

## 10. OCCUPANCY AND USE RESTRICTIONS

All of the Property shall be held, used, and enjoyed subject to the following limitations and restrictions, and any and all additional rules and regulations which may, from time to time, be adopted by the Association, except as provided in Section 10.38 below with respect to Declarant and Lots and Homes owned by Declarant:

10.1. Enforcement. Failure of an Owner to comply with any limitations or restrictions in this Declaration or any of the Governing Documents or with any rules and regulations promulgated by the Association shall be grounds for action which may include, without limitation, an action to recover sums due for damages, injunctive relief, or any combination thereof.

Notwithstanding the rights of the Association hereunder to enforce to the terms and provisions of the Governing Documents, the District shall also have the right to take enforcement action, including a civil action for an injunction and penalties, against the Association to compel the Association to correct any failure by the Association to operate, maintain and repair the Surface Water or Stormwater Management System in accordance with the District Permit.

In addition to all other remedies, if an Owner is delinquent for more that ninety (90) days in paying a monetary obligation due the Association, the Association may suspend, until such monetary obligation is paid, any or all of the rights of any or all of an Owner or an Owner's tenants, guests or invitees to use the Common Area and facilities (including, without limitation, cable television and other amenity (non-utility) services provided); may suspend the voting rights of an Owner if such Owner is delinquent in payment of regular annual assessments for more than ninety (90) days; and may levy reasonable fines against any Owner or any Owner's tenant, guest or invitee for failure of such Owner, and/or such Owner's family, guests, invitees, tenants or employees to comply with any of the Governing Documents, provided the following procedures are adhered to:

10.1.1. Notice. The Association shall notify the Owner in writing of the noncompliance and set forth the corrective action to be taken. A fine or suspension of use rights may not be imposed without at least fourteen (14) days' notice to the Owner sought to be fined or suspended and an opportunity for a hearing before a committee of at least three (3) members appointed by the Board who are not officers, directors, or employees of the Association, or the spouse, parent, child, brother or sister of an officer, director, or employee of the Association. If the committee, by majority vote, does not approve a proposed fine or suspension, it may not be imposed. If the Association imposes a fine or suspension, the Association must provide written notice of such fine or suspension by mail or hand delivery to the Owner and, if applicable, to any Owner's tenant, guest or invitee. At the Association's option, any fine may be levied on a daily basis in the event of a continuing violation without the necessity of a new hearing and without any limitation on the amount of such fine.

10.1.2. Hearing. Should the Owner still be in noncompliance, the noncompliance shall be presented to the Board after which the Board shall hear reasons why a fine should or



should not be imposed. A written decision of the Board shall be submitted to the Owner, as applicable, not later than twenty-one (21) days after said meeting.

10.1.3. Payment. A fine shall be paid not later than thirty (30) days after notice of the imposition of the fine.

10.1.4. Fines. An Owner shall be responsible for all Legal Fees incurred in connection with the collection of a fine whether or not an action at law to collect said fine is commenced. All monies received from fines shall be allocated as directed by the Board, subject always to the provisions of this Declaration. Unless otherwise permitted by applicable law, a fine of less than One Thousand and No/100 Dollars (\$1,000.00) may not become a lien against a Lot.

10.1.5. Failure to Pay Assessments. Notice and Hearing as provided in this Section shall not be required with respect to the imposition of suspension of voting rights or fines upon any Owner because of such Owner's failure to pay Assessments or other monetary obligations or charges which are due for more than ninety (90) days.

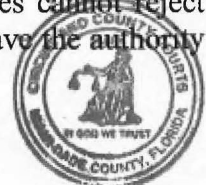
10.1.6. Suspension of use rights to the Common Area shall not impair the right of an Owner or tenant of a Lot and/or Home to have vehicular and pedestrian ingress to and egress from such Lot and/or Home, including, but not limited to, the right to park, nor to provide access to utility services provided to the Lot and/or Home.

10.1.7. In addition to all other remedies, the Association may levy Benefited Assessments, to cover costs which the Association incurs to bring a Lot into compliance with the Governing Documents, including Legal Fees, or costs incurred as a consequence of the conduct of an Owner or occupant of a Lot, their guests or invitees.

