the particular Living Units specified in the document designating Builder status, and any Builder Affiliates that take title to said Living Units, as defined below. Status as a Builder with respect to a particular Living Unit will commence upon acquisition of said Living Unit, and terminate upon the sale, lease or other disposition of said Living Unit to any party other than a Builder Affiliate.

"Builder Affiliates": Any affiliated entity that takes title to a Living Unit specified in the document designating Builder status to a Builder, and is identified by said Builder as an affiliate in a written notice to Declarant or the Association. For purposes of this section, an affiliated entity must be a business entity that controls or is controlled by Builder or that controls or is controlled by members, shareholders or partners that control Builder. Notwithstanding the inclusion of Builder Affiliates in the definition of Builder, the written notice or notices to

Declarant or the Association identifying Builder Affiliates shall designate a single entity that shall be Declarant's or the Association's point of contact for the Builder and all its affiliated entities, and any notices sent by or on behalf of the Declarant or the Association shall be deemed adequately sent if directed to said point of contact.

"By-Laws": The By-Laws of Canal Towns Phase II Property Owners Association, Inc., as they may be amended. A copy of the initial By-Laws is attached to this Declaration as Exhibit "D."

"Class "B" Control Period": The period of time during which the Class "B" Member is entitled to appoint a majority of the members of the Board as provided in Section 3.3 of the By-Laws. The Class "B" Control Period shall terminate on the first to occur of the following:

(a) when the Declarant and the Developer no longer own any of the property described in Exhibits "A" and "B";

(b) December 31, 2045; or

(c) when, in its discretion, the Class "B" Member so determines.

"Common Area": All real property, including the improvements thereon, owned by the Declarant, or as may hereafter be conveyed to the Association (as hereinafter defined), for the common and exclusive use and enjoyment of the Owners and others entitled to the use thereof. The Common Area shall include Limited Common Areas as defined below.

"Common Expenses": The actual and estimated expenses incurred, or anticipated to be incurred, by the Association for the general benefit of all Owners, including any reasonable reserve, as the Board may find necessary and appropriate pursuant to the Governing Documents. Common Expenses shall not include any expenses incurred during the Class "B" Control Period for initial development or other original construction costs unless Members representing a majority of the total Class "A" vote of the Association approve. Payments due under leases of capital improvements such as street lights shall not be considered an initial development or original construction cost. Common Expenses shall include all assessments, fees and charges levied against the Association pursuant to the Master Declaration.

"Community-Wide Standard": The standard of conduct, maintenance, or other activity generally prevailing at Canal Towns Phase II, or the minimum standards established pursuant to the Architectural Guidelines, Restrictions and Rules, and Board resolutions, whichever is the highest standard. Initially, Declarant shall establish such standard, which may contain both objective and subjective elements. The Community-Wide Standard may evolve as development progresses and as the needs and desires within Canal Towns Phase II change. In no event shall the Community Standard be a lower standard than that required under the Master Declaration unless approved by the Master Declarant (which approval may be granted or withheld in its sole discretion) in a recorded document.

"Governing Documents": are defined in Section 1.3 above.

"Declarant": Simcoe at Canal Towns, LLC, a Georgia limited liability company, or any successor or assign who takes title to any portion of the property described in Exhibit "A" or Exhibit "B" for the purpose of development and/or sale and who is designated as Declarant in a Recorded instrument the immediately preceding Declarant executes.

"Limited Common Area": Those areas owned by the Association that serve one or more, but less than all Living Units.

"Living Unit": Any portion of a multi-family structure situated upon the Properties designed and intended for use and occupancy as a residence by a single family, and the Lot upon which such structure is located.

"Lot": Any plot of land shown upon any recorded Subdivision Plat of the Property, including lots designated for townhomes, with the exception of Common Areas and areas lying within public or private road right of ways.

"Member": A Person subject to membership in the Association pursuant to Section 6.2.

"Mortgage": A mortgage, a deed of trust, a deed to secure debt, or any other form of security instrument affecting title to any Living Unit. The term "Mortgagee" shall refer to a beneficiary or holder of a Mortgage.

"Owner": One or more Persons who hold the record title to any Living Unit, but excluding in all cases any party holding an interest merely as security for the performance of an obligation. If a Living Unit is sold under a Recorded contract of sale, and the contract specifically so provides, the purchaser (rather than the fee owner) will be considered the Owner.

"Person": A natural person, a corporation, a partnership, a trustee, or any other legal entity.

"Property" or "Canal Towns Phase II": The real property described in Exhibit "A" together with such additional property described in Exhibit "B" as is subjected to this Declaration in accordance with Article XI.

"Record," "Recording," or "Recorded": The filing of a legal instrument in the Office of the Clerk of the Superior Court of Chatham County, Georgia, or such other place as may be designated as the official location for recording documents affecting title to real estate.

"Restrictions and Rules": The initial restrictions and rules set forth in Exhibit "C," as they may be supplemented, modified, and repealed pursuant to Article III.

"Service Area": A group of Living Units designated as a separate Service Area pursuant to this Declaration or any Supplemental Declaration for purposes of sharing Limited Common Areas. A Service Area may be comprised of more than one land use and may include noncontiguous property. A Living Unit may be part of more than one Service Area established for different purposes. Service Areas may be established and modified as provided in Section 7.3.

"Service Area Assessments": Assessments levied against the Living Units in a particular Service Area to fund Service Area Expenses, as described in Section 10.1.

"Service Area Expenses": The actual and estimated expenses which the Association incurs or expects to incur for the benefit of Parcels within a particular Service Area, which may include a reasonable reserve for capital repairs and replacements and a reasonable administrative charge, as may be authorized pursuant to this Declaration or in the Supplemental Declaration(s) applicable to such Service Area(s).

"Special Assessment": Assessments levied in accordance with Section 10.3.

"Specific Assessment": Assessments levied in accordance with Section 10.4.

"Subdivision Plat": Subdivision Plat shall collectively refer to any subdivision plats referenced in Exhibit "A" or incorporated into Exhibit "A" by Supplemental Declarations hereto.

"Supplemental Declaration": An instrument recorded pursuant to Article XI which, subjects additional property described in Exhibit "B" to this Declaration or which imposes additional restrictions and obligations on the land described in such instrument.

PART TWO: CREATION AND MAINTENANCE OF COMMUNITY STANDARDS

Article III Use and Conduct

3.1. Framework for Regulation.

The Governing Documents establish, as part of the general plan of development for Canal Towns Phase II, a framework of affirmative and negative covenants, easements, and restrictions which govern the Property. Within that framework, the Board and the Members must have the ability to respond to unforeseen problems and changes in circumstances, conditions, needs, desires, trends, and technology. Therefore, this Article establishes procedures for modifying and expanding the initial Restrictions and Rules set forth in Exhibit "C."

3.2. Rule Making Authority.

(a) In addition to all Restrictions and Rules of the Master Declaration, subject to the terms of this Article and the Board's duty to exercise business judgment and reasonableness on behalf of the Association and its Members, the Board may modify, cancel, limit, create

exceptions to, or expand the Restrictions and Rules. The Board shall mail notice to all Owners concerning any proposed action at least five business days prior to the Board meeting at which such action is to be considered. Members shall have a reasonable opportunity to be heard at a Board meeting prior to such action being taken.

Such action shall become effective, after compliance with subsection (c) below, unless Members representing more than 50% of the total Class "A" votes in the Association and the Class "B" Member, if any, disapprove. The Board shall have no obligation to call a meeting of the Members to consider disapproval except upon receipt of a petition as required for special meetings in the By-Laws. If the Board receives such petition prior to the effective date of any action under this Section 3.2(a), the proposed action shall not become effective until after such meeting is held, and then subject to the outcome of such meeting.

(b) Alternatively, Members representing more than 50% of the total Class "A" votes in the Association, at an Association meeting duly called for such purpose, may vote to modify, cancel, limit, create exceptions to, or expand the Restrictions and Rules then in effect. Such action shall require the approval of the Class "B" Member, if any.

(c) Prior to any action taken under this Section becoming effective, the Board shall send a copy of the new rule or explanation of any changes to the Restrictions and Rules to each Owner. The effective date shall be not less than 30 days following distribution to Owners.

The Association shall provide one copy of the Restrictions and Rules then in effect to any requesting Member or Mortgagee.

(d) No action taken under this Article shall have the effect of modifying, repealing, or expanding the Architectural Guidelines or any provision of this Declaration other than the initial Restrictions and Rules set forth in Exhibit "C." In the event of a conflict between the Architectural Guidelines and the Restrictions and Rules, the Architectural Guidelines shall control.

(e) The procedures set forth in this Section 3.2 do not apply to the Board's enactment by resolution of rules and regulations governing use and operation of the Common Area; provided, the Board may choose, in its discretion, to submit to such procedures.

3.3. Owners' Acknowledgment and Notice to Purchasers.

All Owners are given notice that use of their Living Units and the Common Area is limited by the Restrictions and Rules as amended, expanded, and otherwise modified from time to time, in addition to all applicable rules and regulations of the Master Association. Each Owner, by acceptance of a deed, acknowledges and agrees that the use and enjoyment and marketability of his or her Living Unit can be affected by this provision and that the Restrictions and Rules may change from time to time. All purchasers of Living Units are on notice that the

Association may have adopted changes and that such changes may not be reflected in a Recorded instrument. Copies of the current Restrictions and Rules may be obtained from the Association.

3.4. Protection of Owners and Others.

Except as may be set forth in this Declaration (either initially or by amendment), the Architectural Guidelines, or in the initial Restrictions and Rules set forth in Exhibit "C," all Restrictions and Rules shall comply with the following provisions:

(a) Similar Treatment. Similarly situated Owners shall be treated similarly.

(b) Signs and Displays. The Board shall not interfere with Owners' rights to display religious and holiday signs, symbols, and decorations inside structures on their Living Units, except that it may adopt time, place, and manner restrictions with respect to displays visible from outside the Living Unit. Notwithstanding anything to the contrary contained herein, those signs required by Georgia law, and a "for sale" or "for rent" sign may be displayed outside a Living Unit.

(c) Activities Within Dwellings. The Board may not interfere with the activities carried on within the confines of dwellings, except that it may prohibit activities not normally associated with property restricted to residential use, and it may restrict or prohibit any activities that create monetary costs for the Association or other Owners, that create a danger to the health or safety of others, that generate excessive noise or traffic, that create unsightly conditions visible outside the Living Unit, or that create an unreasonable source of annoyance.

(d) Allocation of Burdens and Benefits. The Board shall not alter the allocation of financial burdens among the various Living Units or rights to use the Common Area to the detriment of any Owner over that Owner's written objection. Nothing in this provision shall prevent the Board from changing the Common Area available, from adopting generally applicable rules for use of the Common Area, or from denying use privileges to those who are delinquent in paying assessments, abuse the Common Area, or violate the Governing Documents. This provision does not affect the right to increase the amount of assessments as provided in Article X.

(e) Abridging Existing Rights. No rule shall require an Owner to dispose of personal property that was in or on a Living Unit prior to the adoption of such rule if such personal property was in compliance with all rules previously in force. This exemption shall apply only during the period of such Owner's ownership of the Living Unit, and shall not apply to subsequent Owners who take title to the Living Unit after adoption of the rule.

(f) Unlawful Restraints on Alienation. No rule shall unreasonably restrain or restrict an Owners ability to sell its Living Unit in violation of Georgia law. The limitations in subsections (a) through (g) of this Section 3.4 shall only limit rulemaking authority exercised under Section 3.2; they shall not apply to amendments to this Declaration adopted in accordance with Article XIX.

3.5. Enforcement by Master Declarant. In the event that the Declarant and the Association fail to enforce the provisions of this Declaration required to be enforced under the terms of the Master Declaration after thirty (30) days written notice from the Master Declarant (or the Master Association after the Class "B" Control Period (as such term is defined in the Master Declaration)), then the Master Declarant (or the Master Association after the Class "B" Control Period) shall have the authority to enforce said provisions and to take such actions on behalf of the Association as may be required to enforce said provisions. Said authority shall include, but not be limited to, the right to specially assess Owners for the purpose of paying assessments due from the Association to the Master Association.

Article IV Architecture and Landscaping

4.1. General.

No structure or thing shall be placed, erected, or installed upon any Living Unit and no improvements or other work (including staking, clearing, excavation, grading, and other site work; exterior alterations of existing improvements; or planting or removal of landscaping) shall take place within the Property, except in compliance with this Article and the Architectural Guidelines.

This Article shall not apply to Declarant's activities, nor to activities of the Association during the Class "B" Control Period.

4.2. Architectural Review.

(a) By Declarant. Each Owner, by accepting a deed or other instrument conveying any interest in any portion of the Property, acknowledges that Declarant has a substantial interest in ensuring that the improvements within the Property enhance Declarant's reputation as a community developer and do not impair Declarant's ability to market, sell, or lease its property. Therefore, each Owner agrees that no activity within the scope of this Article shall be commenced on such Owner's Living Unit unless and until Declarant or its designee has given its prior written approval for such activity, which approval may be granted or withheld in Declarant's or its designee's sole discretion.

In reviewing and acting upon any request for approval, Declarant or its designee shall be acting solely in Declarant's interest and shall owe no duty to any other Person. Declarant's rights reserved under this Article shall continue so long as Declarant owns any portion of the

Property or has the right to expand the Property pursuant to Section 11.1, unless earlier terminated in a Recorded instrument executed by Declarant.

Declarant may, in its sole discretion, designate one or more Persons from time to time to act on its behalf in reviewing applications hereunder.

Declarant may from time to time, but shall not be obligated to, delegate all or a portion of its reserved rights under this Article to (i) an architectural review committee appointed by the Board of Directors (the "ARC"), or (ii) a committee comprised of architects, engineers, or other persons who may or may not be Members of the Association. Any such delegation shall be in writing, shall specify the scope of responsibilities delegated, and shall be subject to (i) Declarant's right to revoke such delegation at any time and reassume jurisdiction over the matters previously delegated and (ii) Declarant's right to veto any decision which Declarant determines, in its sole discretion, to be inappropriate or inadvisable for any reason. So long as Declarant has any rights under this Article, the jurisdiction of the foregoing entities shall be limited to such matters as Declarant specifically delegates to it.

(b) Architectural Review Committee. Upon delegation by Declarant or upon expiration or termination of Declarant's rights under this Article, the Association, acting through the ARC, shall assume jurisdiction over architectural matters. The ARC, when appointed, shall consist of at least three, but not more than seven, persons who shall serve and may be removed and replaced in the Board's discretion. The members of the ARC need not be Members of the Association or representatives of Members, and may, but need not, include architects, engineers, or similar professionals, who may be compensated in such manner and amount, if any, as the Board may establish.

Unless and until such time as Declarant delegates all or a portion of its reserved rights to the ARC or Declarant's rights under this Article terminate, the Association shall have no jurisdiction over architectural matters.

(c) Reviewer. For purposes of this Article, the entity having jurisdiction in a particular case is referred to as the "Reviewer."

(d) Fees; Assistance. The Reviewer may establish and charge reasonable fees for review of applications and may require such fees to be paid in full prior to review of any application. Such fees may include the reasonable costs incurred in having any application reviewed by architects, engineers, or other professionals. Declarant and the Association may employ architects, engineers, or other persons as deemed necessary to perform the review. The Board may include the compensation of such persons in the Association's annual operating budget.

4.3. Architectural Guidelines.

Declarant may prepare, modify, and amend Architectural Guidelines, in its sole discretion. The Architectural Guidelines are intended to provide guidance to Owners regarding matters of particular concern to the Reviewer in considering applications. The Architectural Guidelines are not the exclusive basis for the Reviewer's decisions and compliance with the Architectural Guidelines does not guarantee approval of any application.

Any amendments to the Architectural Guidelines shall be prospective only and shall not apply to require modifications to or removal of structures previously approved once the approved construction or modification has commenced. There shall be no limitation on the scope of amendments to the Architectural Guidelines, and such amendments may remove requirements previously imposed or otherwise make the Architectural Guidelines less restrictive.

