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Parties: PRESTON LAKE HOMES LLC

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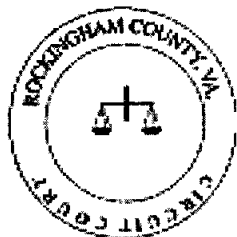
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**AMENDED AND RESTATED DECLARATION
FOR
PRESTON LAKE**

by

**PRESTON LAKE HOMES, LLC,
Declarant**

Dated as of June 22, 2007

Tax Map Parcel Numbers:

125 (A) 216

125 (A) 219

126 (A) 4

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AMENDED AND RESTATED DECLARATION
FOR
PRESTON LAKE

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SUBMITTED LAND
ADDITIONAL LAND

EXHIBIT A
EXHIBIT B

AMENDED AND RESTATED DECLARATION
FOR
PRESTON LAKE

THIS AMENDED AND RESTATED DECLARATION ("Declaration") is made as of June 22, 2007, by PRESTON LAKE HOMES, LLC, a Virginia limited liability company ("Declarant").

R E C I T A L S:

R-1. The Declarant recorded a Declaration for Preston Lake among the land records of Rockingham County, Virginia as Instrument Number 2007-00015502 in Deed Book 3095, Page 68 et. seq. on May 4, 2007 ("Original Declaration").

R-2. Section 15.2 of the Original Declaration states that the Original Declaration may be amended only with at least sixty-seven percent (67%) vote of the Owners within the Property.

R-3. The Declarant owns one hundred percent (100%) of the Property.

R-4. The Declarant desires to amend and restate in its entirety the Original Declaration as set forth below.

NOW, THEREFORE, in consideration of the foregoing recitals, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Declarant hereby declares that the Original Declaration is modified, amended and restated in its entirety, so that henceforth all of the terms, conditions and provisions of the Original Declaration shall read as follows:

DECLARATION
FOR
PRESTON LAKE

R E C I T A L S:

R-1. The Declarant owns in fee simple the real estate designated as Submitted Land in the legal description attached as Exhibit A (and incorporated by this reference) and the Declarant desires to subject that real estate to the covenants, restrictions, reservations, easements, servitudes, liens and charges set forth in this Declaration.

R-2. The Declarant also wishes to reserve the right to add the real estate designated as Additional Land in the legal description attached as Exhibit B (and incorporated by this reference), as the same may be amended by the Declarant from time to time, and may hereafter decide to subject all or any portion of that Additional Land to the provisions of this Declaration.

R-3. The Declarant deems it desirable and in the best interests of all the owners of real estate subject to this Declaration to protect the value and the desirability of such real estate by providing for the development of such real estate in accordance with a common plan and the Upkeep of certain shared facilities.

R-4. To provide a means for meeting the purposes and intents set forth herein, the Declarant has caused Preston Lake Homeowners Association to be incorporated under the laws of the Commonwealth of Virginia whose members shall consist of all owners of real estate within the Property.

D E C L A R A T I O N:

The Declarant hereby covenants and declares, on behalf of itself and its successors and assigns, that from the date this Declaration is recorded, the real estate designated as Submitted Land in Exhibit A shall be held, conveyed, acquired and encumbered subject to the terms and provisions hereof, all of which shall run with the land and bind and inure to the benefit of all Persons who may now or hereafter own or acquire any right, title, estate or interest in or to any of such real estate, or who may now or hereafter occupy or enter upon any portion thereof, subject to the right of the Declarant or the Association to amend this Declaration in accordance with the provisions for amendment set forth herein.

P A R T O N E

ARTICLE 1

GENERAL PROVISIONS

Section 1.1. Definitions.

Terms used herein without definition shall have the meanings specified for such terms in section 13.1-803 of the Act. Capitalized terms used herein shall have the meanings specified for such terms below.

(1) "Act" means the Virginia Nonstock Corporation Act, Chapter 10 of Title 13.1 of the Code of Virginia (1950), as amended, supplemented or replaced from time to time.

(2) "Additional Land" means the real estate so designated in Exhibit B, as amended from time to time, which the Declarant has reserved the right to submit to the Declaration and to the jurisdiction of the Association pursuant to Section 4.1.

(3) "Approval of Secondary Mortgage Market Agencies or Mortgagees" means: (i) written approval; (ii) any written waiver of approval rights; (iii) a formal letter stating no objection; or (iv) presumptive approval if a Secondary Mortgage Market Agency or Mortgagee does not respond to a notice by certified or registered United States mail, return receipt requested, within thirty days after the date the request for approval is transmitted in

accordance with the notice requirements of Article 10 of the Bylaws and Section 13.2 of this Declaration.

(4) "Articles of Incorporation" means the Articles of Incorporation of the Association filed with the Virginia State Corporation Commission, as amended from time to time.