10.1.8. For purposes of this Section 10, unless the context otherwise requires, Owner shall also include the family, invitees, guests, licensees, lessees and sublessees of any Owner, and any other permitted occupants of a Home. All the Property shall be held, used and enjoyed subject to the following limitations and restrictions, subject to the exemption of Declarant in Section 10.38 hereof:

10.2. Single Family Use. The Homes shall be for single family use only. No commercial occupation or activity may be carried on in Baywood except as such occupation or activity is permitted to be carried on by Declarant under this Declaration. A family is defined to mean any number of persons related by blood, marriage or adoption or not more than two (2) unrelated adult persons living as a single housekeeping unit.

10.3. Occupancy of Home. The Fair Housing Amendments Act of 1988 (Public Law 100-430, approved September 13, 1988) ("Fair Housing Act"), which became effective in March, 1989, and as amended effective December 31, 1995, provides that communities cannot reject families with children. Therefore, neither Declarant nor the Association shall have the authority to prohibit children.



10.4. Nuisance. Subject to allowances for reasonable construction activities, no obnoxious or offensive activity shall be carried on, in or about the Lots and Homes or in or about any Improvements, or on any portion of Baywood, nor shall anything be done therein which may be or become an unreasonable annoyance or a nuisance to any Owner. No use or practice shall be allowed in or around the Lots and Homes which is a source of annoyance to the Owners or occupants of Homes or which interferes with the peaceful possession or proper use of the Lots and Homes or the surrounding areas. No loud noises or noxious odors shall be permitted in any Improvements or Homes. Without limiting the generality of any of the foregoing provisions, no horns, whistles, bells or other sound devices (other than security devices used exclusively for security purposes), noisy or smoky vehicles, unlicensed off road motor vehicles or any items which may unreasonably interfere with television or radio reception of any Owner shall be located, used or placed on any Lot or Home, or exposed to the view of other Owners without the prior written approval of the Board.

10.5. No Improper Uses. No improper, offensive, hazardous or unlawful use shall be made of any Lot or the Home thereon nor shall anything be done thereon tending to cause embarrassment, discomfort, annoyance or nuisance to any person using any portion of the Property. Each portion of the Property will be subject to, and the Association and each Owner will conform to and observe, all laws, statutes, ordinances, rules and regulations of the United States of America, the State of Florida, the County, and any and all other governmental and public authorities and boards or officers of the same relating to such Property and any Improvements thereon or the use thereof. Violations of laws, orders, rules, regulations or requirements of any governmental agency having jurisdiction thereover relating to any Lot or Home shall be corrected by, and at the sole expense of the Owner of any such Lot or Home.

10.6. Leases. No portion of a Home (other than an entire Home) may be rented. A Home may not be leased for a period of less than six (6) months. All leases shall provide, and if they do not so provide then the leases shall be deemed to provide, that the Association shall have the right to terminate the lease upon default by the tenant in observing any of the provisions of this Declaration, the Articles, the Bylaws, applicable rules and regulations, or of any other agreement, document or instrument governing the Lots or Homes. The Owner of a leased Home shall be jointly and severally liable with such Owner's tenant for compliance with the Governing Documents and to the Association to pay any claim for injury or damage to property caused by the negligence of the tenant. Every lease shall be subordinate to any lien filed by the Association whether before or after such lease was entered into. Within five (5) days following execution of a lease for a Home, but in no event later than occupancy of the Home by a tenant, Owner shall: (a) notify the Association in writing with the name of the tenant and all of tenant's family members or others that will be occupying the Home, and (b) provide the Association with a true, correct and complete copy of the lease agreement. In the event Owner fails to timely comply with the foregoing, such lease shall be null and void and of no further force or effect, and Owner shall be in violation of this Declaration.

In the event that an Owner is delinquent in the payment of his or her Assessments or other sums due and owing to the Association, the Home shall not be leased until such amounts



are paid in full. If the Home is leased in violation of this provision, the Association may terminate the lease and evict the tenants in addition to imposing all other available remedies. In the event an Owner is in default in the payment of Assessments or other sums due and owing to the Association and the Owner's Home is leased, the Association shall have the right and authority to collect the rent to be paid by the tenant to the Owner directly from the tenant. In the event such tenant fails to remit said rent directly to the Association within ten (10) days (but no later than the day the next rental payment is due) from the day the Association notified such tenant in writing that the rents must be remitted directly to the Association, the Association shall have the right to terminate the lease and evict the tenant. All sums received from the tenant shall be applied to the Owner's account for the leased Home according to the priority established in the HOA Act until the Owner's account is current. All leases entered into by an Owner shall be deemed to automatically incorporate this provision and all the Owners hereby appoint the Association its agent for such purpose.