The Reviewer shall make the Architectural Guidelines available to Owners who seek to engage in development within the Property. In Declarant's discretion, such Architectural Guidelines may be Recorded, in which event the Recorded version, as it may be amended from time to time, shall control in the event of any dispute as to which version of the Architectural Guidelines was in effect at any particular time.

4.4. No Waiver of Future Approvals.

Each Owner acknowledges that the persons reviewing applications under this Article will change from time to time and that opinions on aesthetic matters, as well as interpretation and application of the Architectural Guidelines, may vary accordingly. In addition, each Owner acknowledges that it may not always be possible to identify objectionable features until work is completed, in which case it may be unreasonable to require changes to the improvements involved, but the Reviewer may refuse to approve similar proposals in the future. Approval of applications or plans, or in connection with any other matter requiring approval, shall not constitute a waiver of the right to withhold approval as to any similar applications, plans, or other matters subsequently or additionally submitted for approval.

4.5. Variances.

The Declarant or the Reviewer may authorize variances from compliance with any of its guidelines and procedures when circumstances such as topography, natural obstructions, hardship, or aesthetic or environmental considerations require, but only in accordance with duly adopted rules and regulations. No variance shall (a) be effective unless in writing; (b) be contrary to this Declaration; or (c) estop the Reviewer from denying a variance in other circumstances. For purposes of this Section, the inability to obtain approval of any governmental agency, the issuance of any permit, or the terms of any financing shall not be considered a hardship warranting a variance.

4.6. Limitation of Liability.

The standards and procedures established by this Article are intended as a mechanism for maintaining and enhancing the overall aesthetics of the Property; they do not create any duty to any Person. Review and approval of any application pursuant to this Article may be based on aesthetic considerations only. The Reviewer shall not bear any responsibility for ensuring the structural integrity or soundness of approved construction or modifications, nor for ensuring compliance with building codes and other governmental requirements, nor for ensuring that all dwellings are of comparable quality, value, or size, of similar design, or aesthetically pleasing or otherwise acceptable to neighboring Owners.

Declarant, the Association, the Board, any committee, or any member of the Board or any committee shall not be held liable for soil conditions, drainage, or other general site work; any defects in plans revised or approved hereunder; any loss or damage arising out of the action, inaction, integrity, financial condition, or quality of work of any contractor or its subcontractors, employees, or agents, whether or not Declarant has approved or featured such contractor as a builder; or any injury, damages, or loss arising out of the manner or quality or other circumstances of approved construction on or modifications to any Living Unit. In all matters, the Board, the ARC, and the members of each shall be defended and indemnified by the Association as provided in Sections 7.5 and 7.6.

4.7 Builder Provisions.

Builders shall be subject to the provisions of this Article IV, except as specifically provided below:

(1) Notwithstanding the foregoing, Declarant,the Association and the ARC shall not charge architectural review fees to Builders.

(2) Builders may submit copies of the required architectural review documents for each of the Living Units that it intends to build in Canal Towns Phase II for review and approval. Upon approval of said review documents for each Living Unit, Builders may construct said Living Units on any of the Lots that they own so long as there are no material variations in said review documents, and so long as similar Living Units are not constructed on multiple Lots that are located adjacent to, or across the street from each other.

Article V [intentionally deleted]

PART THREE: COMMUNITY GOVERNANCE AND ADMINISTRATION

Article VI The Association and its Members

6.1. Function of Association.

The Association is the entity responsible for management, maintenance, operation, and control of the Common Areas and Areas of Common Responsibility. The Association also is the primary entity responsible for enforcement of the Governing Documents. The Association shall perform its functions in accordance with the Governing Documents and Georgia law.

6.2. Membership.

Every Owner shall be a Member of the Association. There shall be only one membership per Living Unit. If a Living Unit is owned by more than one Person, all co-Owners shall share the privileges of such membership, subject to reasonable Board regulation and the restrictions on voting set forth in Section 6.3(c) and in the By-Laws, and all such co-Owners shall be jointly and severally obligated to perform the responsibilities of Owners. The membership rights of an Owner which is not a natural person may be exercised by any officer, director, partner, or trustee, or by the individual designated from time to time by the Owner in a written instrument provided to the Secretary of the Association.

6.3. Voting.

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

(a) Class "A". Class "A" Members shall be all Owners except the Class "B" Member, if any. Class "A" Members shall have one equal vote for each Living Unit in which they hold the interest required for membership under Section 6.2, except that there shall be only one vote per Living Unit. No vote shall be exercised for any property which is exempt from assessment under Sections 10.9 (a) and (b). All Class "A" votes shall be cast as provided in Section 6.3(c) below.

(b) Class "B". The sole Class "B" Member shall be Declarant. The Class "B" Member may appoint the members of the Board of Directors during the Class "B" Control Period, as specified in the By-Laws. Additional rights of the Class "B" Member are specified in the relevant sections of the Governing Documents. After termination of the Class "B" Control Period, the Class "B" Member shall have a right to disapprove Board and committee actions as provided in the By-Laws.

The Class "B" membership shall terminate upon the earlier of:

(i) the expiration of the Class "B" Control Period; or

(ii) when, in its discretion, Declarant so determines and declares in a Recorded instrument.

Upon termination of the Class "B" membership, Declarant shall be a Class "A" Member entitled to Class "A" votes for each Living Unit which it owns.

(c) Exercise of Voting Rights. Except as otherwise specified in this Declaration or the By-Laws, the vote for each Living Unit owned by a Class "A" Member shall be exercised by the Member. In any situation where there is more than one Owner of such Living Unit, the vote for such Living 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 Living Unit's vote shall be suspended if more than one Person seeks to exercise it.

Article VII Association Powers and Responsibilities

7.1. Acceptance and Control of Association Property.

(a) The Association may acquire, hold, lease (as lessor or lessee), operate, and dispose of tangible and intangible personal property and real property. The Association may enter into leases, licenses, or operating agreements for portions of the Common Area, for such consideration or no consideration as the Board deems appropriate, to permit use of such portions of the Common Area by others for the provision of goods or services for the general benefit or convenience of Owners, occupants, and residents of the Property.

(b) Following the expiration of the Class "B" Control Period, Declarant and its designees shall convey to the Association, and the Association shall accept, personal property and fee title, leasehold, or other property interests in the Property. Upon Declarant's written request, the Association shall grant a temporary license to Declarant any unimproved portions of the Common Area originally conveyed to the Association for no consideration,but only to the extent needed by Declarant to make minor adjustments in property lines.

(c) The Association and/or the Declarant shall be responsible for management, operation, and control of the Common Area and Areas of Common Responsibility, subject to any covenants and restrictions set forth in the deed or other instrument transferring such property to the Association. The Board may adopt such reasonable rules regulating use of the Common Area as it deems appropriate.

7.2. Maintenance of Area of Common Responsibility.

The Association shall maintain, in accordance with the Community-Wide Standard, the Area of Common Responsibility, which shall include, but need not be limited to:

(a) all portions of and structures, including private roadways, situated on the Common Area;

(b) landscaping within public rights-of-way within or abutting the Property;

(c) such portions of any additional property included within the Area of Common Responsibility as may be dictated by this Declaration, any Supplemental Declaration, any covenant to share costs, or any contract or agreement for maintenance thereof entered into by the Association;

(d) all ponds, streams, and/or wetlands located within the Property which serve as part of the storm water drainage system for the Property, including improvements and equipment installed therein or used in connection therewith;

(e) retaining walls comprising a single structure located on and supporting multiple Living Units; and

(f) any property and facilities which Declarant owns and makes available, on a temporary or permanent basis, for the primary use and enjoyment of the Association and its Members. Such property and facilities shall be identified by written notice from Declarant to the Association and will remain part of the Area of Common Responsibility maintained by the Association until such time as Declarant revokes such privilege of use and enjoyment by written notice to the Association.

(g) The following provisions apply to individual Living Units, and the following portions of said Living Units shall be Areas of Common Responsibility:

(i) The Association shall perform the following work on each Living Unit:

a. Lawn maintenance for each Living Unit, including, but not limited to: mowing grass, edging, placing pine straw in the beds twice per year, trimming and pruning of shrubs.

b. Termite bonds.

c. Pressure washing on an annual basis.

(ii) The Association may oversee the performance of all or any portion of the following work by the Living Unit Owners, or have the work performed itself, in its sole discretion:

a. Exterior maintenance upon each Living Unit, including, but not limited to: repair, replacement, care and cleaning of roofs, gutters, downspouts, exterior building surfaces, walks, and other exterior improvements. Such exterior maintenance shall not include glass surfaces, window screens and screening for porches.

b. Maintenance of trees (removal and replacement of dead trees)

(iii) In the event that the need for maintenance or repair of a Living Unit is caused through the willful or negligent acts of the family, guests, or invitees of the Owner of the Living Unit needing such maintenance or repair, or is otherwise appropriately charged to a particular Living Unit, the cost of such exterior maintenance or repair may be added to and become part of a Specific Assessment on the Living Unit.

The Association may maintain other property which it does not own, including, without limitation, property dedicated to the public, if the Board of Directors determines that such maintenance is necessary or desirable to maintain the Community-Wide Standard.

The Association shall not be liable for any damage or injury occurring on or arising out of the condition of property which it does not own except to the extent that it has been negligent in the performance of its maintenance responsibilities.

The Association shall maintain the facilities and equipment within the Area of Common Responsibility in continuous operation, except for any periods necessary, as determined in the Board's sole discretion, to perform required maintenance or repairs, unless Members representing 50% of the Class "A" votes in the Association and the Class "B" Member, if any, agree in writing to discontinue such operation.

The costs associated with maintenance, repair, and replacement of the Area of Common Responsibility shall be a Common Expense; provided, the Association may seek reimbursement from the owner(s) of, or other Persons responsible for, certain portions of the Area of Common Responsibility pursuant to this Declaration, a covenant to share costs, other Recorded covenants, or agreements with the owner(s) thereof.

The cost of maintenance, repair, replacement and insurance of Limited Common Areas, or the cost of special services to Living Units within a Service Area shall be a Service Area Expense assessed against the Living Units to which the Limited Common Areas are assigned, or assessed against the Living Units receiving the services.

Upon resolution of the Board, Living Units within each Service Area may be assessed Service Area Assessments to fund the costs of operating, maintaining and insuring certain portions of the Area of Common Responsibility within or adjacent to such Service Area, or for the purpose of providing special services to Living Units within said Service Area; provided, that all Service Areas which are similarly situated shall be treated the same.

7.3. Provision of Benefits or Services to Service Areas.

(a) Prior to the expiration of the Class "B" Control Period, Declarant, by Supplemental Declaration, may assign portions of the Property to one or more Service Areas (by name or other identifying designation) as it deems appropriate, which Service Areas may be then existing or newly created, and may require that the Association provide benefits or services to such Living Units in addition to those which the Association generally provides to all Living Units. The cost of

providing such benefits or services shall be assessed against the Living Units within such Service Area as a Service Area Assessment.

(b) Any group of Owners may petition the Board to designate their Living Units as a Service Area for the purpose of receiving from the Association (i) special benefits or services which are not provided to all Living Units, or (ii) a higher level of service than the Association provides to all Living Units. Upon receipt of such petition signed by Owners of a majority of the Living Units within the proposed Service Area, the Board shall investigate the terms upon which the requested benefits or services might be provided and notify the Owners in the proposed Service Area of such terms and the cost thereof, which may include a reasonable administrative charge in such amount as the Board deems appropriate (provided, any such administrative charge shall apply at a uniform rate among Living Units in all Service Areas receiving the same service). Upon written approval of the proposal by Owners of at least 50% of the Living Units within the proposed Service Area, the Association shall provide the requested benefits or services and shall assess the cost thereof among the Living Units in the proposed Service Area as a Service Area assessment pursuant to Section 7.2 and this Section 7.3, subject to the right of the Owners of Living Units within the Service Area thereafter to veto the budget for their Service Area as provided in Section 10.1.

7.4. Compliance and Enforcement.

(a) Every Owner and occupant of a Living Unit shall comply with the Governing Documents. The Board may impose sanctions for violation of the Governing Documents after notice and a hearing in accordance with the procedures set forth in the By-Laws. Such sanctions may include, without limitation:

(i) imposing reasonable monetary fines which shall constitute a lien upon the violator's Living Unit. (In the event that any occupant, guest, or invitee of a Living Unit violates the Governing Documents and a fine is imposed, the fine shall first be assessed against the violator; provided, however, if the fine is not paid by the violator within the time period set by the Board, the Owner shall pay the fine upon notice from the Board);

(ii) suspending an Owner's right to vote;

(iii) suspending any Person's right to use any recreational facilities within the Common Area; provided, however, nothing herein shall authorize the Board to limit ingress or egress to or from a Living Unit;

(iv) suspending any services provided by the Association to an Owner or the Owner's Living Unit if the Owner is more than 30 days delinquent in paying any assessment or other charge owed to the Association;

(v) exercising self-help in a non-emergency situation;

(vi) requiring an Owner, at its own expense, to remove any structure or improvement on such Owner's Living Unit in violation of the Governing Documents and to

restore the Living Unit to its previous condition and, upon failure of the Owner to do so, the Board or its designee shall have the right to enter the property, remove the violation and restore the property to substantially the same condition as previously existed and any such action shall not be deemed a trespass; and

(vii) without liability to any Person, precluding any contractor, subcontractor, agent, employee, or other invitee of an Owner who fails to comply with the terms and provisions of Article IV and the Architectural Guidelines from continuing or performing any further activities in the Property.

In addition, the Board may take the following enforcement procedures to ensure compliance with the Governing Documents without the necessity of compliance with the procedures set forth in the By-Laws:

(i) abating an immediate violation on the Common Area and exercising self-help in any emergency situation (specifically including, but not limited to, the towing of vehicles that are in violation of parking rules and regulations); or

(ii) bringing suit at law or in equity to enjoin any violation or to recover monetary damages or both.

In addition to any other enforcement rights, if an Owner fails to properly perform his or her maintenance responsibility, the Association may Record a notice of violation or perform such maintenance responsibilities and assess all costs incurred by the Association against the Living Unit and the Owner as a Specific Assessment. Except in an emergency situation, the Association shall provide the Owner reasonable notice and an opportunity to cure the problem prior to taking such enforcement action (which may be provided in lieu of the notice and hearing procedures set forth in the By-Laws).

All remedies set forth in the Governing Documents shall be cumulative of any remedies available at law or in equity. In any action to enforce the Governing Documents, if the Association prevails, it shall be entitled to recover all costs, including, without limitation, attorneys' fees and court costs, reasonably incurred in such action.

(b) The decision to pursue enforcement action in any particular case shall be left to the Board's discretion, except that the Board shall not be arbitrary or capricious in taking enforcement action. Without limiting the generality of the foregoing sentence, the Board may determine that, under the circumstances of a particular case:

(i) the Association's position is not strong enough to justify taking any or further action;

(ii) the covenant, restriction, or rule being enforced is, or is likely to be construed as, inconsistent with applicable law;

(iii) although a technical violation may exist or may have occurred, it is not of such a material nature as to be objectionable to a reasonable person or to justify expending the Association's resources; or

(iv) that it is not in the Association's best interests, based upon hardship, expense, or other reasonable criteria, to pursue enforcement action.

Such a decision shall not be construed as a waiver of the Association's right to enforce such provision at a later time under other circumstances or preclude the Association from enforcing any other covenant, restriction, or rule.

The Association, by contract or other agreement, may enforce city and county ordinances, if applicable, for the benefit of the Association and its Members, and any municipality having jurisdiction may enforce ordinances within the Properties.

7.5. Implied Rights; Board Authority.

The Association may exercise any right or privilege given to it expressly by the Governing Documents, or reasonably implied from or reasonably necessary to effectuate any such right or privilege. All rights and powers of the Association may be exercised by the Board without a vote of the membership except where applicable law or the Governing Documents specifically require a vote of the membership.

