

RULES AND REGULATIONS

OF

PRESTON LAKE HOMEOWNERS ASSOCIATION

GENERAL

1. Preston Lake Homeowners Association ("Association"), acting through its Board of Directors, has adopted the following Rules and Regulations ("Regulations"). A complete list of Rules and Regulations of the Association can be found in Article 8 of the Declaration. The Rules and Regulations affecting your Lot may also be imposed by Supplementary Declarations or resolutions of the Board of Directors. The Committee does not review initial construction approved by the declarant.

2. Wherever in these Regulations reference is made to the Association, such reference shall include the Association and the managing agent when the managing agent is acting on behalf of the Association.

3. The owners shall comply with all the Regulations hereinafter set forth governing the buildings, patios, balconies, drives, recreational areas, grounds, parking areas and any other appurtenances.

4. The Association reserves the right to alter, amend, modify, repeal or revoke these Regulations and any consent or approval given hereunder at any time by resolution of the Association or the Board of Directors.

RESTRICTIONS ON USE

5. No Unsafe Activities or Waste. Nothing shall be done or kept on the property that will increase the rate of insurance for the Common Area or any part thereof applicable for permitted uses without the prior written consent of the Board of Directors; including without limitation any activities that are unsafe or hazardous with respect to any person or property. No Person shall permit anything to be done or kept on the property which will result in the cancellation of any insurance on the Common Area or any part thereof or which would be in violation of any law, regulation or administrative ruling. No waste will be committed on the Common Area.

6. Compliance with Laws. No improper, offensive or unlawful use shall be made of the property or any part thereof, and all valid laws, zoning ordinances and regulations of all governmental agencies having jurisdiction thereof shall be observed; provided, however, that the Association and the Board of Directors shall have the power but not the obligation to enforce such laws, ordinances and regulations, enforcement being the primary responsibility of government officials. All laws, orders, rules, regulations or requirements of any governmental agency having jurisdiction thereof relating to any portion of the property shall be complied with,

by and at the sole expense of the Owner, the Association, the declarant or a Subassociation, whichever shall have the obligation for the upkeep of such portion of the property

7. Harmful Discharges. There shall be no emissions of dust, sweepings, dirt, cinders, odors, gases or other substances into the atmosphere (other than normal residential chimney emissions), no production, storage or discharge of hazardous wastes on the property or discharges of liquid, solid wastes or other harmful matter into the ground or any body of water, if such emission, production, storage or discharge may adversely affect the use or intended use of any portion of the property or may adversely affect the health, safety or comfort of the occupants of the Lots. No waste nor any substance or materials of any kind shall be discharged into any public sewer serving the property or any part thereof in violation of any regulation of any public body having jurisdiction over such public sewer. No person shall allow the escape or discharge of any fumes, odors, gases, vapors, steam, acids or other substances into the atmosphere that discharge, in the opinion of the Board of Directors, may be detrimental to the health, safety or welfare of the area in which may be harmful to the property or vegetation. No visible emission of smoke or steam will be permitted (outside any building) which exceed Ringlemann No. 1 on the Ringlemann Chart of the United States Bureau of Mines. This requirement shall also be applied to the disposal of trash and waste materials. Wind-borne dust, sprays and mists originating in plants are not permitted.

8. Obstructions. No Person shall obstruct any of the Common Area or otherwise impede the rightful access of any other Person on any portion of the property upon which such Person has the right to be. No Person shall place or cause or permit anything to be placed on or in any portion of the Common Area without the approval of the Board of Directors. Nothing shall be altered or constructed in or removed from the Common Area except with the prior written approval of the Board of Directors.