In addition to any notice to a tenant of a Home permitted to be given by law, an Owner by acceptance of a deed to a Home, does hereby irrevocably grant to the Association (and its officers, directors, designees, agents, and employees) and to any professional management or accounting firm providing management or accounting services to the Association, the right to notify, in writing, the tenant of the Home of any delinquency by the Owner of the Home in payment of any monetary obligations due to the Association, including but not limited to the amount thereof. Further each Owner hereby agrees and acknowledges that the disclosure of any of Owner's delinquent monetary obligations due to the Association, as provided in the preceding sentence, shall not be construed or be deemed to be a violation of the Fair Debt Collection Practices Act ("FDCPA") 15 U.S.C. Section 1692 *et seq.*

10.7. Removal of Sod and Shrubbery; Alteration of Drainage, Etc. Except for Declarant's acts and activities with regard to the development of Baywood, no Improvements (including, but not limited to, driveways, pools, and landscaping) and no sod, top soil, muck, trees or shrubbery shall be removed from Baywood and no change in the condition of the soil or the level of the land of any of Baywood area shall be made which would result in any permanent change in the flow or drainage of surface water within Baywood without prior written consent of the ARB.

10.8. Addition of Landscaping; Alteration of Drainage, Etc. If an Owner installs additional landscaping to their Lot (which installation must be approved by the ARB), the Owner is responsible for the additional costs of maintaining the additional landscaping. The installation of additional landscaping shall not result in any permanent change in the flow or drainage of surface water within Baywood without prior written consent of the ARB.

10.9. Antenna and Aerial. No outside television, radio, or other electronic towers, aerials, antennae, satellite dishes or device of any type for the reception or transmission of radio or television broadcasts or other means of communication shall hereafter be erected, constructed, placed or permitted to remain on any portion of the Property or upon any improvements thereon, unless expressly approved in writing by the Association, except that this prohibition shall not apply to those satellite dishes that are one (1) meter (39.37 inches) in diameter or less, and





specifically covered by 47 C.F.R. Part 1, Subpart S, Section 1.4000, as amended, promulgated under the Telecommunications Act of 1996, as amended from time to time. The Association is empowered to adopt rules governing the types of antennae, restrictions relating to safety, location and maintenance of antennae. The Association may also adopt and enforce reasonable rules limiting installation of permissible dishes or antennae to certain specified locations, not visible from the street or neighboring properties, and integrated with the Property and surrounding landscape, to the extent that reception of an acceptable signal would not be unlawfully impaired by such rules and provided the cost of complying with such rules would not unreasonably increase the cost of installation of permissible dishes or antennae. Any permissible dishes or antennae shall be installed in compliance with all federal, state and local laws and regulations, including zoning, land-use and building regulations. This Section 10.9 shall not apply to Declarant.

10.10. Garbage and Trash. Each Owner shall regularly pick up all garbage, trash, refuse or rubbish around his or her Lot, and no Owner or resident shall place or dump any garbage, trash, refuse or other materials on any other portions of Baywood, or any property contiguous to Baywood. Garbage, trash, refuse or rubbish that is required to be placed at the front of a Lot in order to be collected may be placed and kept at the curb after 5:00 p.m. on the day before the scheduled day of collection, but not sooner, and any trash facilities must be removed on the collection day after the pick up. All garbage, trash, refuse or rubbish must be placed in appropriate trash facilities or bags. All containers, dumpsters and other trash collection facilities shall be approved by the Association. All containers, dumpsters or garbage facilities shall be stored inside the garage or screened from view on the Lot and kept in a clean and sanitary condition. No noxious or offensive odors shall be permitted.

10.11. Radio Transmission. No ham radios or radio transmission equipment shall be operated or permitted to be operated within Baywood without the prior written consent of the Association.