The Board may institute, defend, settle, or intervene on behalf of the Association in mediation, binding or non-binding arbitration, litigation, or administrative proceedings in matters pertaining to the Area of Common Responsibility, enforcement of the Governing Documents, or any other civil claim or action. However, the Governing Documents shall not create any independent legal duty to institute litigation on behalf of or in the name of the Association or the Members.

In exercising the Association's rights and powers, making decisions on behalf of the Association, and conducting the Association's affairs, Board members shall be subject to, and their actions shall be judged in accordance with, the standards set forth in the By-Laws.

7.6. Indemnification of Officers, Directors, and Others.

Subject to Georgia law, the Association shall indemnify every officer, director, and committee member against all damages and expenses, including counsel fees, reasonably incurred in connection with any action, suit, or other proceeding to which he or she may be a party by reason of being or having been an officer, director, or committee member, except that such obligation to indemnify shall be limited to those actions for which liability is limited under this Section and Georgia law. This right to indemnification shall not be exclusive of any other rights to which any present or former officer, director, or committee member may be entitled.

The Association shall, as a Common Expense, maintain adequate general liability and officers' and directors' liability insurance to fund this obligation, if such insurance is reasonably available.

The officers, directors, and committee members shall not be liable for any mistake of judgment, negligence or otherwise, except for their own individual willful misfeasance, malfeasance, misconduct, or bad faith. The officers and directors shall have no personal liability with respect to any contract or other commitment made or action taken in good faith on behalf of the Association (except to the extent that such officers or directors may also be Members of the Association).

7.7. Safety and Security.

Each Owner and occupant of a Living Unit, and their respective guests and invitees, shall be responsible for their own personal safety and the security of their property in the Property. The Association may, but shall not be obligated to, maintain or support certain activities within the Property designed to enhance the level of safety or security which each person provides for himself or herself and his or her property. Neither the Association nor Declarant shall in any way be considered insurers or guarantors of safety or security within Canal Towns Phase II, nor shall either be held liable for any loss or damage by reason of failure to provide adequate security or ineffectiveness of security measures undertaken.

No representation or warranty is made that any systems or measures, including any mechanism or system for limiting access to the Property, cannot be compromised or circumvented, nor that any such systems or security measures undertaken will in all cases prevent loss or provide the detection or protection for which the system is designed or intended. Each Owner acknowledges, understands, and shall be responsible for informing its tenants and all occupants of its Living Unit that the Association, its Board and committees, and Declarant are not insurers or guarantors of security or safety and that each Person within the Property assumes all risks of personal injury and loss or damage to property, including Living Units and the contents of Living Units, resulting from acts of third parties.

7.8. Provision of Services.

The Association may provide, or provide for, services and facilities for the Owners and their Living Units, and shall be authorized to enter into and terminate contracts or agreements with other entities, including Declarant, to provide such services and facilities. The Board may charge use or service fees for any such services and facilities provided at the option of an Owner, or may include the costs thereof in the Association's budget as a Common Expense and assess it as part of the Base Assessment if provided to all Living Units. By way of example, such services and facilities might include landscape maintenance, pest control service, cable television service, security, caretaker, transportation, fire protection, utilities, and similar services and facilities.

Nothing in this Section shall be construed as a representation by Declarant or the Association as to what, if any, services shall be provided. In addition, the Board shall be

permitted to modify or cancel existing contracts for services in its discretion, unless the provision of such services is otherwise required by the Governing Documents. Non-use of services provided to all Owners or Living Units as a Common Expense shall not exempt any Owner from the obligation to pay assessments for such services.

7.9. Relationships with Other Properties.

The Association may enter into contractual agreements or covenants to share costs with any neighboring property to contribute funds for, among other things, shared or mutually beneficial property or services and/or a higher level of Common Area maintenance.

7.10. Facilities and Services Open to the Public.

Certain facilities and areas within the Property may be open for use and enjoyment of the public. Such facilities and areas may include, by way of example: greenbelts, trails and paths, parks, and other neighborhood spots conducive to gathering and interaction, roads, sidewalks, and medians. Declarant may designate such facilities and areas as open to the public at the time Declarant makes such facilities and areas a part of the Area of Common Responsibility or the Board may so designate at any time thereafter.

Article VIII Insurance

8.1. Association Required Coverages.

The Association, acting through its Board or its duly authorized agent, shall obtain and continue in effect the following types of insurance, if reasonably available, or if not reasonably available, the most nearly equivalent coverages as are reasonably available:

(i) Blanket property insurance covering "risks of direct physical loss" on a "special form" basis (or comparable coverage by whatever name denominated) for all insurable improvements on the Common Area and within the Area of Common Responsibility to the extent that the Association has assumed responsibility in the event of a casualty, regardless of ownership. If such coverage is not generally available at reasonable cost, then "broad form" coverage may be substituted. All property insurance policies obtained by the Association shall have policy limits sufficient to cover the full replacement cost of the insured improvements under current building ordinances and codes;

(ii) Commercial general liability insurance on the Area of Common Responsibility, insuring the Association and its Members for damage or injury caused by the negligence of the Association or any of its Members, employees, agents, or contractors while acting on its behalf. If generally available at reasonable cost, such coverage (including primary and any umbrella coverage) shall have a limit of at least two million dollars ($2,000,000.00) per occurrence with respect to bodily injury, personal injury, and property damage; provided, should

additional coverage and higher limits be available at reasonable cost which a reasonably prudent person would obtain, the Association shall obtain such additional coverages or limits;

(iii) Workers' compensation insurance and employers' liability insurance, if and to the extent required by law;

(iv) Directors' and officers' liability coverage;

(v) Commercial crime insurance, including fidelity insurance covering all Persons responsible for handling Association funds in an amount determined in the Board's business judgment but not less than an amount equal to one-quarter of the annual Base Assessments on all Living Units plus reserves on hand. Fidelity insurance policies shall contain a waiver of all defenses based upon the exclusion of Persons serving without compensation; and

(vi) Such additional insurance as the Board, in the exercise of its business judgment, determines advisable.

Premiums for all insurance on the Area of Common Responsibility shall be Common Expenses, unless the Board reasonably determines that other treatment of the premiums is more appropriate.

The Association shall arrange for an annual review of the sufficiency of its insurance coverage by one or more qualified Persons, at least one of whom must be familiar with insurable replacement costs in the Savannah area. All Association policies shall provide for a certificate of insurance to be furnished to the Association and, upon request, to each Member insured.

The policies may contain a reasonable deductible and the amount thereof shall not be subtracted from the face amount of the policy in determining whether the policy limits satisfy the requirements of Section 8.1. In the event of an insured loss, the deductible shall be treated as a Common Expense in the same manner as the premiums for the applicable insurance coverage. However, if the Board reasonably determines, after notice and an opportunity to be heard in accordance with the By-Laws, that the loss is the result of the negligence or willful misconduct of one or more Owners, their guests, invitees, or lessees, then the Board may assess the full amount of such deductible against such Owner(s) and their Living Units as a Specific Assessment.

8.2. Owner Required Coverage. The record Owner of each Living Unit shall obtain and maintain in full force and effect, at all times, the following insurance coverages:

(i) Fire and hazard insurance covering all of the insurable improvements comprising the Living Unit against loss or damage by fire and other hazards covered by the standard extended coverage endorsement, and such other risks as from time to time shall be customarily covered with respect to buildings similar in construction, location and use as the Living Units, in

an amount equal to the maximum insurable replacement value thereof, as determined periodically by the Association;

(ii) If the Living Unit is in a flood zone, Federal Flood Insurance covering all of the insurable improvements comprising the Living Unit against loss or damage by rising water in an amount equal to the maximum insurable replacement value thereof, as determined annually by the Association.

8.3. Owner's Failure to Insure. Individual Living Unit Owners shall be responsible for acquiring said fire, hazard and flood insurance and the payment of premiums directly or through their financing agencies, and shall provide the Association with a copy of their policy and all renewals thereof at least thirty (30) days prior to the effective date or the expiration thereof. If any Living Unit Owner fails to provide said proof of insurance by the required date, the Association may, after ten (10) days notice to the Living Unit Owner, purchase said insurance on the Living Unit Owner's behalf at whatever rates are available through its insurance agent and assess said Living Unit Owner for the cost thereof, plus interest thereon at the rate of 13% per annum.

8.4. Insurance Requirements.

(i) All policies shall be written with a company licensed to do business in the State of Georgia;

(ii) All policies shall identify the following parties as loss payees under such policy: (i) the Association, (ii) the Living Unit Owner (and in the case of the Association's policy, all Living Unit Owners), and (iii) their mortgagees as their interest may appear (and in the case of the Association's policy, all mortgagees of Living Unit Owners, as their interest may appear).

(iii) All policies shall contain a standard mortgagee loss payee clause in favor of each mortgagee which shall provide that the loss, if any, thereunder shall be payable to the Association and to such mortgagee as its interest may appear, subject, however to the loss payment provisions in favor of the Association.

(iv) All policies shall contain a standard provision providing that such policies may not be altered, substantially modified or canceled without at least thirty (30) days prior written notice to all of the insureds, including the Association and the mortgagee;

(v) A copy of all policies and endorsements thereto shall be deposited with and maintained by the Association at its principal office;

(vi) Exclusive authority to adjust losses under the policies hereafter in force with respect to the submitted property shall be vested in the Board of Directors of the Association and said mortgagees;

(vii) The Living Unit Owners and/ or the Association shall make every reasonable effort to secure insurance policies that will provide for the following: (1) a waiver of subrogation by the insurer as to any claims against the Association and its officers, directors, employees and agents, the Living Unit Owners and their respective servants, agents and guests; (2) a waiver by the insurer of its right to repair and reconstruct instead of paying cash; and (3) that no policy on the submitted property can be canceled, invalidated or suspended on account of the conduct of any director, officer, agent or employee of the Association without a prior demand in writing delivered to the Board of Directors to cure the defect and the allowance of a reasonable time thereafter within which the defect may be cured.

8.5. Association's Duty to Restore Damaged Improvements.

In the event of damage to or destruction of Common Area or other property which the Association is obligated to insure, the Board or its duly authorized agent shall file and adjust all insurance claims and obtain reliable and detailed estimates of the cost of repairing or restoring the property to substantially the condition in which it existed prior to the damage, allowing for changes or improvements necessitated by changes in applicable building codes.

Damaged improvements on the Common Area shall be repaired or reconstructed unless the Members representing at least 50% of the total Class "A" votes in the Association, and the Class "B" Member, if any, decide within 60 days after the loss not to repair or reconstruct. If either the insurance proceeds or the estimates of the loss, or both, are not available to the Association within such 60-day period, then the period shall be extended until such funds or information are available. However, such extension shall not exceed 60 additional days. No Mortgagee shall have the right to participate in the determination of whether the damage or destruction to the Common Area shall be repaired or reconstructed.

If a decision is made not to restore the damaged improvements, and no alternative improvements are authorized, the affected property shall be cleared of all debris and ruins and thereafter shall be maintained by the Association in a neat and attractive, landscaped condition consistent with the Community-Wide Standard.

Any insurance proceeds remaining after paying the costs of repair or reconstruction, or after such settlement as is necessary and appropriate, shall be retained by the Association for the benefit of its Members, and placed in a capital improvements account. This is a covenant for the benefit of Mortgagees and may be enforced by the Mortgagee of any affected Living Unit.

If insurance proceeds are insufficient to cover the costs of repair or reconstruction, the Board may, without a vote of the Members, levy Special Assessments to cover the shortfall against those Owners responsible for the premiums for the applicable insurance coverage under 8.1.

Article IX Maintenance and Repair

9.1. Owner's Maintenance of Living Units.

Each Owner shall maintain his or her Living Unit and all landscaping and improvements comprising the Living Unit in a manner consistent with the Governing Documents, the Community-Wide Standard, and all applicable covenants, unless such maintenance responsibility is otherwise assumed by or assigned to the Association pursuant to this Declaration or any Supplemental Declaration or other declaration of covenants applicable to such Living Unit, or unless the Board elects by resolution to maintain portions of said Living Unit pursuant to Section 7.2(f)(ii) hereof.

9.2. Owner's Repair, Restoration and Rebuilding. Owners of Living Units shall be subject to the following requirements:

(i) Duty to Repair, Restore or Rebuild. In the event any Living Unit shall be damaged or destroyed by fire, other casualty or any other cause or event whatsoever, the Owner of the Living Unit so damaged or destroyed shall cause it to be repaired, restored or rebuilt, as the case may be, as rapidly as possible to at least as good a condition as existed immediately prior to such damage or destruction, subject only to the right of the Association (which right is hereby granted to the Association) to authorize and direct such different action as shall be recommended by the Board of Directors and approved by affirmative vote of not less than two-thirds (2/3) of the Owners of Living Units in Canal Towns Phase II, which majority shall include the affirmative vote of all the Owners whose Living Units shall have been damaged or destroyed.

(ii) Board of Directors to Supervise. All repair, restoration or rebuilding pursuant to the provision of this Section shall be carried out under such supervision and direction as the Board of Directors of the Association shall deem appropriate in order to assure the expeditious and correct completion of the work concerned, and the Owner of any Living Unit which has been damaged or destroyed shall fully cooperate with, and abide by all instructions and directions of the Association in connection therewith.

(iii) Rights of Association. The Association is hereby given and shall have the right reasonably to approve the architects, contractors and subcontractors to be employed in connection with such repair, restoration or rebuilding, to select a contractor, or contractors, to perform all or various parts of the work to be done upon the various Living Units which shall have been damaged or destroyed by such casualty or other happening; to coordinate the progress of the work among such various Living Units; and to hold the proceeds of any insurance which may be payable on account of such casualty or other happening and to control the disbursement thereof in such manner as to assure the sufficiency of funds for the completion of said work or for any other proper purpose.

(iv) Lien Rights of Association. In any case in which the Owner of the Living Unit concerned shall fail to carry out and see to the repair, restoration or rebuilding required by the provisions of this Section, or shall request the Association to carry out and see to such repair, restoration or rebuilding, the Association may carry out and see to the repair, restoration or rebuilding required by the provisions of this Section, provided, however, that to the extent the insurance proceeds are insufficient as to any Living Unit, the particular Owner shall be responsible to the Association for such deficiency, and the Association shall have, and is hereby given, a continuing lien on the Living Unit for which any such repairs or rebuilding are furnished by the Association in the aggregate amount of (a) the cost thereof, (b) interest at the rate of interest permitted by law on money judgments in Georgia from the date of the Association's payment of such costs, and (c) reasonable attorney's fees and any court or other costs incurred by the Association in connection therewith, which lien shall encumber such Living Unit. In the event such Owner does not forthwith fully repay the Association therefore, as aforesaid, such lien may be foreclosed against the Living Unit by the Association, in the same manner as hereinafter provided in connection with unpaid assessments. The Association's lien provided in this Section shall be subordinate to the lien of any first mortgage, now or hereafter placed upon the Living Unit.

(v) Insurance Insufficient. In any case in which insurance proceeds shall not be paid or payable on account of any damage to, or destruction of, any Living Unit, or shall be inadequate to fully cover the cost of repair, restoration or rebuilding which the Association is by the provisions of this Section permitted to carry out, the cost of such repair, restoration or rebuilding in excess of the amount of insurance proceeds available may be borne and paid for by the Association, but without diminishing or in any way affecting any rights of recovery thereof which the Association may have by law against any person or persons who shall be directly or indirectly responsible for such damage or destruction by reason of any negligent or wrongful act or omission, or against any Owner for his failure to maintain insurance coverage.

(vi) Obligation of Association. Except as provided in Section 7.2(f) hereof, the obligations of the Association under the provisions of this Section shall be limited to the repair, restoration and rebuilding of the Common Area, and the Association shall not be responsible for repair, restoration or replacement of the Living Unit or the personal property of the Owners or others.