9. Association Property; Employees. The Common Area shall be used only for the furnishing of the services and facilities for which the same is reasonably suited and which are incident to the use and occupancy of the Lots. The improvements located on the Common Area, if any, shall be used only for their intended purposes. Except as otherwise expressly provided in the Association Documents, no owner shall make any private, exclusive or proprietary use of any of the Common Area (except those areas, if any, designated as Limited Common Area or Reserved Common Area) without the prior written approval of the Board of Directors, and then only on a temporary basis. No Person shall engage or direct any employee of the Association on any private business of an owner or otherwise direct, supervise or in any manner attempt to assert control over such employee during the hours such employee is employed by the Association, except the Association or the managing agent.

10. Signs and Flags. Except for such signs, flags and banners as may be posted by the declarant or a builder (as permitted by the declarant) for promotional or marketing purposes or by the Association, no signs, flags or banners of any character shall be erected, posted or displayed in a location that is visible from neighboring property unless in compliance with the Design Guidelines or with the prior written approval of the Covenants Committee. Notwithstanding the above, any sign listing Lots for sale are prohibited and a listing of all Lots

for sale will be available at the Clubhouse except with the prior written approval of the Board of Directors.

An owner may display an American flag, so long as the flag is displayed in accordance with the Federal Flag Code, 36 U.S.C. Sections 171-178, as amended; provided, however the appropriate size, placement and installation of a flagpole is in compliance with the Design Guidelines.

11. Trash. Trash storage and collection shall be in accordance with the Rules and Regulations. Except in connection with construction activities, no burning of any trash and any accumulation or storage of litter, refuse, bulk materials, building materials or trash of any other kind shall be permitted on any Lot. Trash containers shall not be permitted to remain in a location visible from neighboring property except on days of trash collection. No incinerator shall be kept or maintained upon any Lot without the prior written approval of the Covenants Committee.

12. Landscaping. The planting of plants, flowers, trees, shrubbery and crops of any type is prohibited anywhere on the common elements without the prior written consent of the Board of Directors. No fences may be erected around or on the common elements.

13. Improvements. No structure of a temporary character, and no temporary trailer, tent, shack, barn, pen, kennel, run, stable or other temporary accessory building shall be erected, used or maintained on any Lot except in connection with construction or marketing activities by the declarant or a builder (as permitted by the declarant) without the prior written approval of the Covenants Committee.

14. Antennas. No exterior antenna, satellite dish or similar exterior improvement shall be maintained upon the property without the prior written approval of the Covenants Committee; provided, however, that the Association shall not prevent access to telecommunications services in violation of applicable law. Exterior antennas, satellite dishes greater than one meter (39 inches) in diameter, or amateur radio equipment generally will not be allowed upon the property if it is Visible from Neighboring property; provided, however, that: (i) an owner may install an antenna permitted by the Association's antenna rules upon prior written notice to the Covenants Committee; (ii) the Covenants Committee may approve other antennas in the appropriate circumstances; and (iii) the Covenants Committee may establish additional or different guidelines for antennas as technology changes. Notwithstanding the foregoing, the Board of Directors may install and maintain antennas, satellite dishes and similar equipment on the Common Area to serve the property.

15. Fences. Except for any fence installed by the declarant, a Builder (as permitted by the declarant) or the Association, no fence shall be installed except in compliance with the applicable Design Guidelines or with the written approval of the Covenants Committee. No chain link fence shall be permitted on the property; provided, however, that the declarant or its designees may erect a chain link fence for the temporary storage of building materials for the protection of building sites or storm water management ponds or for other construction or safety purposes.

16. Timesharing. No Lot shall be subjected to or used for any timesharing, cooperative, licensing or other arrangement that would entail weekly, monthly or any other type of revolving or periodic occupancy by multiple owners, cooperators, licensees or timesharing participants.

17. Hunting and Firearms. No hunting or trapping of any kind or discharge of any firearm or other weapon shall be permitted without the prior written approval of the Board of Directors.

18. Open Fires. Open burning is not permitted on the property, except that outdoor fireplaces, grills, and chimneys may be used if equipped with fire screens to prevent the discharge of embers or ashes.