10.12. Animals and Pets. No animals, livestock or poultry of any kind of size shall be raised, bred or kept on any Lot, except that dogs, cats or other household pets may be kept subject to the rules and regulations governing their keeping adopted by the Board. In no event shall the number of pets exceed three (3) for any Lot. No permitted pet may be kept, bred or maintained for any commercial purpose. No permitted pet may be kept if the pet becomes a nuisance or annoyance to any neighbor, as determined by the Board. No dogs or other pets shall be permitted to have excretions on the Property, except in locations designated by the Board. An Owner is responsible for the cost of repair or replacement of any Common Area damaged by such Owner's pet. Permitted pets shall only be kept subject to and in accordance with such rules and regulations as shall be promulgated from time to time by the Association.

No exotic pet or any animal of any kind which has venom or poisonous defense or capture mechanisms, or if let loose would constitute vermin, shall be allowed on any portion of the Property. Trained seeing-eye dogs will be permitted for those persons holding certificates of blindness and necessity. Other animals will be permitted if such animals serve as physical aides to handicapped persons and such animals have been trained or provided by an agency or service



qualified to provide such animals. The guide or assistance animal will be kept in direct custody of the assisted person or the qualified person training the animal at all times when on the Property and the animal shall wear and be controlled by a harness or orange-colored leash and collar. Pets may not be kept, bred or maintained for any commercial purpose. Any pet must be temporarily caged, carried or kept on a leash when outside of a Home. No pet shall be kept outside a Home or on any patio, unless someone is present in the Home. No dogs will be curbed in any landscaped area or close to any walk, but only in special areas designated by the Association, if any, provided this statement shall not require the Association to designate any such area. An Owner shall immediately pick up and remove any solid animal waste deposited by his or her pet. The Owner shall compensate any person hurt or bitten by his or her pet and shall indemnify the Association and hold it harmless against any loss or liability of any kind or character whatsoever arising from or growing out of having any animal within the Property. If a dog or any other animal becomes obnoxious to other Owners by barking or otherwise, the Owner thereof must cause the problem to be corrected; or, if it is not corrected, the Owner, upon written notice by the Association, will be required to permanently remove the animal from the Property. All pets must be registered, licensed and inoculated as required by law. The Association will promulgate rules and regulations from time to time designating other rules as necessary to regulate pets.

10.13. Clotheslines. Unless otherwise permitted by applicable law and only to the extent permitted therein, no clothesline or clothes drying which is visible from outside a Lot shall be undertaken or permitted on any portion of Baywood.

10.14. Temporary Buildings, Etc. No tents, trailers, shacks or other temporary buildings or structures shall be constructed or otherwise placed within Baywood except in connection with construction, development, leasing or sales activities permitted under this Declaration or with the prior written consent of the Association. No temporary structure may be used as a residence.

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

10.16. Fences. An Owner may not install any fencing (including invisible fencing) on his or her Lot without the prior written approval by the ARB. In addition, the installation of any fence placed upon any Lot is subject to easements which run with the land. In the event that any fence is approved by the ARB and is permitted to cross any such easements, such ARB's approval is still subject to Owner first receiving written approval from the grantee of such easements and all other applicable governmental authorities. In the event the grantee of any such easement which runs with the land (i.e., FPL, utility provider or the County), its successors and/or assigns, requires the removal of any fence upon the Lot, then the Owner of said Lot shall, at the Owner's sole cost and expense, immediately remove the fence. The Owner of a Lot when installing any fence upon the Lot shall comply with all valid laws, zoning ordinances, codes,



rules and regulations of all applicable governmental bodies, as applicable, in addition to the ARB approval required.

10.17. Drainage or Utility Easements. No structures, trees or shrubs shall be placed on any drainage or utility easements, except by Declarant, without the prior written consent of the ARB.

10.18. Additions and Alterations. No Home shall be enlarged by any addition thereto or to any part thereof, and no Owner shall make any improvement, addition, or alteration to the exterior of his or her Home, including, without limitation, the painting, staining, or varnishing of the exterior of the Home without the prior written consent of the ARB.

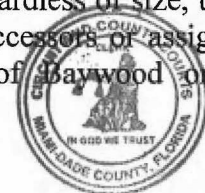
10.19. Increase in Insurance Rates. No Owner may engage in any action which may reasonably be expected to result in an increase in the rate of any insurance policy or policies covering or with respect to any portion of the Property not owned by such Owner.