(vii) Debris. In the event a Living Unit is damaged or destroyed, and the Owner does not begin repair or reconstruction within thirty (30) days following damage or destruction, he shall remove or cause to be removed, at his expense, all debris from the Living Unit, so that it shall be placed in a neat, clean and safe condition; if he fails to so remove the debris, the Association may cause it to be removed, and the cost of such removal shall constitute a lien upon the Living Unit until paid by the Owner, unless the Living Unit is thereafter acquired by the Association.

(viii) Application of Declaration and Bylaws. Any Living Unit which has been destroyed, in whole or in part, by fire or other casualty, and subsequently restored or reconstructed, shall be subject to the provisions of the Declaration and to the Bylaws of the Association.

Article X Association Finances

10.1. Budgeting and Allocating Common Expenses.

At least 60 days before the beginning of each fiscal year, the Board shall prepare a budget of the estimated Common Expenses for the coming year, including any contributions to be made to a reserve fund pursuant to Section 10.2, and separate budgets reflecting the estimated Service Area Expenses for each Service Area to which the Association expects to provide benefits or services during the budget period. The budgets shall also reflect the sources and estimated amounts of funds to cover such expenses, which may include any surplus to be applied from prior years, any income expected from sources other than assessments levied against the Living Units, and the amount to be generated through the levy of Base Assessments and Special Assessments against the Living Units.

The Association is authorized to levy Base Assessments equally against all Living Units subject to assessment under Section 10.7 to fund the Common Expenses. In determining the Base Assessment rate per Living Unit, the Board may consider any assessment income expected to be generated from any additional Living Units reasonably anticipated to become subject to assessment during the fiscal year.

The total amount of estimated Service Area Expenses for each Service Area shall be allocated among all Living Units within the Service Area which are subject to assessment under Section 7.3 and shall be assessed as a Service Area Assessment. All amounts collected by the Association as Service Area Assessments shall be held in trust for and expended solely for the benefit of the Service Area for which they were collected and shall be accounted for separately from the Association's general funds.

Declarant may, but shall not be obligated to, reduce the Base Assessment for any fiscal year by payment of a subsidy, which may be either a contribution, or an advance against future assessments due from Declarant, in Declarant's discretion. Any such subsidy shall be disclosed as a line item in the income portion of the budget. Payment of such subsidy in any year shall not obligate Declarant to continue payment of such subsidy in future years, unless otherwise provided in a written agreement between the Association and Declarant.

The Board shall send a copy of the final budget, together with notice of the amount of the Base Assessment to be levied pursuant to such budget, to each Owner at least 30 days prior to the effective date of such budget. The budget shall automatically become effective unless disapproved at a meeting by Members representing at least 50% of the total Class "A" votes in the Association and by the Class "B" Member, if such exists. The Service Area Expense budget

for each Service Area shall automatically become effective unless disapproved at a meeting by Owners of 67% of the Living Units within the Service Area, except that the right to disapprove shall apply only to those line items which are attributable to services or benefits requested by the Service Area and shall not apply to any item which the Governing Documents specifically require to be assessed as a Service Area assessment. There shall be no obligation to call a meeting for the purpose of considering the budget except on petition of the Members as provided for special meetings in the By-Laws, and in the case of any Service Area budget, on petition of Owners of at least 25% of the Living Units within the Service Area. Any such petition must be presented to the Board within 10 days after delivery of the budget and notice of any assessment.

If any proposed budget is disapproved or the Board fails for any reason to determine the budget for any year, then the budget most recently in effect shall continue in effect until a new budget is determined.

The Board may revise the budget and adjust the Base Assessment from time to time during the year, subject to the notice requirements and the right of the Members to disapprove the revised budget as set forth above.

10.2. Budgeting for Reserves.

The Board shall prepare and review at least annually a reserve budget for the Area of Common Responsibility. The budget shall take into account the number and nature of replaceable assets, the expected life of each asset, and the expected repair or replacement cost. The Board shall include in the Common Expense budget adopted pursuant to Section 10.1, an expense item to fund reserves sufficient to meet the projected need with respect both to amount and timing by annual contributions over the budget period. Notwithstanding the foregoing, the Board may elect to fund specific projected needs (i.e. Living Unit roof replacement) with Special Assessments rather than contributions to an annual reserve account.

10.3. Special Assessments.

In addition to other authorized assessments, the Association may levy Special Assessments against all Owners to cover unbudgeted expenses or expenses in excess of those budgeted, or against the Living Units within any Service Area if such Special Assessment is for Service Area Expenses. Except as otherwise specifically provided in this Declaration, any Special Assessment shall require the affirmative vote or written consent of the Class "B" Member, if such exists. Special Assessments shall be payable in such manner and at such times as determined by the Board, and may be payable in installments extending beyond the fiscal year in which the Special Assessment is approved.

10.4. Specific Assessments.

The Association shall have the power to levy Specific Assessments against a particular Living Unit as follows:

(a) to cover the costs, including overhead and administrative costs, of providing services to Living Units upon request of an Owner pursuant to any menu of special services which may be offered by the Association. Specific Assessments for special services may be levied in advance of the provision of the requested service; and

(b) to cover costs incurred in bringing the Living Unit into compliance with the Governing Documents, or costs incurred as a consequence of the conduct of the Owner or occupants of the Living Unit, their agents, contractors, employees, licensees, invitees, or guests.

(c) In the event that the need for maintenance or repair of a Living Unit, or the improvements thereon, is caused by the willful or negligent acts of the family, guests, or invitees of the Owner of the Living Unit needing such maintenance or repair, the cost of such exterior maintenance shall be added to and become part of the Assessment to which such Living Unit is subject.

(d) to cover maintenance, repair and replacement costs specific to said Living Unit.

10.5 Service Area Assessments.

The Association shall have the authority to impose "Annual Service Area Assessments" or "Special Service Area Assessments", as defined herein. Annual Service Area Assessments shall be charged on a monthly, quarterly, or other regular basis as determined by the Association, and shall pay for Annual Service Area Expenses. Said Service Area Assessments shall be in addition to other assessments levied by the Association.

10.6. Time of Payment.

The obligation to pay assessments shall commence as to each Living Unit on the first day of the month following: (a) the month in which the Living Unit is made subject to this Declaration, or (b) the month in which the Board first determines a budget and levies assessments pursuant to this Article, whichever is later. The first annual Base Assessment or Service Area Assessment, if any, levied on each Living Unit shall be adjusted according to the number of months remaining in the fiscal year at the time assessments commence on the Living Unit.

Assessments shall be paid in such manner and on such dates as the Board may establish. The Board may require advance payment of assessments at closing of the transfer of title to a Living Unit and impose special requirements for Owners with a history of delinquent payment. If the Board so elects, assessments may be paid in two or more installments. Unless the Board

otherwise provides, the Base Assessment and Service Area Assessment shall be due and payable in advance on the first day of each fiscal year. If any Owner is delinquent in paying any assessments or other charges levied on his or her Living Unit, the Board may require the outstanding balance on all assessments to be paid in full immediately.

10.7. Obligation for Assessments.

Each Owner, by accepting a deed or entering into a Recorded contract of sale for any portion of the Property, is deemed to covenant and agree to pay all assessments authorized in the Governing Documents. All assessments, together with interest (computed from its due date at a rate of 15% per annum or such other rate as the Board may establish, subject to the limitations of Georgia law), late charges as determined by Board resolution, costs, and attorneys' fees, shall be the personal obligation of each Owner and a lien upon each Living Unit until paid in full. Upon a transfer of title to a Living Unit, the grantee shall be jointly and severally liable for any assessments and other charges due at the time of conveyance.

Failure of the Board to fix assessment amounts or rates or to deliver or mail to each Owner an assessment notice shall not be deemed a waiver, modification, or a release of any Owner from the obligation to pay assessments. In such event, each Owner shall continue to pay Base Assessments and Service Area Assessments on the same basis as during the last year for which an assessment was made, if any, until a new assessment is levied, at which time the Association may retroactively assess any shortfalls in collections.

No Owner may exempt himself or herself from liability for assessments by non-use of the Common Area, abandonment of his or her Living Unit, or any other means. The obligation to pay assessments is a separate and independent covenant on the part of each Owner. No diminution or abatement of assessments or set-off shall be claimed or allowed for any alleged failure of the Association or Board to take some action or perform some function required of it, or for inconvenience or discomfort arising from the making of repairs or improvements, or from any other action it takes.

Upon written request, the Association shall furnish to any Owner liable for any type of assessment a certificate in writing signed by an Association officer setting forth whether such assessment has been paid. Such certificate shall be conclusive evidence of payment. The Association may require the advance payment of a reasonable processing fee for the issuance of such certificate.

10.8. Lien for Assessments.

The Association shall have a lien against each Living Unit to secure payment of delinquent assessments, as well as interest, late charges (subject to the limitations of Georgia law), and costs of collection (including attorneys' fees). Such lien shall be superior to all other liens, except (a) the liens of all taxes, bonds, assessments, and other levies which by law would be superior, and (b) the lien or charge of any Recorded first Mortgage (meaning any Recorded

Mortgage with first priority over other Mortgages) made in good faith and for value. Such lien, when delinquent, may be enforced by suit, judgment, and judicial or nonjudicial foreclosure. Said lien shall be in addition to the rights of the Master Association to file a lien on the Living Unit to secure payment of any assessment under the Master Declaration.

The Association may bid for the Living Unit at the foreclosure sale and acquire, hold, lease, mortgage, and convey the Living Unit. While a Living Unit is owned by the Association following foreclosure: (a) no right to vote shall be exercised on its behalf; (b) no assessment shall be levied on it; and (c) each other Living Unit shall be charged, in addition to its usual assessment, its pro rata share of the assessment that would have been charged such Living Unit had it not been acquired by the Association. The Association may sue for unpaid assessments and other charges authorized hereunder without foreclosing or waiving the lien securing the same.

Sale or transfer of any Living Unit shall not affect the assessment lien or relieve such Living Unit from the lien for any subsequent assessments. However, the sale or transfer of any Living Unit pursuant to foreclosure of the first Mortgage shall extinguish the lien as to any installments of such assessments due prior to the Mortgagee's foreclosure. The subsequent Owner to the foreclosed Living Unit shall not be personally liable for assessments on such Living Unit due prior to such acquisition of title. Such unpaid assessments shall be deemed to be Common Expenses collectible from Owners of all Living Units subject to assessment under Section 10.7, including such acquirer, its successors and assigns.

10.9. Exempt Property.

The following property shall be exempt from payment of Base Assessments, Special Assessments, and Service Area Assessments:

(a) All Common Area and such portions of the property owned by Declarant as are included in the Area of Common Responsibility;

(b) Any property dedicated to and accepted by any governmental authority or public utility;

(c) During the Class "B" Control Period, any portion of the Property owned by the Declarant, any Declarant Affiliate, for any purpose; and

(d) Any Living Unit owned by a person or entity designated by Declarant as a Builder (including Builder Affiliates) with respect to the Living Units specified in the document designating Builder status. The exemption contained in this paragraph shall terminate with respect to any Living Unit when Builder or the Builder Affiliate sells the Living Unit to a third party, or leases the Living Unit to a tenant.

In addition, Declarant (during the Class "B" Control Period) and/or the Association shall have the right, but not the obligation, to grant exemptions to certain Persons qualifying for tax-exempt status under Section 501(c) of the Internal Revenue Code so long as such Persons own property subject to this Declaration for purposes listed in Section 501(c).

10.10. Master Association Assessments. Each Owner shall be responsible for paying any and all dues, fees, or other assessments, including capital contributions, imposed on the Living Unit by the Master Association.

PART FOUR: COMMUNITY-WIDE DEVELOPMENT

Article XI Expansion of the Community

11.1. Expansion by Declarant.

During the Declarant Control Period, Declarant may subject to the provisions of this Declaration all or any portion of the property described in Exhibit "B", or other property already submitted to this Declaration, from time to time, by Recording a Supplemental Declaration describing the property being subjected. A Supplemental Declaration Recorded pursuant to this Section shall not require the consent of any Person except the owner of such property, if other than Declarant. Any such Supplemental Declaration may contain modifications or amendments to this Declaration applicable only to the portion of the Property subjected to the Declaration by such Supplemental Declaration.

Declarant's right to expand the Property pursuant to this Section shall expire when all property described in Exhibit "B" has been subjected to this Declaration or 20 years after this Declaration is Recorded, whichever is earlier. Until then, Declarant may transfer or assign this right to any Person who is the developer of at least a portion of the real property described in Exhibits "A" or "B." Any such transfer shall be memorialized in a Recorded instrument executed by Declarant.

Nothing in this Declaration shall be construed to require Declarant or any successor to subject additional property to this Declaration or to develop any of the property described in Exhibit "B" in any manner whatsoever.

11.2. Expansion by the Association.

The Association may also subject property to the provisions of this Declaration by a Recorded Supplemental Declaration. Any such Supplemental Declaration shall require the affirmative vote of Members representing more than 50% of the Class "A" votes of the Association represented at a meeting duly called for such purpose and the consent of the owner of the property. In addition, so long as Declarant owns property subject to this Declaration or which may become subject to this Declaration in accordance with Section 11.1, Declarant's consent shall be necessary. The Supplemental Declaration shall be signed by the President and

Secretary of the Association, by the Owner of the property, and by Declarant, if Declarant's consent is necessary.

11.3. Additional Covenants and Easements.

Declarant may subject any portion of the Property to additional covenants and easements, and authorize the Association to recover its costs through Service Area Assessments. Such additional covenants and easements may be set forth either in a Supplemental Declaration subjecting such property to this Declaration or in a separate Supplemental Declaration referencing property previously subjected to this Declaration. If the property is owned by someone other than Declarant, then the consent of the Owner(s) shall be necessary and shall be evidenced by their execution of the Supplemental Declaration. Any such Supplemental Declaration may supplement, create exceptions to, or otherwise modify the terms of this Declaration as it applies to the subject property in order to reflect the different character and intended use of such property.

11.4. Effect of Filing Supplemental Declaration.

A Supplemental Declaration shall be effective upon Recording unless otherwise specified. Any property subjected to this Declaration shall be assigned voting rights in the Association and assessment liability in accordance with the provisions of this Declaration.

Article XII Additional Rights Reserved to Declarant

12.1. Intentionally deleted.

12.2. Marketing and Sales Activities.

Declarant may construct and maintain upon portions of the Common Area and Living Units which they own such facilities and activities as, in Declarant's sole opinion, may be reasonably required, convenient, or incidental to the construction or sale of Living Units, including, but not limited to, business offices, signs, model Living Units, and sales offices. Declarant shall have easements for access to and use of such facilities at no charge.

12.3. Right to Develop.

Declarant and its employees, agents, and designees shall have a right of access and use and an easement over and upon all of the Common Area for the purpose of making, constructing, and installing such improvements to the Common Area as it deems appropriate in its sole discretion.

Every Person that acquires any interest in the Property acknowledges that the Property is a master planned community, the development of which is likely to extend over many years, and

agrees not to protest, challenge, or otherwise object to (a) changes in uses or density of property, or (b) changes in the master plan.

12.4. Right to Approve Additional Covenants.

While Declarant owns any portion of the Property, no Person shall Record any declaration of covenants, conditions, and restrictions, or declaration of condominium or similar instrument affecting any portion of the Property without Declarant's review and written consent. Any instrument Recorded without such consent shall be void and of no force and effect unless subsequently approved by Declarant in a Recorded consent.

12.5. Right to Approve Changes in the Property Standards.

No amendment to or modification of the Restrictions and Rules or the Architectural Guidelines shall be effective without prior notice to and the written approval of Declarant so long as Declarant owns property subject to this Declaration or which may become subject to this Declaration in accordance with Section 11.1.

12.6. Right to Transfer or Assign Declarant Rights.

Any or all of Declarant's special rights and obligations set forth in this Declaration or the By-Laws may be transferred in whole or in part to other Persons; provided, the transfer shall not reduce an obligation nor enlarge a right beyond that which Declarant has under this Declaration or the By-Laws. No such transfer or assignment shall be effective unless it is in a Recorded instrument signed by Declarant. The foregoing sentence shall not preclude Declarant from permitting other Persons to exercise, on a one time or limited basis, any right reserved to Declarant in this Declaration where Declarant does not intend to transfer such right in its entirety, and in such case it shall not be necessary to Record an assignment unless necessary to evidence Declarant's consent to such exercise.