19. Home Offices or Home Businesses. No Lot shall ever be used for any business, commercial, manufacturing, mercantile, storage, vending, sales or other non-residential purpose; provided, however, that an owner may maintain an office or home business in the dwelling on such owner's Lot if: (1) such office or home business is operated by the owner or a member of the owner's household residing on the Lot; (ii) there are no displays or signs indicating that the Lot is being used other than a residence except with the prior written approval of the Board of Directors; (iii) such office or business does not generate significant traffic or parking usage (as determined by the Board of Directors) by clients, customers or other persons related to the business; (iv) no equipment or other items related to the business are stored, parked or otherwise kept on such owner's Lot or the property outside of an approved enclosure, except with the prior written approval of the Board of Directors; (v) such owner has obtained any required approvals for such use from the appropriate local governmental agency; (vi) the activity is consistent with the residential nature of the property and complies with local ordinances; (vii) the dwelling is used primarily as a residence; and (viii) the owner has obtained prior written approval of the Board of Directors. As a condition to such use, the Board may require the owner to pay any increase in the rate of the insurance, trash removal, utilities or other costs for the Association or other owners that may result from such use. Garage sales, yard sales and similar activities shall be conducted only in accordance with the Rules and Regulations adopted by the Board of Directors.

20. Garages. No garage on a Lot shall be converted to living space or altered or used for purposes that would prevent the use of the garage for the parking of the intended number of vehicles for which it was constructed without the prior written approval of the Covenants Committee and the County. This covenant may be enforced by the County and may not be modified without the County's consent.

PET RULES

21. Pets. Keeping livestock, poultry or other animals on any Lot except as required for commercial research and development activities on Lots shall not be permitted, and in no event shall any stable, hutch, barn, coop or other housing or shelter for animals or for the storage of

materials be placed or maintained upon the Lot unless approved by the Covenants Committee. The maintenance, keeping, boarding or raising of animals, livestock, poultry or reptiles of any kind, regardless of number, is prohibited on any Lot or upon the Common Area, except for guide animals and a reasonable number of orderly, traditional domestic pets (e.g., two dogs, cats or caged birds), is permitted on Lots subject to the Rules and Regulations adopted by the Board of Directors; provided, however, that such pets are not kept or maintained for commercial purposes or for breeding. Any pet causing or creating a nuisance or unreasonable disturbance or noise shall be permanently removed from the property upon ten days written notice from the Board of Directors. Pets shall not be permitted upon the Common Area unless accompanied by someone who can control the pet and unless carried or leashed. The person walking the pet shall clean up pet droppings. Any owner who keeps or maintains any pet upon any portion of the property shall be deemed to have indemnified and agreed to hold the Association, each owner and the declarant free and harmless from any loss, claim or liability of any kind or character whatever arising by reason of keeping or maintaining such pet within the property. All pets that regularly leave the Lot shall be registered and inoculated as required by law.

PARKING AND STORAGE

22. Vehicles. Except in connection with construction activities and as provided herein with respect to Lots, no commercial vehicles over 3,500 pounds gross weight (vehicles on which commercial lettering or equipment is visible or which are larger than normally used of noncommercial purposes) taxicabs or trailers, campers, recreational vehicles (other than golf carts), boats and other large vehicles, including grounds maintenance equipment, may be parked or used on any portion of the property if it is Visible from Neighboring property or another Lot or on any public right-of-way within or adjacent to the property, unless expressly permitted by the Board of Directors and only in such parking areas or for such time periods (if any) as may be designated for such purpose. Except as may be modified by resolution of the Board of Directors, prohibited vehicles would include, without limitation, any vehicle: (1) with a load capacity in excess of one ton, (2) oversized (higher than eight feet, wider than eight feet or longer than eighteen feet), (3) with commercial license plates or (4) with commercial signage. Parking of all such vehicles and related equipment, other than on a temporary and non-recurring basis, shall be in garages or screened enclosures approved by the Covenants Committee or in areas designated by the Board of Directors, if any. The Board has no obligation to designate any such area or permit parking of such vehicles on the Lots not intended for and containing non-residential uses; provided, however, that parking of a reasonable number of commercial vehicles shall be permitted on the property to serve the Lots. No junk or derelict vehicle or other vehicle on which current registration plates and current county and state inspection permits are not displayed shall be kept upon any portion of the property if it is Visible from Neighboring property. Vehicle repairs and storage of vehicles are not permitted, except in accordance with the Rules and Regulations; provided, however, that washing of vehicles on Lots and noncommercial repair of vehicles is permitted within enclosed structures as provided in the Rules and Regulations. All motor vehicles, including without limitation trail bikes, motorcycles, dune buggies and snowmobiles, shall be driven only upon paved streets and parking lots. No motor vehicles shall be driven on Trails or unpaved portions of Common Area, except vehicles authorized by the Board of Directors for Upkeep of the Common Area. This prohibition shall