10.20. Mining, Drilling, or Excavation. There shall be no mining, quarrying or drilling for minerals, oil, gas or otherwise ("Mining Activity") undertaken on the Property. Activities of Declarant or the Association in dredging, excavating or maintaining drainage or other facilities or easements shall not be deemed Mining Activities.

10.21. Upon the failure of an Owner(s) to (i) maintain the portion of the Property and any Improvement thereon which such party is responsible to maintain in accordance with the requirements of this Declaration and to the satisfaction of the Association and (ii) correct such deficiencies within fifteen (15) days of written notice by the Association, unless a longer period is authorized by the Association, the Association may enter upon such portion of the Property and make such corrections as may be necessary. The cost of such corrections shall be paid by the Owner who is required to perform such maintenance. If any Owner(s) fails to make payment within fifteen (15) days after requested to do so by the Association, then the payment requested shall be collected as an Individual Home Assessment from such Owner and the Association shall be entitled to lien rights upon the portion of the Property requiring such maintenance in accordance with the provisions of this Declaration.

10.22. Subdivision and Partition. No Lot on the Property shall be subdivided except by Declarant.

10.23. Signs. No sign, display, poster, advertisement, notice, lettering or other advertising device of any kind whatsoever (including, without limitation, "For Sale," "For Rent," or "By Owner," or any other signs for the sale or renting of homes) may be exhibited, displayed, inscribed, painted or affixed in public view of any portion of any building or other Improvement in the Property (including, without limitation a Home), or on or in a vehicle, without the prior written consent of the ARB and the Board, which consent may be given, withheld or conditioned in the sole and absolute discretion of the ARB and the Board. Signs, regardless of size, used by Declarant or any of Declarant's affiliates, or any of their respective successors or assigns, for advertising or marketing during the construction and sale period of Baywood or other



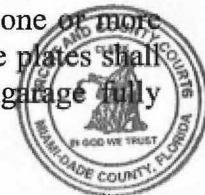
communities developed and/or marketed by Declarant or its affiliates and other signs authorized by Declarant shall be exempt from this Section. Such sign or signs as Declarant may be required to erect under the terms of an Institutional Mortgage shall be exempt from this Section. An Owner may display a security sign provided by a contractor for security services as permitted by the HOA Act. This provision may not be amended without the prior written consent of Declarant.

10.24. Boats, Recreational Vehicles and Commercial Vehicles. No trailer, camper, or other vehicle, other than four wheel passenger automobiles and other four wheel passenger vehicles determined acceptable by the Association, shall be permitted on any portion of Baywood unless fully enclosed in the garage, except for trucks furnishing goods and services during the daylight hours, except for police and emergency service vehicles, and except as the Association may designate for such use by appropriate rules and regulations. Motorcycles and boats are permitted on the Property; however, they are restricted to being parked in the garage only. In addition, the Board shall adopt rules and regulations from time to time regulating and limiting the size, weight, type and place and manner of operation of vehicles in Baywood.

10.25. Vehicular Parking. No person, firm or corporation shall park or cause to be parked any vehicle on any portion of the Property other than in driveways or other specifically designated parking areas in the streets, drives, swales, alleys or parkways located on the Property. The foregoing, however, shall not: (i) prohibit routine deliveries by tradesmen, or the use of trucks or commercial vans in making service calls and short term visits; (ii) apply to a situation where a vehicle becomes disabled and, as a result of an emergency, is required to be parked within Baywood until it can be towed away; and (iii) apply to vehicles used in connection with construction, development or sales activities permitted under this Declaration.

10.26. All powered vehicles capable of exceeding five (5) miles per hour are prohibited from use on Baywood property unless they are licensed, registered, and insured. Specifically, any motorcycle, moped, or motorized scooter used in Baywood may only be driven by a licensed driver, and must be registered and insured in accordance with Florida law. Specifically exempted from this regulation are electric personal assistive mobility devices as defined under Florida Statutes, Section 316.003(83); and any other bona-fide "assistive technology devices" as defined in Florida Statutes, Section 427.802(1); and any special mobile equipment as defined under Florida Statutes, Section 316.003(48) provided that such equipment may not be operated in a manner that creates a traffic hazard, or which poses a threat of harm to the user of such equipment.