12.7. Exclusive Rights To Use Name of Neighborhood.

No Person shall use the name "Canal Towns Phase II" or any derivative of such name, logo or depiction in any manner, including but not limited to print, video, audio, digital, website, blog, social media outlet, and cell phone (collectively, "Distributable Materials") without Declarant's prior written consent. However, Owners may use the name "Canal Towns Phase II" in printed material depicting the location of their Living Unit, and the Association shall be entitled to use the words "Canal Towns Phase II" in its name. All Distributable Materials for Living Units in Canal Towns Phase II must be approved by the Declarant or the Association, which consent shall not be unreasonably withheld, conditioned, or delayed.

12.8. Easement to Inspect and Right to Correct.

Declarant reserves for itself and others it may designate the right to inspect, monitor, test, redesign, and correct any structure, improvement, or condition which may exist on any portion of the Property, including Living Units, and a perpetual nonexclusive easement of access throughout the Property to the extent reasonably necessary to exercise such right. Except in an emergency, entry onto a Living Unit shall be only after reasonable notice to the Owner and no entry into a Living Unit shall be permitted without the consent of the Owner. The person exercising this easement shall promptly repair, at such person's own expense, any damage resulting from such exercise.

12.9. Right to Notice of Design or Construction Claims.

No Person shall retain an expert for the purpose of inspecting the design or construction of any structures or improvements within the Property in connection with or in anticipation of any potential or pending claim, demand, or litigation involving such design or construction unless Declarant has been first notified in writing and given an opportunity to meet with the Owner of the property to discuss the Owner's concerns and conduct their own inspection.

12.10. Changes to Restrictions and Rules.

During the Class B Control Period, the Declarant may modify, cancel, limit, create exceptions to, or expand the Restrictions and Rules unilaterally, provided that the effective date of the change will not be less than thirty (30) days after written notice to the Owners.

12.11. Termination of Rights.

Except as otherwise specified, the rights contained in this Article shall not terminate until the earlier of (a) 40 years from the date this Declaration is Recorded, or (b) Recording by Declarant of a statement that all sales activity has ceased.

PART FIVE: PROPERTY RIGHTS WITHIN THE COMMUNITY

Article XIII Easements

13.1. Easements in Common Area.

Declarant grants to each Owner a nonexclusive right and easement of use, access, and enjoyment in and to the Common Area and designated facilities contained therein, including, but not limited to:

(a) an easement for pedestrian and vehicular access, ingress and egress, but not parking, over and across the Common Areas designated as streets and "Right of Way" areas on the Subdivision Plats;

(b) an easement to connect to and utilize underground utilities located in Common Areas designated for said purposes on the Subdivision Plats or approved by the Declarant or the Association as necessary to provide services to each Lot, including but not limited to water facilities, sewer facilities, electrical, gas, telephone, internet, and cable television, and for pedestrian and vehicular access, ingress and egress over and across the Common Areas for the purpose of utilizing said utility easement rights, subject to the terms hereof;

(c) an easement for the flow of storm and surface waters from the Lots over, under and across Common Areas designated for said purposes on the Subdivision Plats or approved by the Declarant or the Association (including, but not limited to utilizing storm water and drainage pipes and conduits now or hereafter installed within the Common Areas) for the purpose of catching and directing storm and surface water runoff from the Lots to detention ponds located within the Common Area, subject to the provisions hereof;

The easements described in Section 13.1 (a), (b), and (c) above do not include the right to construct, maintain or repair facilities within the Common Area, except with the approval of the Reviewer pursuant to the terms of Article IV hereof, and except within areas designated for said facilities. The foregoing easements to utilize the Common Area shall run with the title to each Lot, and shall be subject to:

(a) The Governing Documents and any other applicable covenants;

(b) Any restrictions or limitations contained in any deed conveying such property to the Association;

(c) The Board's right to:

(i) adopt rules regulating use and enjoyment of the Common Area, including rules limiting the number of guests who may use the Common Area;

(ii) suspend the right of an Owner to use recreational facilities within the Common Area (A) for any period during which any charge against such Owner's Living Unit remains delinquent, and (B) for a period not to exceed 30 days for a single violation or for a longer period in the case of any continuing violation of the Governing Documents after notice and a hearing pursuant to the By-Laws;

(iii) dedicate or transfer all or any part of the Common Area, subject to such approval requirements as may be set forth in this Declaration;

(iv) impose reasonable membership requirements and charge reasonable admission or other use fees for the use of any recreational facility situated upon the Common Area;

(v) permit use of any recreational facilities situated on the Common Area by persons other than Owners, their families, lessees, and guests upon payment of use fees established by the Board and designate other areas and facilities within the Area of Common Responsibility as open for the use and enjoyment of the public; and

(vi) mortgage, pledge, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred;

Any Owner may extend his or her right of use and enjoyment to the members of his or her family, lessees, and social invitees, as applicable, subject to reasonable regulation by the Board. An Owner who leases his or her Living Unit shall be deemed to have assigned all such rights to the lessee of such Living Unit for the period of the lease.

13.2. Easements of Encroachment.

Declarant grants reciprocal appurtenant easements of encroachment, and for maintenance and use of any permitted encroachment, between each Living Unit and any adjacent Common Area and between adjacent Living Units or any Living Unit and any private amenity due to the unintentional placement or settling or shifting of the improvements constructed, reconstructed, or altered thereon (in accordance with the terms of these restrictions) to a distance of not more than three feet, as measured from any point on the common boundary along a line perpendicular to such boundary. However, in no event shall an easement for encroachment exist if such encroachment occurred due to willful and knowing conduct on the part of, or with the knowledge and consent of, the Person claiming the benefit of such easement.

13.3. Easements for Utilities, Etc.

(a) Installation and Maintenance. Declarant reserves for itself, so long as Declarant owns any property described in Exhibit "A" or Exhibit "B" of this Declaration, and grants to the Association and all utility providers, perpetual non-exclusive easements throughout the Property (but not through a structure) to the extent reasonably necessary for the purpose of:

(i) installing utilities and infrastructure to serve the Property, cable and other systems for sending and receiving data and/or other electronic signals, security and similar systems, walkways, pathways and trails, drainage systems, street lights, and signage on property which Declarant owns or within public rights-of-way or easements reserved for such purpose on Recorded plats;

(ii) inspecting, maintaining, repairing, and replacing the utilities, infrastructure, and other improvements described in Section 13.3(a)(i); and

(iii) access to read utility meters.

Notwithstanding the above, Declarant reserves the right to deny access to any utility or service provider, to the extent permitted by law, or to condition such access on negotiated terms.

(b) Utility Easement. Declarant, for itself and the Association, hereby reserves a perpetual, non-exclusive easement appurtenant to each Living Unit upon, across, over, through and under each Living Unit for ingress, egress, installation, replacement, repair and maintenance of utility and service lines and systems, including but not limited to water, sanitary sewer, gas, telephone, electricity, television, cable or communication lines and systems. By virtue of this easement it shall be expressly permissible for the Declarant, the Association or the providing utility or service company to install and maintain facilities and equipment on said Living Unit, to excavate for such purposes and to affix and maintain wires, circuits, and conduits on, in and under all Living Units, including specifically the attics and exterior walls, provided all disturbed areas are restored to the condition in which they were found, and said facilities do not unreasonably interfere with the use or enjoyment of such Living Unit.

Said easement rights shall include the right to maintain and repair said utility facilities, during normal business hours and after reasonable notice, which maintenance and repair shall be the responsibility of the Owner of the Living Unit utilizing said utility facilities. Said easement rights shall not merge with fee simple title to each Living Unit and shall survive the transfer of fee simple title to the Living Unit.

Notwithstanding anything to the contrary contained in this paragraph, no sanitary sewer lines, electrical lines, water lines, or other utility service lines or facilities for such utilities may be installed or relocated on the Living Unit except as planned and approved by the Declarant or by the Association. This easement shall in no way affect any other easements on said Living Units which may be created by a separately recorded instrument or subdivision or other plat.

(c) Living Unit Maintenance Easement. Declarant, for itself and the Association, hereby reserves a perpetual, non-exclusive easement over, under, and across each Living Unit for ingress and egress, for the purpose of performing work on each Living Unit as necessary for the exterior maintenance and lawn maintenance of each Living Unit as provided in Section 7.2(f) above, and for the purpose of maintaining the Common Area. This easement shall in no way affect any other easements on said Living Unit which may be created by a separately recorded instrument or subdivision or other plat. Said easement rights shall not merge with fee simple title to each Living Unit and shall survive the transfer of fee simple title to the Living Unit.

(d) Specific Easements. Declarant also reserves for itself the non-exclusive right and power to grant and Record such specific easements as may be necessary, in the sole discretion of Declarant, in connection with the orderly development of any property described in Exhibit "A" or Exhibit "B". The Owner of any property to be burdened by any easement granted pursuant to this subsection (d) shall be given written notice in advance of the grant. The location of the easement shall be subject to the written approval of the Owner of the burdened property, which approval shall not unreasonably be withheld, delayed, or conditioned.

(e) Minimal Interference. All work associated with the exercise of the easements described in subsections (a), (b), (c) and (d) of this Section shall be performed in such a manner as to minimize interference with the use and enjoyment of the property burdened by the easement. Upon completion of the work, the Person exercising the easement shall restore the property, to the extent reasonably possible, to its condition prior to the commencement of the work. The exercise of these easements shall not extend to permitting entry into the structures on any Living Unit, nor shall it unreasonably interfere with the use of any Living Unit and, except in an emergency, entry onto any Living Unit shall be made only after reasonable notice to the Owner or occupant.

13.4. Easements to Serve Additional Property.

Declarant hereby reserves for itself and its duly authorized agents, successors, assigns, and mortgagees, an easement over the Common Area for the purposes of enjoyment, use, access, and development of the property described in Exhibit "B," whether or not such property is made subject to this Declaration. This easement includes, but is not limited to, a right of ingress and egress over the Common Area for construction of roads and for connecting and installing utilities on such property.

Declarant agrees that it and its successors or assigns shall be responsible for any damage caused to the Common Area as a result of their respective actions in connection with development of such property. Declarant further agrees that if the easement is exercised for permanent access to such property and such property or any portion thereof benefitting from such easement is not made subject to this Declaration, Declarant, its successors or assigns shall enter into a reasonable agreement with the Association to share the cost of any maintenance which the Association provides to or along any roadway providing access to such property.

13.5. Easements for Maintenance, Emergency, and Enforcement.

Declarant grants to the Association easements over the Property as necessary to enable the Association to fulfill its maintenance responsibilities under Section 7.2. The Association shall also have the right, but not the obligation, to enter upon any Living Unit for emergency, security, and safety reasons, to perform maintenance, and to inspect for the purpose of ensuring compliance with and enforcing the Governing Documents. Such right may be exercised by any member of the Board and its duly authorized agents and assignees, and all emergency personnel in the performance of their duties. Except in an emergency situation, entry shall only be during reasonable hours and after notice to the Owner.

13.6. Easements for Lake and Pond Maintenance and Flood Water.

Declarant reserves for itself, the Association, and their successors, assigns, and designees, the nonexclusive right and easement, but not the obligation, to enter upon bodies of water and wetlands located within the Area of Common Responsibility to (a) install, operate, maintain, and replace pumps to supply irrigation water to the Area of Common Responsibility; (b) construct,

maintain, and repair structures and equipment used for retaining water; and (c) maintain such areas in a manner consistent with the Community-Wide Standard. Declarant, the Association, and their successors, assigns, and designees shall have an access easement over and across any of the Property abutting or containing bodies of water or wetlands to the extent reasonably necessary to exercise their rights under this Section.

Declarant further reserves for itself, the Association, and their successors, assigns, and designees, a perpetual, nonexclusive right and easement of access and encroachment over the Common Area and Living Units (but not the dwellings thereon) adjacent to or within 100 feet of bodies of water and wetlands within the Property, in order to (a) temporarily flood and back water upon and maintain water over such portions of the Property; (b) alter in any manner and generally maintain the bodies of water and wetlands within the Area of Common Responsibility; and (c) maintain and landscape the slopes and banks pertaining to such areas. All Persons entitled to exercise these easements shall use reasonable care in and repair any damage resulting from the intentional exercise of such easements. Nothing herein shall be construed to make Declarant or any other Person liable for damage resulting from flooding due to hurricanes, heavy rainfall, or other natural occurrences.

Article XIV Party Walls

14.1. General Rules of Law to Apply.

Each wall which is built as part of the original construction of the Living Unit upon the Property and placed on the dividing line between the Living Units shall constitute a party wall, and, to the extent not inconsistent with the provisions of this Article, the general rules of law regarding party walls and liability for property damage due to negligence or willful acts or omissions shall apply thereto.

14.2. Destruction by Fire or Other Casualty.

If a party wall is destroyed or damaged by fire or other casualty, any Owner who has used the wall may restore it, and if the other Owner thereafter makes use of the wall, they shall contribute to the cost of restoration thereof in proportion to such use without prejudice, however, to the right of any Owners to call for a larger contribution from the others under any rule of law regarding liability for negligent or willful acts or omissions.

14.3. Weatherproofing.

Notwithstanding any other provision of this Article, an Owner, who by his negligent or willful act causes the party wall to be exposed to the elements shall bear the whole cost of furnishing the necessary protection against such elements.

14.4. Right to Contribution Runs With the Land.

The right of any Owner to contribution from any other Owner under this Article shall be appurtenant to the Living Unit and shall pass to such Owner's successors in title.

PART SIX: RELATIONSHIPS WITHIN AND OUTSIDE THE COMMUNITY

Article XV Dispute Resolution and Limitation on Litigation

15.1. Agreement to Encourage Resolution of Disputes Without Litigation.

(a) Declarant, the Association and its officers, directors, and committee members, all Persons subject to this Declaration, and any Person not otherwise subject to this Declaration who agrees to submit to this Article (each being a "Bound Party"), agree that it is in the best interest of all concerned to encourage the amicable resolution of disputes involving the Property without the emotional and financial costs of litigation. Accordingly, each Bound Party agrees not to file suit in any court with respect to a Claim described in subsection (b), unless and until it has first submitted such Claim to the alternative dispute resolution procedures set forth in Section 15.2 in a good faith effort to resolve such Claim.

(b) As used in this Article, the term "Claim" shall refer to any claim, grievance, or dispute arising out of or relating to

(i) the interpretation, application, or enforcement of the Governing Documents;

(ii) the rights, obligations, and duties of any Bound Party under the Governing Documents; or

(iii) the design or construction of improvements within the Property, other than matters of aesthetic judgment under Article IV, which shall not be subject to review; except that the following shall not be considered "Claims" unless all parties to the matter otherwise agree to submit the matter to the procedures set forth in Section 15.2:

(a) any suit by the Association or the Master Association to collect assessments or other amounts due from any Owner;

(b) any suit by the Association or the Master Association to obtain a temporary restraining order (or emergency equitable relief) and such ancillary relief as the court may deem necessary in order to maintain the status quo and preserve the Association's or the Master Association's ability to enforce the provisions of Part Two of this Declaration (relating to creation and maintenance of community standards);

(c) any suit between Owners, which does not include Declarant, the Association, or the Master Association as a party, if such suit asserts a Claim which would constitute a cause of action independent of the Governing Documents;

(d) any suit in which any indispensable party is not a Bound Party; and

(e) any suit as to which any applicable statute of limitations would expire within 180 days of giving the Notice required by Section 15.2(a), unless the party or parties against whom the Claim is made agree to toll the statute of limitations as to such Claim for such period as may reasonably be necessary to comply with this Article.