not apply to normal vehicular use of designated streets and lanes constructed on Common Area, the Private Streets and Roadway and Alleys.

Subject to applicable laws and ordinances, any vehicle parked in violation of these or other restrictions contained herein or in the Rules and Regulations now or hereafter adopted may be towed by the Association at the sole expense of the owner of such vehicle if such vehicle remains in violation for a period of 24 hours from the time a notice of violation is placed on the vehicle. The Association shall not be liable to the owner of such vehicle for trespass, conversion or otherwise, nor guilty of any criminal act by reason of such towing and once the notice is posted, neither its removal, nor failure of the owner to receive the notice for any other reason, shall be grounds for relief of any kind. An affidavit of the person posting the notice stating that it was properly posted shall be conclusive evidence of proper posting.

23. Parking so as to block sidewalks or driveways shall not be permitted. If any vehicle owned or operated by an owner shall be illegally parked or abandoned on the common element, such owner shall hold the Association harmless from any and all damages or losses that may ensue, and any and all rights in connection therewith that the owner or driver may have under the provisions of state or local laws and ordinances are hereby expressly waived. The unit owner shall indemnify the Association against any liability that may be imposed on the Association as a result of such illegal parking or abandonment and any consequences thereof.

24. Watercraft. No person may use any watercraft propelled by motor on any lake, stream or other body of water within the property without the permission of the Board of Directors.

RECREATIONAL AND COMMON FACILITIES

25. All persons using any of the recreational or common facilities do so at their own risk and sole responsibility. The Association does not assume responsibility for any occurrence, accident or injury in connection with such use. No owner shall make any claim against the Association, its servants, agents, or employees, for or on account of any loss or damage to life, limb or property sustained as a result of or in connection with any such use of any of the recreational or common facilities. Each owner shall hold the Association harmless from any and all liabilities and any action of whatsoever nature by any tenants, guests, invitees or licensees of such owner growing out of the use of the recreational or common facilities, except where such loss, injury or damage can be clearly proved to have resulted from and been proximately caused by the direct negligence of the Association or its agents, servants or employees in the operation, care or maintenance of such facilities.

26. A Facilities Pass is required for access to and use of the swimming pool. Facilities Passes are available at the Association office to all residents ten years and older. No Facilities Pass will be issued to non-residents. Facilities Passes are not transferable. Facilities Passes must be available at all times when utilizing the swimming pool and presented upon request.

27. Any damage to the building, recreational facilities, or other common elements or equipment caused by an owner or such owner's pets shall be repaired at the expense of the owner.

SUSPENSION OF RIGHT TO USE RECREATIONAL FACILITIES

28. In addition to all other rights that the Board of Directors has for nonpayment of assessments, the Board of Directors of the Association shall have the right to bar the use by an owner of any of the recreational facilities for failure to make payment of any assessments or fees due as provided for in the Bylaws of the Condominium.

ASSOCIATION

29. All charges and assessments imposed by the Association are due and payable on the first day of each month, unless otherwise specified.

30. Complaints regarding the management of the Association or regarding actions of other owners shall be made in writing to the managing agent or the Board of Directors.