10.27. No person, firm or corporation shall maintain or repair any vehicle (including, but not limited to, four wheel passenger automobiles) upon any portion of the Property except within a closed garage and totally isolated from public view; provided, however, Declarant its successors, nominees or assigns and the Association may make, or cause to be made, such repairs if necessary in regard to vehicles used in connection with construction, sales or management at Baywood. Vehicles which are missing one or more wheels, have one or more deflated tires, are not in an operating condition, or do not have current valid license plates shall not remain upon any portion of the Property, except within a wholly enclosed garage fully





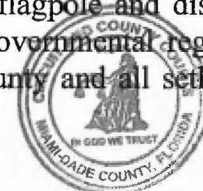
shielded from view, for more than two (2) consecutive days. No Owner or his or her family members, guests, invitees or lessees or their family members, guests, or invitees shall be permitted to keep any vehicle on the Property which is deemed to be a nuisance by the Association or Declarant.

10.28. Window Decor. Curtains, blinds, shutters, levelors, or draperies (or linings thereof) which face the exterior windows or glass doors of a Home shall be white or off-white in color and shall be subject to disapproval by the ARB, in which case they shall be removed and replaced by the Owner, at such Owner's sole cost, with items acceptable to the Association.

10.29. Hurricane Shutters. No hurricane shutters may be installed without the prior written consent of the ARB, which consent may not be unreasonably withheld. If the installation of hurricane shutters is made which does not conform with the ARB's consent, then the hurricane shutters will be made to conform by the ARB at the Owner's expense or they shall be removed. Approved hurricane shutters shall not be installed or closed, as applicable, before the issuance of a hurricane watch by the National Hurricane Center encompassing Baywood location, and shall be removed no later than ten (10) days after the cessation of a hurricane watch or warning for same ("Hurricane Shutter Time Period"), however, if the hurricane shutters are clear in color they shall be allowed to remain installed or closed, as applicable, if the Owners are absent during hurricane season

Each Owner who plans to be absent from his or her Home during the hurricane season must prepare his or her Lot prior to such Owner's departure by (a) removing all furniture, potted plants and other movable objects from his or her porch, balcony or patio, if any; (b) designating a responsible firm or individual satisfactory to the Association to install and remove hurricane shutters in accordance with the Hurricane Standards and the Hurricane Shutter Time Period requirements; and (c) designating a responsible firm or individual satisfactory to the Association to care for the Home should the Home suffer hurricane damage. Such firm or individual shall contact the Association for clearance to install or remove hurricane shutters pursuant to this Declaration.

10.30. Flags. An Owner may display one portable, removable United States flag in a respectful manner, and one portable, removable official flag in a respectful manner, not larger than 4½ feet by 6 feet, that represents the United States Army, Navy, Air Force, Marine Corps, or Coast Guard, or a POW-MIA flag. An Owner may erect a freestanding flagpole no more than 20 feet high on any portion of the Owner's Lot if the flagpole does not obstruct sightlines at intersections and is not erected within or upon an easement. The Owner may further display in a respectful manner from that flagpole, one official United States flag, not larger than 4½ feet by 6 feet, and may additionally display one official flag of the State of Florida or the United States Army, Navy, Air Force, Marines, or Coast Guard, or a POW-MIA flag. Such additional flag must be equal in size to or smaller than the United States flag. The flagpole and display are subject to all building codes, zoning setbacks, and other applicable governmental regulations, including, but not limited to, noise and lighting ordinances in the County and all setback and locational criteria contained in this Declaration.



10.31. Water Supply. No individual water supply system shall be permitted on any of the Property, provided that one or more central water supply systems are being operated in accordance with requirements of the governmental body having jurisdiction over said central system, except that wells are permitted for the irrigation of landscaping only, provided that a method of stain reduction is utilized in conjunction with the irrigation well.

10.32. Sewage Disposal. No individual sewage disposal system shall be permitted on the Property.

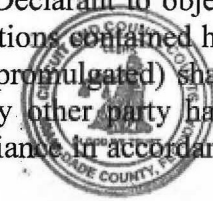
10.33. Weapons. The use and discharge of weapons within Baywood is prohibited. The term "weapons" includes bows and arrows, slingshots, "B-B" guns, pellet guns, and other firearms of all types, regardless of size.