15.2. Dispute Resolution Procedures.

(a) Notice. The Bound Party asserting a Claim ("Claimant") against another Bound Party ("Respondent") shall give written notice to each Respondent and to the Board stating plainly and concisely:

(i) the nature of the Claim, including the Persons involved and the Respondent's role in the Claim;

(ii) the legal basis of the Claim (*i.e.*, the specific authority out of which the Claim arises);

(iii) the Claimant's proposed resolution or remedy; and

(iv) the Claimant's desire to meet with the Respondent to discuss in good faith ways to resolve the Claim.

(b) Negotiation. The Claimant and Respondent shall make every reasonable effort to meet in person and confer for the purpose of resolving the Claim by good faith negotiation. If requested in writing, accompanied by a copy of the Notice, the Board may appoint a representative to assist the parties in negotiating a resolution of the Claim.

(c) Mediation. If the parties have not resolved the Claim through negotiation within 30 days of the date of the notice described in Section 15.2(a) (or within such other period as the parties may agree upon), the Claimant shall have 30 additional days to submit the Claim to mediation with an entity designated by the Association (if the Association is not a party to the Claim) or to an independent agency providing dispute resolution services in the Chatham County area.

If the Claimant does not submit the Claim to mediation within such time, or does not appear for the mediation when scheduled, the Claimant shall be deemed to have waived the Claim, and the Respondent shall be relieved of any and all liability to the Claimant (but not third parties) on account of such Claim.

If the parties do not settle the Claim within 30 days after submission of the matter to mediation, or within such time as determined reasonable by the mediator, the mediator shall issue a notice of termination of the mediation proceedings indicating that the parties are at an impasse and the date that mediation was terminated. The Claimant shall thereafter be entitled to file suit or to initiate administrative proceedings on the Claim, as appropriate.

Each party shall bear its own costs of the mediation, including attorneys' fees, and each party shall share equally all fees charged by the mediator.

(d) Settlement. Any settlement of the Claim through negotiation or mediation shall be documented in writing and signed by the parties. If any party thereafter fails to abide by the terms of such agreement, then any other party may file suit or initiate administrative proceedings to enforce such agreement without the need to again comply with the procedures set forth in this Section. In such event, the party taking action to enforce the agreement or award shall, upon prevailing, be entitled to recover from the non-complying party (or if more than one non-complying party, from all such parties in equal proportions) all costs incurred in enforcing such agreement or award, including, without limitation, attorneys' fees and court costs.

15.3. Initiation of Litigation by Association.

In addition to compliance with the foregoing alternative dispute resolution procedures, if applicable, the Association shall not initiate any judicial or administrative proceeding unless first approved by a vote of Members entitled to cast 50% of the total Class "A" votes in the Association, except that no such approval shall be required for actions or proceedings:

(a) initiated during the Class "B" Control Period;

(b) initiated to enforce the provisions of this Declaration, including collection of assessments and foreclosure of liens;

(c) initiated to challenge ad valorem taxation or condemnation proceedings;

(d) initiated against any contractor, vendor, or supplier of goods or services arising out of a contract for services or supplies; or

(e) to defend claims filed against the Association or to assert counterclaims in proceedings instituted against it.

This Section shall not be amended unless such amendment is approved by the same percentage of votes necessary to institute proceedings.

Article XVI Mortgagee Provisions

The following provisions are for the benefit of holders, insurers, and guarantors of first Mortgages on Living Units in the Property. The provisions of this Article apply to both this Declaration and to the By-Laws, notwithstanding any other provisions contained therein.

16.1. Notices of Action.

An institutional holder, insurer, or guarantor of a first Mortgage which provides a written request to the Association (such request to state the name and address of such holder, insurer, or guarantor and the street address of the Living Unit to which its Mortgage relates, thereby becoming an "Eligible Holder"), will be entitled to timely written notice of:

(a) Any condemnation loss or any casualty loss which affects a material portion of the Property or which affects any Living Unit on which there is a first Mortgage held, insured, or guaranteed by such Eligible Holder;

(b) Any delinquency in the payment of assessments or charges owed by a Living Unit subject to the Mortgage of such Eligible Holder, where such delinquency has continued for a period of 60 days, or any other violation of the Governing Documents relating to such Living Unit or the Owner or Occupant which is not cured within 60 days;

(c) Any lapse, cancellation, or material modification of any insurance policy maintained by the Association; or

(d) Any proposed action which would require the consent of a specified percentage of Eligible Holders.

16.2. No Priority.

No provision of this Declaration or the By-Laws gives or shall be construed as giving any Owner or other party priority over any rights of the first Mortgagee of any Living Unit in the case of distribution to such Owner of insurance proceeds or condemnation awards for losses to or a taking of the Common Area.

16.3. Notice to Association.

Upon request, each Owner shall be obligated to furnish to the Association the name and address of the holder of any Mortgage encumbering such Owner's Living Unit.

16.4. Failure of Mortgagee to Respond.

Any Mortgagee who receives a written request from the Board to respond to or consent to any action shall be deemed to have approved such action if the Association does not receive a written response from the Mortgagee within 30 days of the date of the Association's request, provided such request is delivered to the Mortgagee by certified or registered mail, return receipt requested.

PART SEVEN: CHANGES IN THE COMMUNITY

Article XVII Changes in Ownership of Living Units

17.1 Transfer of Ownership.

Any Owner desiring to sell or otherwise transfer title to his or her Living Unit shall give the Board written notice of the name and address of the purchaser or transferee, the date of such transfer of title, and such other information as the Board may reasonably require. The transferor shall continue to be jointly and severally responsible with the transferee for all obligations of the Owner of the Living Unit, including assessment obligations, until the date upon which such notice is received by the Board, notwithstanding the transfer of title. Notwithstanding the foregoing, any transfer of a Living Unit by Declarant or by a Builder to a third party shall not require written notice to the Board.

Article XVIII Changes in Common Area

18.1. Transfer or Dedication of Common Area.

The Association may dedicate portions of the Common Area to Chatham County, Georgia, the City of Pooler, or to any other local, state, or federal governmental or quasi-governmental entity, subject to such approval as may be required by Section 18.2.

18.2. Actions Requiring Owner Approval.

If either the U.S. Department of Housing and Urban Development or the U.S. Department of Veterans Affairs insures or guarantees the Mortgage on any Living Unit, then the following actions shall require the prior approval of Members representing not less than fifty percent (50%) of the total Class "A" votes in the Association and the consent of the Class "B" Member, if such exists: merger, consolidation, or dissolution of the Association; annexation of additional property other than that described in Exhibit "B;" and dedication, conveyance, or mortgaging of Common Area. Notwithstanding anything to the contrary in Section 18.1 or this Section, the Association, acting through the Board, may grant easements over the Common Area for installation and maintenance of utilities and drainage facilities and for other purposes not inconsistent with the intended use of the Common Area, without the approval of the membership.

Article XIX Amendment of Declaration

19.1. By Declarant.

In addition to specific amendment rights granted elsewhere in this Declaration, until conveyance of the first Living Unit to a Person other than a builder, Declarant may unilaterally amend this Declaration for any purpose. Thereafter, Declarant may unilaterally amend this Declaration if such amendment is necessary (a) to bring any provision into compliance with any applicable governmental statute, rule, regulation, or judicial determination; (b) to enable any reputable title insurance company to issue title insurance coverage on the Living Units; (c) to enable any institutional or governmental lender, purchaser, insurer, or guarantor of mortgage loans, including, for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to make, purchase, insure, or guarantee mortgage loans on the Living Units; (d) to satisfy the requirements of any local, state, or federal governmental agency; or (e) for any other reason during the Class "B" Control Period so long as the amendment is consistent with the scheme of development. However, any such amendment shall not cause the title to any Living Unit to no longer be good and marketable, unless the Owner shall consent in writing.

In addition, so long as Declarant owns property described in Exhibit "A" or Exhibit "B" for development as a part of the Property, subject to the terms herein, it may unilaterally amend this Declaration for any other purpose, provided the amendment has no material adverse effect upon the rights of more than 2% of the Owners. Notwithstanding the foregoing, the Declarant shall not amend the Declaration to prevent or unreasonably interfere with the use of Living Units for single-family rentals, or to make the use of said Living Units as single-family rentals more difficult or burdensome than the leasing of comparable units in a comparable single-family subdivision managed by the Declarant or the Association in the metro Savannah, Georgia area, or amend the Declaration to add additional Property to Exhibit "B". Notwithstanding the foregoing, Declarant shall have the right to institute reasonable restrictions on short-term vacation rentals.

19.2. By Members.

Except as otherwise specifically provided above and elsewhere in this Declaration, this Declaration may be amended only by the affirmative vote or written consent, or any combination thereof, of Members representing 50% of the total Class "A" votes in the Association, including 50% of the Class "A" votes held by Members other than Declarant, and Declarant's consent, so long as Declarant owns any property subject to this Declaration or which may become subject to this Declaration in accordance with Section 11.1.

Notwithstanding the above, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

Notwithstanding the foregoing, the Members shall not amend the Declaration to prevent or unreasonably interfere with the use of Living Units for single-family rentals, or to make the use of said Living Units as long term single-family rentals more difficult or burdensome than the leasing of comparable units in a comparable single-family subdivision managed by the Declarant or the Association in the metro Savannah, Georgia area, or amend the Declaration to add additional Property to Exhibit "B" , unless by the affirmative vote of the Members representing 80% of the total Class "A" votes in the Association, including 80% of the Class "A" votes held by Members other than Declarant. Notwithstanding the foregoing, the Members shall have the right to institute reasonable restrictions on short-term vacation rentals.

19.3. Validity and Effective Date.

If Declarant owns any portion of the Property, then no amendment may remove, revoke, or modify any right or privilege of Declarant or the Class "B" Member without the written consent of Declarant or the Class "B" Member, respectively (or the assignee of such right or privilege).

If an Owner consents to any amendment to this Declaration or the By-Laws, it will be conclusively presumed that such Owner has the authority to consent, and no contrary provision in any Mortgage or contract between the Owner and a third party will affect the validity of such amendment.

No amendment to this Declaration shall be or become effective unless and until it shall have been approved by the Master Association.

Any amendment shall become effective upon Recording, unless a later effective date is specified in the amendment. Any procedural challenge to an amendment must be made within six months of its Recordation or such amendment shall be presumed to have been validly adopted. In no event shall a change of conditions or circumstances operate to amend any provisions of this Declaration.

19.4. Exhibits.

Exhibit "A" and Exhibit "B" attached to this Declaration are incorporated by this reference and amendment of such exhibit shall be governed by the provisions of Article XIX. Exhibit "C" is incorporated by reference and may be amended in accordance with Article III, Article XII, or Article XIX. All other exhibits are attached for informational purposes and may be amended as provided therein or in the provisions of this Declaration which refer to such exhibits.

IN WITNESS WHEREOF, the undersigned Declarant has executed this Declaration on this 30th day of September, 2025.

Signed, sealed and delivered
in the presence of:

_____
Unofficial Witness

_____
Notary Public

My Commission Expires: _____

[NOTARIAL SEAL]

ROBERT B. BRANNEN, JR. NOTARY PUBLIC CHATHAM COUNTY, GEORGIA MY COMMISSION EXPIRES 04/13/2029

SIMCOE AT CANAL TOWNS, LLC,
a Georgia limited liability company

By: _____

Name: William Clayton Price

Title: Manager

EXHIBIT "A"

The Property

All those certain lots, tracts or parcels of land situate, lying and being shown as **LOTS 130-288, INCLUSIVE, AND ALL COMMON AREAS, CANAL TOWNS AT SAVANNAH QUARTERS – PHASE II** on that survey entitled, "A Major Subdivision Plat of Canal Towns at Savannah Quarters – Phase II, 8th G.M. District, Pooler, Chatham County, Georgia," prepared by Jimmy R. Toole, G.R.L.S. No. 3119, dated March 12, 2025, and recorded in Plat Book 54, page 713, Chatham County, Georgia records, said plat being incorporated herein and made a part hereof by this reference.

TOGETHER WITH easement rights contained in that Reciprocal Easement, Covenant to Share Costs and Restrictive Covenant Agreement by and between Simcoe at Canal Towns, LLC, Canal Towns Property Owners Association, Inc., and Homes of Integrity Construction Co., Inc., dated April 30, 2025, and recorded in Deed Book 3659, page 618, Chatham County, Georgia records.

DESIGNATION OF BUILDERS

HOMES OF INTEGRITY CONSTRUCTION CO., INC., a Georgia corporation shall be a designated "Builder", as defined in Article II hereof, and Declarant hereby confers all rights reserved for Builders under the Declaration to said party for all Lots in Canal Towns Phase II.

EXHIBIT "B"

Land Subject to Annexation

[Not Applicable]

EXHIBIT "C"

Initial Restrictions and Rules

The following restrictions shall apply to all of the Property until such time as they are amended, modified, repealed, or limited pursuant to Article III of the Declaration.

1. General. The Property shall be used only for residential, recreational, and related purposes (which may include, without limitation, an information center and/or a sales office for any real estate broker retained by Declarant to assist in the sale of property described in Exhibit "A," offices for any property manager retained by the Association, or business offices for Declarant or the Association) consistent with this Declaration and any Supplemental Declaration.

2. Restricted Activities. **The following activities are prohibited within the Property unless expressly authorized by, and then subject to such conditions as may be imposed by, the Board of Directors:**

(a) Parking. Parking any vehicles on public or private streets or thoroughfares, or parking of commercial vehicles or equipment, mobile homes, recreational vehicles, golf carts, boats and other watercraft, trailers, stored vehicles, or inoperable vehicles in places other than designated parking spaces; provided, construction, service, and delivery vehicles shall be exempt from this provision during daylight hours for such period of time as is reasonably necessary to provide service or to make a delivery to a Living Unit or the Common Area;

(b) Animals and Pets. Raising, breeding, or keeping animals, livestock, or poultry of any kind, except that three (3) dogs, cats, or other usual and common household pets may be permitted in a Living Unit; however, those pets which are permitted to roam free, or, in the sole discretion of the Board, make objectionable noise, endanger the health or safety of, or constitute a nuisance or inconvenience to the occupants of other Living Units shall be removed upon request of the Board. If the pet owner fails to honor such request, the Board may remove the pet. Dogs shall be kept on a leash or otherwise confined in a manner acceptable to the Board whenever outside the Living Unit. Pets shall be registered, licensed, and inoculated as required by law. Notwithstanding the foregoing, no animal listed on a "dangerous breed" list shall be permitted in any Living Unit unless (a) the animal has been certified by a professional in writing, as to the nature, attitude and control of the animal's behavior and (b) the owner provides the Association with a current home owners insurance policy listing the animal by breed and description and listing the Association as an additional insured on the insurance policy.

(c) Odors and Noise. Any activity which emits foul or obnoxious odors outside the Living Unit or creates noise or other conditions which tend to disturb the peace or threaten the safety of the occupants of other Living Units;

(d) Laws. Any activity which violates local, state, or federal laws or regulations; however, the Board shall have no obligation to take enforcement action in the event of a violation;

(e) Hobbies. Pursuit of hobbies or other activities which tend to cause an unclean, unhealthy, or untidy condition to exist outside of enclosed structures on the Living Unit;

(f) Offensive Activities. Any noxious or offensive activity which in the reasonable determination of the Board tends to cause embarrassment, discomfort, annoyance, or nuisance to persons using the Common Area or to the occupants of other Living Units;

(g) Burning. Outside burning of trash, leaves, debris, or other materials, except during the normal course of constructing a Living Unit on a Living Unit;

(h) Loud Noises. Use or discharge of any radio, loudspeaker, horn, whistle, bell, or other sound device so as to be audible to occupants of other Living Units, except alarm devices used exclusively for security purposes;

(i) Fireworks. Use and discharge of firecrackers and other fireworks;

(j) Dumping. Dumping grass clippings, leaves or other debris, petroleum products, fertilizers, or other potentially hazardous or toxic substances in any drainage ditch, stream, pond, or lake, or elsewhere within the Property, except that fertilizers may be applied to landscaping on Living Units provided care is taken to minimize runoff, and Declarant may dump and bury rocks and trees removed from a building site on such building site;

(k) Trash. Accumulation of rubbish, trash, or garbage except between regular garbage pick ups, and then only in approved containers;

(l) Drainage Interference. Obstruction or rechanneling drainage flows after location and installation of drainage swales, storm sewers, or storm drains, except that Declarant and the Association shall have such right; provided, the exercise of such right shall not materially diminish the value of or unreasonably interfere with the use of any Living Unit without the Owner's consent;

(m) Subdivision. Subdivision of a Living Unit into two or more Living Units, or changing the boundary lines of any Living Unit after a subdivision plat including such Living Unit has been approved and Recorded, except that Declarant shall be permitted to subdivide or replat Living Units which it owns, or for which it obtains the consent of the Owners;

(n) Use of Bodies of Water. Swimming, boating, use of personal flotation devices, fishing or other active use of lakes, ponds, streams, or other bodies of water within the Property, and Declarant, its successors and assigns, shall be permitted and shall have the exclusive right and easement to draw water from lakes, ponds, and streams within the Property for purposes of

irrigation and such other purposes as Declarant shall deem desirable. The Association shall not be responsible for any loss, damage, or injury to any person or property arising out of the authorized or unauthorized use of rivers, lakes, ponds, streams, or other bodies of water within or adjacent to the Property;

(o) Timeshares. Use of any Living Unit for operation of a timesharing, fraction-sharing, or similar program whereby the right to exclusive use of the Living Unit rotates among participants in the program on a fixed or floating time schedule over a period of years.

(p) Firearms. Discharge of firearms; provided, the Board shall have no obligation to take action to prevent or stop such discharge;

(q) Fuel Storage. On-site storage of gasoline, heating, or other fuels, except that a reasonable amount of fuel may be stored on each Living Unit for emergency purposes and operation of lawn mowers and similar tools or equipment, and the Association shall be permitted to store fuel for operation of maintenance vehicles, generators, and similar equipment;

(r) Home Occupations. Any business, trade, garage sale, moving sale, rummage sale, or similar activity, except that an Owner or occupant residing in a Living Unit may conduct business activities within the Living Unit so long as: (i) the existence or operation of the business activity is not apparent or detectable by sight, sound, or smell from outside the Living Unit; (ii) the business activity conforms to all zoning requirements for the Property; (iii) the business activity does not involve door-to-door solicitation of residents of the Property; (iv) the business activity does not, in the Board's reasonable judgment, generate a level of vehicular or pedestrian traffic or a number of vehicles being parked in the Property which is noticeably greater than that which is typical of Living Units in which no business activity is being conducted; and (v) the business activity is consistent with the residential character of the Property and does not constitute a nuisance, or a hazardous or offensive use, or threaten the security or safety of other residents of the Property, as may be determined in the sole discretion of the Board.

The terms "business" and "trade," as used in this provision, shall be construed to have their ordinary, generally accepted meanings and shall include, without limitation, any occupation, work, or activity undertaken on an ongoing basis which involves the provision of goods or services to persons other than the provider's family and for which the provider receives a fee, compensation, or other form of consideration, regardless of whether: (i) such activity is engaged in full or part-time, (ii) such activity is intended to or does generate a profit, or (iii) a license is required.

(s) Wildlife. Capturing, trapping, or killing of wildlife within the Property, except in circumstances posing an imminent threat to the safety of persons using the Property;

(t) Nature. Any activities which materially disturb or destroy the vegetation, wildlife, wetlands, or air quality within the Properties or which use excessive amounts of water or which result in unreasonable levels of sound or light pollution;

(u) Garage Conversions. Conversion of any carport or garage to finished space for use as an apartment or other integral part of the living area on any Living Unit without prior approval pursuant to Article IV;

(v) Motorized Vehicles. Operation of motorized vehicles on pathways or trails maintained by the Association, except that golf carts may be operated on cart paths intended for such purposes; and

(w) Construction. Any construction, erection, placement, or modification of any thing, permanently or temporarily, on the outside portions of the Living Unit, whether such portion is improved or unimproved, except in strict compliance with the provisions of Article IV of the Declaration. All signs, basketball goals, swing sets and similar sports and play equipment, fences, sheds, decks, awnings, arbors or other vertical structures must be submitted for approval to the ARC or as otherwise set forth under Article IV of the Declaration. At no time will dog runs, animal pens, above ground pools or trampolines be allowed on any home site in the community.

(x) Irrigation. Sprinkler or irrigation systems or wells of any type which draw upon water from lakes, creeks, streams, rivers, ponds, wetlands, canals, or other ground or surface waters within the Property, except that Declarant and the Association shall have the right to draw water from such sources.

(y) Antennas. Satellite dishes, antennas, and similar devices for the transmission of television, radio, satellite, or other signals of any kind, except that Declarant and the Association shall have the right, without obligation, to erect or install and maintain any such apparatus for the benefit of all or a portion of the Property; and (i) satellite dishes designed to receive direct broadcast satellite service which are one meter or less in diameter; (ii) satellite dishes designed to receive video programming services via multi-point distribution services which are one meter or less in diameter or diagonal measurement; or (iii) antennas designed to receive television broadcast signals ((i), (ii), and (iii), collectively, "Permitted Devices") shall be permitted, *provided that* any such Permitted Device is placed in the least conspicuous location on the Living Unit (generally being the rear yard) at which an acceptable quality signal can be received and is not visible from the street, Common Area, or neighboring property or is screened from the view of adjacent Living Units and the street in a manner consistent with the Community-Wide Standard and the standards, unless such screening unreasonably interferes with the use of such Permitted Device.

(z) Mailboxes. No mailboxes or receptacles for the delivery of newspapers or mail shall be allowed on a Living Unit. All mail will be delivered to the central mailbox station maintained by the Association.

(aa) Yard Decorations. Yard ornaments, fountains, statues, lights, artificial plants or other permanent outdoor decorations, unless approved pursuant to Article IV.

EXHIBIT "D"

By-Laws of Canal Towns Phase II Property Owners Association, Inc.

BY-LAWS
OF
CANAL TOWNS PHASE II PROPERTY OWNERS ASSOCIATION, INC.

Article I
Name, Principal Office, and Definitions

1.1. Name.

The name of the corporation is Canal Towns Phase II Property Owners Association, Inc. (the "Association").

1.2. Principal Office.

The principal office of the Association shall be located in Bryan County, Georgia. The Association may have such other offices, either within or outside the State of Georgia, as the Board of Directors may determine or as the affairs of the Association may require.

1.3. Definitions.

The words used in these By-Laws shall be given their normal, commonly understood definitions. Capitalized terms shall have the same meaning as set forth in that certain Recorded Declaration of Covenants, Conditions, and Restrictions for Canal Towns Phase II as it may be amended (the "Declaration"), unless the context indicates otherwise.

Article II
Membership: Meetings, Quorum, Voting, Proxies

2.1. Membership.

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

2.2. Place of Meetings.

Meetings of the Association shall be held at the principal office of the Association or at such other suitable place convenient to the Members as the Board may designate.

2.3. Annual Meetings.

The first meeting of the Association, whether a regular or special meeting, shall be held within one year after the date of incorporation of the Association. Meetings shall be of the Members unless otherwise required by Georgia law or specified by the Board. Subsequent regular annual meetings shall be set by the Board so as to occur during the third quarter of the Association's fiscal year on a date and at a time set by the Board.

2.4. Special Meetings.

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

2.5. Notice of Meetings.

Written or printed notice stating the place, day, and hour of any meeting of the Members shall be delivered, either personally or by mail, to each Voting Member entitled to vote at such meeting, not less than 10 nor more than 60 days before the date of such meeting, by or at the direction of the President or the Secretary or the officers or persons calling the meeting.

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

If mailed, the notice shall be deemed to be delivered when deposited in the United States mail addressed to the Voting Member at his or her address as it appears on the Association's records, with postage prepaid.

2.6. Waiver of Notice.

Waiver of notice of a meeting of the Members shall be deemed the equivalent of proper notice. Any Voting Member may waive, in writing, notice of any meeting of the Members, either before or after such meeting. Attendance at a meeting by a Voting Member shall be deemed waiver by such Voting Member of notice of the time, date, and place thereof, unless such Voting Member specifically objects to lack of proper notice at the time the meeting is called to order. Attendance at a special meeting also shall be deemed waiver of notice of all business transacted at such meeting unless an objection on the basis of lack of proper notice is raised before the business is put to a vote.

2.7. Adjournment of Meetings.

If any meeting of the Association cannot be held because a quorum is not present, a majority of the Members who are present at such meeting may adjourn the meeting to a date not less than 5 nor more than 30 days from the date the original meeting was called. At the reconvened meeting, if a quorum is present, any business may be transacted which might have

been transacted at the meeting originally called. If a time and place for reconvening the meeting is not fixed by those in attendance at the original meeting or if for any reason a new date is fixed for reconvening the meeting after adjournment, notice of the time and place for reconvening the meeting shall be given to Members in the manner prescribed for regular meetings.

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

2.8. Voting.

The voting rights of the Members shall be as set forth in the Declaration and in these By-Laws, and such voting rights provisions are specifically incorporated by this reference.

2.9. Proxies.

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

Every proxy shall be in writing specifying the Lot for which it is given, signed by the Member or his or her duly authorized attorney-in-fact, dated, and filed with the Secretary of the Association prior to the meeting for which it is to be effective. Unless otherwise specifically provided in the proxy, a proxy shall be presumed to cover all votes which the Member giving such proxy is entitled to cast, and in the event of any conflict between two or more proxies purporting to cover the same voting rights, the later dated proxy shall prevail, or if dated as of the same date, both shall be deemed invalid.

Every proxy shall be revocable and shall automatically cease upon: (a) conveyance of any Lot for which it was given, (b) receipt by the Secretary of a written notice of revocation of the proxy or of the death or judicially declared incompetence of a Member who is a natural person, or (c) 11 months from the date of the proxy, unless a shorter period is specified in the proxy.

2.10. Majority.

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

2.11. Quorum.

Except as otherwise provided in these By-Laws or in the Declaration, the presence of Members representing a majority of the total Class "A" votes in the Association shall constitute a quorum at all Association meetings.

In the absence of a quorum at a meeting, the Members entitled to vote at such meeting shall have the power to adjourn the meeting to another time within thirty (30) days after the adjourned meeting by announcing the time and place of the following meeting at the adjourned meeting, and the subsequent meeting will be subject to the initial notice requirements and the notice must state that the subsequent meeting is being held due to lack of quorum. The quorum requirement for the subsequent meeting shall be one-half (1/2) of the quorum requirement for the adjourned meeting. The reducing quorum requirement may take place a second and third time for subsequent meetings (reducing by fifty percent (50%) each time subject to the minimum quorum requirement referred to below), provided all notice requirements and time periods in this paragraph are complied with. At the third such meeting, no minimum quorum shall be required.

2.12. Conduct of Meetings.

The President shall preside over all meetings of the Association, and the Secretary shall keep the minutes of the meetings and record in a minute book all resolutions adopted and all other transactions occurring at such meetings.

2.13. Action Without a Meeting.

Any action required or permitted by law to be taken at a meeting of the Members may be taken without a meeting, without prior notice and without a vote if written consent specifically authorizing the proposed action is signed by the Members holding at least the minimum number of votes necessary to authorize such action at a meeting if all Members entitled to vote thereon were present. Such consents shall be signed within 60 days after receipt of the earliest dated consent, dated, and delivered to the Association. Such consents shall be filed with the minutes of the Association and shall have the same force and effect as a vote of the Members at a meeting. Within 10 days after receiving authorization for any action by written consent, the Secretary shall give written notice to all Members entitled to vote who did not give their written consent, fairly summarizing the material features of the authorized action.

Article III
Board of Directors: Selection, Meetings, Powers

A. Composition and Selection.

3.1. Governing Body; Composition.

The affairs of the Association shall be governed by a Board of Directors, each of whom shall have one vote. Except with respect to directors appointed by the Class "B" Member, directors shall be Members or residents; provided, however, no Owner and resident representing the same Lot may serve on the Board at the same time. A "resident" shall be any natural person 18 years of age or older whose principal residence is a Lot within the Property. If a Member is not a natural person, any officer, director, partner, or trust officer of such Member shall be eligible to serve as a director unless otherwise specified by written notice to the Association

signed by such Member; provided, no Member may have more than one such representative on the Board at a time, except in the case of directors appointed by the Class "B" Member.

3.2. Number of Directors.

The Board shall consist of one to seven directors, as provided in Sections 3.3 and 3.5 below. The initial Board shall consist of three (3) directors as identified in the Articles of Incorporation.

3.3. Directors During Class "B" Control Period.

The Declarant, as Class "B" Member shall appoint the Board of Directors during the Class "B" Control Period. Directors appointed by the Class "B" Member pursuant to Section 3.5 of these By-Laws shall be appointed by the Class "B" Member acting in its sole discretion and shall serve at the pleasure of the Class "B" Member.

3.4. Nomination and Election Procedures.

(a) Nominations and Declarations of Candidacy. Prior to each election of directors, the Board shall prescribe the opening date and the closing date of a reasonable filing period in which each and every eligible person who has a bona-fide interest in serving as a director may file as a candidate for any position to be filled by Class "A" votes. The Board shall also establish such other rules and regulations as it deems appropriate to conduct the nomination of directors in a fair, efficient, and cost-effective manner. Nominations also may be permitted from the floor.

Except with respect to directors selected by the Class "B" Member, nominations for election to the Board may also be made by a Nominating Committee. The Nominating Committee, if any, shall consist of a Chairperson, who shall be a member of the Board, and three or more Members. Members of the Nominating Committee shall be appointed by the Board not less than 30 days prior to each annual meeting to serve a term of one year and until their successors are appointed, and such appointment shall be announced in the notice of each election.

The Nominating Committee may make as many nominations for election to the Board as it shall, in its discretion, determine. In making its nominations, the Nominating Committing shall use reasonable efforts to nominate candidates representing the diversity which exists within the pool of potential candidates.

Each candidate shall be given a reasonable, uniform opportunity to communicate his or her qualifications to the Members and Members and to solicit votes.

(b) Election Procedures. Each Voting Member may cast all votes assigned to the Lots which it represents for each position to be filled from the slate of candidates on which such Voting Member is entitled to vote. There shall be no cumulative voting. That number of candidates equal to the number of positions to be filled receiving the greatest number of votes shall be elected.

3.5. Election and Term of Office.

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

Not later than the first annual meeting after the termination of the Class "B" Control Period, the Board shall be increased to seven directors and an election shall be held. Six directors shall be elected by the Members. Three directors shall serve a term of two years and three directors shall serve a term of one year, as such directors determine among themselves.

Until termination of the Class "B" Control Period, the Class "B" Member shall be entitled to appoint one director. Upon termination of the Class "B" Control Period, the director elected by the Class "B" Member shall resign and the remaining directors shall be entitled to appoint a director to serve until the next annual meeting, at which time the Members shall be entitled to elect a director to fill such position. Such director shall be elected for a term of two years.

Upon expiration of the term of office of each director elected by the Members, Members entitled to elect such director shall be entitled to elect a successor to serve a term of two years. Directors elected by the Members shall hold office until their respective successors have been elected. Each director's term of office shall be limited to three consecutive terms.

3.6. Director Training.

All directors shall complete, prior to commencing service on the Board and on an ongoing basis thereafter, such training requirements as the Board may establish.

3.7. Removal of Directors and Vacancies.

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

Any director elected by the Members who has three consecutive unexcused absences from Board meetings, or who is more than 30 days delinquent (or is the representative of a Member who is so delinquent) in the payment of any assessment or other charge due the Association, may be removed by a majority of the directors present at a regular or special meeting at which a quorum is present, and the Board may appoint a successor to fill the vacancy for the remainder of the term.

In the event of the death, disability, or resignation of a director, the Board may declare a vacancy and appoint a successor to fill the vacancy until the next annual meeting, at which time the Members entitled to fill such directorship may elect a successor for the remainder of the term.