10.34. On-Site Fuel Storage. No on-site storage of gasoline or other fuels shall be permitted on any Lot, except that up to five (5) gallons fuel may be stored on each Lot for emergency purposes and operation of lawn mowers and similar tools or equipment. Propane tanks normally associated with outdoor barbecue grills are permitted above-ground. This restriction is designed to reduce environmental risks associated with fuel storage and to minimize the hazards associated with on-site fuel storage.

10.35. Board's Rule Making Power. The foregoing use restrictions shall not be deemed to be all inclusive nor restrict the right of the Association to adopt such reasonable rules and regulations governing the use of Baywood as the Board may determine from time to time, provided that such rules and regulations: (i) are not in conflict with the provisions hereof; (ii) apply equally to all lawful residents of Baywood without discriminating on the basis of whether a Home is occupied by an Owner or his or her lessee; and (iii) for so long as Declarant holds any Homes within Baywood for sale in the ordinary course of its business, have the prior written approval of Declarant. Declarant has the right to approve any rule or modification thereof.

10.36. Compliance with Documents. Each Owner and their family members, guests, and invitees shall be bound by and abide by the Governing Documents. The conduct of the foregoing parties shall be considered to be the conduct of the Owner responsible for, or connected in any manner with, such individual's presence within Baywood. Such Owner shall be liable to the Association and shall pay the cost of any maintenance, repair or replacement of any real or personal property located on the Property rendered necessary by his or her act, neglect or carelessness, or by that of any other of the foregoing parties as an Individual Home Assessment.

10.37. No Implied Waiver. The failure of the Association or Declarant to object to an Owner's or other party's failure to comply with the covenants or restrictions contained herein or any other Governing Document (including the rules now or hereafter promulgated) shall in no event be deemed a waiver by Declarant or the Association or of any other party having an interest in the Property of its right to object to same and to seek compliance in accordance with the provisions of the Governing Documents.



10.38. Declarant Exemption. Declarant plans to undertake the work of constructing Homes and Improvements upon the Property and may undertake the work of constructing other buildings upon adjacent land or other property being developed or marketed by Declarant or its affiliates. The completion of the aforementioned work and the sale, rental and other transfer of Homes by Declarant and Declarant's affiliates are essential to the establishment and welfare of the Property as a residential community. In order that such work may be completed and a fully occupied community established as rapidly as possible, neither the Owners nor the Association shall do anything whatsoever to interfere with any of Declarant's or Declarant's affiliates' activities relating to the constructing of Homes and Improvements upon the Property, the constructing of other buildings upon adjacent land or any other property being developed or marketed by the Declarant or its affiliates, or the sale, rental and/or other transfer of Homes by Declarant or its affiliates. In this respect, Declarant hereby reserves the right for itself and its employees, agents, licensees, and invitees to come upon any and all portions of the Property (including, without limitation, the Common Area as well as a Lot even after the same has been conveyed to an Owner) as may be necessary or convenient to enable Declarant to carry on its work and other activities including, without limitation, Declarant's development and construction of Baywood and the Homes therein.

In general, the restrictions and limitations set forth in this Section 10 shall not apply to Declarant or to Lots and Homes owned by Declarant. Declarant shall specifically be exempt from any restrictions which interfere in any manner whatsoever with Declarant's plans for development, construction, sale, lease, or use of the Property and to the Improvements thereon. Declarant shall be entitled to injunctive relief for any actual or threatened interference with its rights under this Section 10 in addition to whatever remedies at law to which it might be entitled.

## 11. DAMAGE OR DESTRUCTION TO COMMON AREA

Damage to or destruction of all or any portion of the Common Area shall, notwithstanding any provision in this Declaration to the contrary, be handled as follows:

11.1. If insurance proceeds are sufficient to effect total restoration of damaged or destroyed Common Area, then the Association shall cause such Common Area to be repaired and reconstructed substantially as it previously existed.

11.2. If insurance proceeds are insufficient to effect total restoration of the Common Area, and the cost of restoration would require a Special Assessment against each Lot in an amount of Five Thousand Dollars (\$5,000.00) or less (such amount is based on the value of the dollar in the year this Declaration is recorded and shall be increased each year thereafter based upon increases in the Consumer Price Index), then the Association shall cause the Common Area to be repaired and reconstructed substantially as it previously existed and the difference between the insurance proceeds and the actual cost shall be levied as a Special Assessment proportionately against each of the Lots in accordance with the provisions of Sections 6 and 7 herein.