This Section shall not apply to directors appointed by the Class "B" Member nor to any director serving as Declarant's representative. The Class "B" Member or Declarant shall be entitled to appoint a successor to fill any vacancy on the Board resulting from the death, disability, or resignation of a director appointed by or elected as a representative of the Class "B" Member or Declarant.

B. Meetings.

3.8. Organizational Meetings.

The first meeting of the Board following each annual meeting of the Members shall be held within 10 days thereafter at such time and place as the Board shall fix.

3.9. Regular Meetings.

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

3.10. Special Meetings.

Special meetings of the Board shall be held when called by written notice signed by the President or Vice President or by any two directors.

3.11. Notice; Waiver of Notice.

(a) Notices of Board meetings shall specify the time and place of the meeting and, in the case of a special meeting, the nature of any special business to be considered. The notice shall be given to each director by: (i) personal delivery; (ii) first class mail, postage prepaid; (iii) telephone communication, either directly to the director or to a person at the director's office or home who would reasonably be expected to communicate such notice promptly to the director; or (iv) facsimile, computer, fiberoptics, or other electronic communication device, with confirmation of transmission.

All such notices shall be given at the director's telephone number, fax number, electronic mail address, or sent to the director's address as shown in the records of the Association. Notices sent by first class mail shall be deposited into a United States mailbox at least five business days before the date set for the meeting. Notices given by personal delivery, telephone, or other device shall be delivered or transmitted at least 72 hours before the time set for the meeting.

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

3.12. Quorum of Board.

At all Board meetings, a majority of the directors shall constitute a quorum for the transaction of business, and the votes of a majority of the directors present at a meeting at which a quorum is present shall constitute the decision of the Board, unless otherwise specifically provided in these By-Laws or the Declaration. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting. If any Board meeting cannot be held because a quorum is not present, a majority of the directors present at such meeting may adjourn the meeting to a date not less than 5 nor more than 30 days from the date of the original meeting. At the reconvened meeting, if a quorum is present, any business which might have been transacted at the meeting originally called may be transacted without further notice.

3.13. Conduct of Meetings.

The President shall preside over all meetings of the Board, and the Secretary shall keep a minute book of Board meetings, recording all Board resolutions and all transactions and proceedings occurring at such meetings.

3.14. Open Meetings; Executive Session.

(a) Except in an emergency, notice of Board meetings shall be posted at least 48 hours in advance of the meeting at a conspicuous place within the Property which the Board establishes for the posting of notices relating to the Association. Notice of any meeting at which assessments are to be established shall state that fact and the nature of the assessment. Subject to the provisions of subsection (b), all Board meetings shall be open to all Members and, if required by law, all Owners; but attendees other than directors may not participate in any discussion or deliberation unless a director requests that they be granted permission to speak. In such case, the President may limit the time any such individual may speak.

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

3.15. Action Without a Formal Meeting.

Any action to be taken at a meeting of the directors or any action that may be taken at a meeting of the directors may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by all of the directors, and such consent shall have the same force and effect as a unanimous vote.

C. Powers and Duties.

3.16. Powers.

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

3.17. Duties.

Duties of the Board shall include, without limitation:

(a) preparing (or contracting for or delegating the preparation of) and adopting, in accordance with the Declaration, an annual budget and establishing each Owner's share of the Common Expenses;

(b) levying and collecting such assessments from the Owners;

(c) preparing such budgets and keeping such records as may be required by any Recorded Covenant to Share Costs;

(d) providing for the operation, care, upkeep, and maintenance of the Area of Common Responsibility consistent with the Community-Wide Standard;

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

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

(g) making and amending use restrictions and rules in accordance with the Declaration;

(h) opening bank accounts on behalf of the Association and designating the signatories required;

(i) making or contracting for the making of repairs, additions, and improvements to or alterations of the Common Area in accordance with the Declaration and these By-Laws;

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

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

(l) paying the cost of all services rendered on behalf of the Association;

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

(n) making available to any prospective purchaser of a Lot, any Owner, and the holders, insurers, and guarantors of any Mortgage on any Lot, current copies of the Governing Documents and all other books, records, and financial statements of the Association as provided in Section 6.4;

(o) permitting utility suppliers to use portions of the Common Area reasonably necessary to the ongoing development or operation of the Property;

(p) indemnifying a director, officer, or committee member, or former director, officer, or committee member of the Association to the extent such indemnity is required by Georgia law, the Articles of Incorporation, or the Declaration; and

(q) performing the responsibilities of the Association pursuant to any Recorded Covenant to Share Costs.

3.18. Compensation.

Directors shall not receive any compensation from the Association for acting as such. Any director may be reimbursed for expenses incurred on behalf of the Association upon approval of a majority of the other directors. Nothing herein shall prohibit the Association from compensating a director, or any entity with which a director is affiliated, for services or supplies furnished to the Association in a capacity other than as a director pursuant to a contract or agreement with the Association, provided that such director's interest was made known to the Board prior to entering into such contract and such contract was approved by a majority of the Board, excluding the interested director.

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

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

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

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

No action, policy, or program subject to the right of disapproval set forth herein shall become effective or be implemented until and unless the requirements of subsections (a) and (b) above have been met.

The Class "B" Member, its representatives or agents shall make its concerns, thoughts, and suggestions known to the Board and/or the members of the subject committee. The Class "B" Member, acting through any officer or director, agent or authorized representative, may exercise its right to disapprove at any time within 10 days following the meeting at which such action was proposed or, in the case of any action taken by written consent in lieu of a meeting, at any time within 10 days following receipt of written notice of the proposed action. This right to disapprove may be used to block proposed actions but shall not include a right to require any action or counteraction on behalf of any committee, the Board, or the Association. The Class "B" Member shall not use its right to disapprove to reduce the level of services which the Association is obligated to provide or to prevent capital repairs or any expenditure required to comply with applicable laws and regulations.

3.20. Management.

The Board may employ for the Association a professional management agent or agents at such compensation as the Board may establish, to perform such duties and services as the Board shall authorize. The Board may delegate such powers as are necessary to perform the manager's assigned duties, but shall not delegate policy-making authority. Declarant or its affiliate may be employed as managing agent or manager.

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

The Association shall not be bound, either directly or indirectly, by any management contract executed during the Class "B" Control Period unless such contract contains a right of termination exercisable by the Association, with or without cause and without penalty, at any time after termination of the Class "B" Control Period upon not more than 90 days' written notice.

3.21. Accounts and Reports.

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

(a) accrual accounting, as defined by generally accepted accounting principles, shall be employed;

(b) accounting and controls should conform to generally accepted accounting principles;

(c) cash accounts of the Association shall not be commingled with any other accounts;

(d) no remuneration shall be accepted by the managing agent from vendors, independent contractors, or others providing goods or services to the Association, whether in the form of commissions, finder's fees, service fees, prizes, gifts, or otherwise; any thing of value received shall benefit the Association;

(e) any financial or other interest which the managing agent may have in any firm providing goods or services to the Association shall be disclosed promptly to the Board; and

(f) an annual report consisting of at least the following shall be made available to all Members within 120 days after the close of the fiscal year: (i) a balance sheet; (ii) an operating (income) statement; and (iii) a statement of changes in financial position for the fiscal year. Such annual report shall be prepared on an audited, reviewed, or compiled basis, as the Board determines, by an independent public accountant; provided, upon written request of any holder, guarantor, or insurer of any first Mortgage on a Lot, the Association shall provide an audited financial statement.

3.22. Borrowing.

The Association shall have the power to borrow money for any legal purpose; provided, the Board shall obtain Voting Member approval in the same manner as provided in Section 8.3 of the Declaration for Special Assessments if the proposed borrowing is for the purpose of making discretionary capital improvements and the total amount of such borrowing, together with all other debt incurred within the previous 12-month period, exceeds or would exceed 10% of the Association's budgeted gross expenses for that fiscal year.

3.23. Right To Contract.

The Association shall have the right to contract with any Person for the performance of various duties and functions. This right shall include, without limitation, the right to enter into common management, operational, or other agreements with trusts, condominiums, cooperatives, or neighborhood and other owners or residents associations, within and outside the Property. Any common management agreement shall require the consent of a majority of the Board.

3.24. Enforcement.

The Association shall have the power, as provided in the Declaration, to impose sanctions for any violation of the Governing Documents. To the extent specifically required by the Declaration, the Board shall comply with the following procedures prior to imposition of sanctions:

(a) Notice. The Board or its delegate shall serve the alleged violator with written notice describing (i) the nature of the alleged violation, (ii) the proposed sanction to be imposed, (iii) a period of not less than 10 days within which the alleged violator may present a written request for a hearing to the Board or the Covenants Committee, if one has been appointed pursuant to Article V; and (iv) a statement that the proposed sanction shall be imposed as contained in the notice unless a challenge is begun within 10 days of the notice. If a timely request for a hearing is not made, the sanction stated in the notice shall be imposed; provided the Board or the Covenants Committee may, but shall not be obligated to, suspend any proposed sanction if the violation is cured within the 10-day period. Such suspension shall not constitute a waiver of the right to sanction future violations of the same or other provisions and rules by any Person.

(b) Hearing. If a hearing is requested within the allotted 10-day period, the hearing shall be held before the Covenants Committee, or if none has been appointed, then before the Board in executive session. The alleged violator shall be afforded a reasonable opportunity to be heard. Prior to the effectiveness of any sanction hereunder, proof of proper notice shall be placed in the minutes of the meeting. Such proof shall be deemed adequate if a copy of the notice, together with a statement of the date and manner of delivery, is entered by the officer, director, or agent who delivered such notice. The notice requirement shall be deemed satisfied if the alleged violator or its representative appears at the meeting. The minutes of the meeting shall contain a written statement of the results of the hearing and the sanction, if any, imposed.

(c) Appeal. Following a hearing before the Covenants Committee, the violator shall have the right to appeal the decision to the Board. To exercise this right, a written notice of appeal must be received by the Association's manager, President, or Secretary within 10 days after the hearing date.

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

3.25. Rules of Conduct.

The Board may require each director, as a condition of service, to sign and comply with a written set of ethical guidelines which govern the actions of the Board members and officers.

3.26. Board Standards.

While conducting the Association's business affairs, the Board shall be protected by the business judgment rule. The business judgment rule protects a director from personal liability so long as the party claiming liability does not prove that the director failed to: (a) serve in a manner the director believes to be in the best interests of the Association and the Members; (b) serve in good faith; or (c) act with such care as an ordinarily prudent person in a like position would use under similar circumstances.

In fulfilling its governance responsibilities, the Board's actions shall be governed and tested by the rule of reasonableness. The Board shall exercise its power in a fair and nondiscriminatory manner and shall adhere to the procedures established in the Governing Documents.

Operational standards of the Board and any committee appointed by the Board shall be the requirements set forth in the Governing Documents or the minimum standards which Declarant and the Board may establish. Such standard shall, in all cases, meet or exceed the standards set by Declarant and the Board during the Class "B" membership. Operational standards may evolve as the needs and demands of the Property change.

3.27. Annual Performance Review.

The Board shall have the authority to poll the membership annually in order to obtain the Owners' and/or residents' evaluation and feedback regarding the Board's administration of the Association's affairs and the performance of its duties and responsibilities during the prior year. The Board may create and deliver (or contract for the creation and delivery of) questionnaires, surveys, opinion polls, or any other devices designed to elicit feedback and comment, to the Owners and residents within the Property via first class mail, fax, electronic mail, web sites, intranet, telephone, video, or any other medium which the Board, in its discretion, selects after evaluating the cost, time efficiency, ease of use, accessibility, and likelihood of response. The Board may utilize the results of such review and feedback to increase its responsiveness to the desires of the Owners and residents in its future decision-making and in its administration and operation of the Association.

Article IV
Officers

4.1. Officers.

The officers of the Association shall be a President, Vice President, Secretary, and Treasurer. The President and Secretary shall be elected from among Board members; other officers may, but need not be Board members. The Board may appoint such other officers, including one or more Assistant Secretaries and one or more Assistant Treasurers, as it shall

deem desirable, such officers to have such authority and perform such duties as the Board prescribes. Any two or more offices may be held by the same person, except the offices of President and Secretary.

4.2. Election and Term of Office.

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

4.3. Removal and Vacancies.

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

4.4. Powers and Duties.

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

4.5. Resignation.

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

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

All agreements, contracts, deeds, leases, checks, and other instruments of the Association shall be executed by at least two officers or by such other person or persons as may be designated by Board resolution.

4.7. Compensation.

Compensation of officers shall be subject to the same limitations as compensation of directors under Section 3.19.

Article V
Committees

5.1. General.

The Board may appoint such committees as it deems appropriate to perform such tasks and to serve for such periods (subject to Section 5.4) as the Board may designate by resolution. Each committee shall operate in accordance with the terms of such resolution.

5.2. Covenants Committee.

In addition to any other committees which the Board may establish pursuant to Section 5.1, the Board may appoint a Covenants Committee consisting of at least three and no more than seven Members. Acting in accordance with the provisions of the Declaration, these By-Laws, and resolutions the Board may adopt, the Covenants Committee, if established, shall be the hearing tribunal of the Association and shall conduct all hearings held pursuant to Section 3.25 of these By-Laws.

5.3. Term of Service.

In order to maximize the participation of all Owners and residents within the Property, service on all committees shall rotate on a regular, two-year basis.

5.4. Limitation on Powers.

The Board shall have the right to disapprove or veto any committee decision or action. Notwithstanding any provision to the contrary, committees shall not have the authority to contractually bind the Association or to commit the Association financially.

Article VI
Miscellaneous

6.1. Fiscal Year.

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

6.2. Parliamentary Rules.

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

6.3. Conflicts.

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

6.4. Books and Records.

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

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

(i) notice to be given to the custodian of the records;

(ii) hours and days of the week when such an inspection may be made;

(iii) payment of the cost of reproducing documents requested.

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

6.5. Notices.

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

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

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

(c) if to any committee, at the principal address of the Association or at such other address as shall be designated by notice in writing to the Members pursuant to this Section.

6.6. Amendment.

(a) By Class "B" Member. Prior to the conveyance of the first Lot by Declarant to a Person other than a Builder, the Class "B" Member may unilaterally amend these By-Laws. Thereafter, the Class "B" Member may unilaterally amend these By-Laws at any time and from time to time if such amendment is necessary (i) to bring any provision into compliance with any applicable governmental statute, rule, or regulation, or judicial determination; (ii) to enable any reputable title insurance company to issue title insurance coverage on the Lots; or (iii) to enable any institutional or governmental lender, purchaser, insurer, or guarantor of mortgage loans, including, for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to make, purchase, insure, or guarantee mortgage loans on the Lots; provided, however, any such amendment shall not adversely affect the title to any Lot unless the Owner shall consent thereto in writing. So long as the Class "B" membership exists, the Class "B" Member may unilaterally amend these By-Laws for any other purpose, provided the amendment has no material adverse effect upon the rights of greater than two percent of the Members.

(b) By Members Generally. Except as provided above, these By-Laws may be amended only by the affirmative vote or written consent, or any combination thereof, of Members representing 51% of the total Class "A" votes in the Association, and the consent of the Class "B" Member, if such exists. Notwithstanding the above, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

(c) Validity and Effective Date of Amendments. Amendments to these By-Laws shall become effective upon Recordation unless a later effective date is specified therein. Any procedural challenge to an amendment must be made within six months of its Recordation, or such amendment shall be presumed to have been validly adopted. In no event shall a change of conditions or circumstances operate to amend any provisions of these By-Laws.

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

CERTIFICATION

I, the undersigned, do hereby certify:

That I am the duly elected and acting Secretary of Canal Towns Phase II Property Owners Association, Inc., a Georgia corporation;

That the foregoing By-Laws constitute the original By-Laws of said Association, as duly adopted at a meeting of the Board of Directors thereof held on the 30th day of September, 2025.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said Association this 30th day of September, 2025.

_____ [SEAL]
Secretary

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