(5) "Assessments" means the sums levied against the Lots to pay Common Expenses and other expenditures by the Association, as provided in Article 6. Assessments include "Annual Assessments," "Additional Assessments" and "Individual Assessments."

(6) "Association" means Preston Lake Homeowners Association and, with respect to the rights and obligations of the Association set forth in this Declaration, its successors and assigns.

(7) "Association Documents" means collectively, the Articles of Incorporation, this Declaration, Supplementary Declarations and the Bylaws, all as amended from time to time. Any exhibit, schedule, certification or amendment to an Association Document is an integral part of that document.

(8) "Board of Directors" or "Board" means the executive and administrative entity established by Article 5 of the Articles of Incorporation as the governing body of the Association.

(9) "Builder" means a Person (other than the Declarant) who in the regular course of business purchases a portion of the Submitted Land solely for the purpose of constructing improvements for resale or rental.

(10) "Bylaws" means the Bylaws of the Association, as amended from time to time.

(11) "Common Area" means, at any given time, all of the Property (other than Lots) then owned by the Association for the benefit, use and enjoyment of the Owners.

(12) "Common Expenses" means all expenditures lawfully made or incurred by or on behalf of the Association, together with all funds lawfully assessed for the creation and maintenance of reserves pursuant to the provisions of the Association Documents. Except when the context clearly requires otherwise, any reference to Common Expenses includes Limited Common Expenses.

(13) "Condominium" means any condominium regime formed pursuant to Chapter 4.2, Section 55-79.39 et seq. of the Code of Virginia.

(14) "County" means Rockingham County, Virginia. Any reference to approval by the County means approval by the appropriate agency or official of the County, as may be determined by the Office of the County Attorney at that time.

(15) "Covenants Committee" means the committee that may be established pursuant to Article 9 to assure that the Property will be maintained in a manner consistent with the purposes and intents of this Declaration. With respect to initial construction, all references to the Covenants Committee shall mean the Initial Construction Committee.

(16) "Declarant" means Preston Lake Homes, LLC, a Virginia limited liability company. Each of the Persons comprising the Declarant may exercise its rights under the Association Documents only with the written approval of all Persons comprising the Declarant. Following recordation of a document assigning to another Person all or some of the rights reserved to the Declarant under the Association Documents pursuant to Section 5.2, the term "Declarant" shall mean or include that assignee.

(17) "Declarant Control Period" means the period beginning on the date of incorporation of the Association and ending on the earliest of: (1) the later of (i) the tenth anniversary of the date of recordation of the Declaration or (ii) the tenth anniversary of the date of recordation of the most recent Supplementary Declaration adding Additional Land; provided, however, that once the Declarant Control Period has expired, the recordation of a subsequent Supplementary Declaration shall not reinstate the Declarant Control Period; and provided, further, that if the Declarant is delayed in the improvement and development of the Property due to a sewer, water or building permit moratorium or other cause or event beyond the Declarant's control, then the aforesaid period shall be extended for the period of the delay or three years, whichever is less; (2) the date the number of votes of the Class A Owners equals the number of votes of the Class B Owner; or (3) the date specified by the Declarant in a written notice to the Association that the Declarant Control Period is to terminate on that date.

(18) "Declaration" means this Declaration for Preston Lake made by the Declarant and recorded among the Land Records, as amended from time to time and, except when the context clearly requires otherwise, includes all Supplementary Declarations.

(19) "Design Guidelines" means the standards and guidelines developed by the Declarant or the Initial Construction Committee or developed by the Covenants Committee and adopted by the Board of Directors pursuant to Article 9.

(20) "Development Period" means the period of time that the Declarant or any Builder is engaged in development or sales or activities relating thereto anywhere on the Property or the Additional Land and the Declarant is entitled to exercise certain "special declarant rights" (as described in Article 5) under the Association Documents. The Development Period shall continue until: (1) all the Submitted Land is owned by Owners other than the Declarant (or a lender holding special declarant rights) or a Builder; (2) all the Additional Land is owned by Owners other than the Declarant; (3) all the improvements shown on the final site development plan or plans for the Property and the Additional Land have been substantially

completed; and (4) all bonds held by a governmental agency with respect to the Property and the Additional Land have been released.

(21) "Development Plan" means the general development plan for the Property and the Additional Land approved by the Board of Supervisors of Rockingham County, Virginia on December 15, 2005, as amended from time to time, and such additional development as may be approved for any Additional Land. Although the Declarant intends to develop the Property substantially in accordance with the initial Development Plan, the Declarant reserves the right to modify the Development Plan subject only to the requirements and procedures of the County.

(22) "Initial Construction Committee" means the committee that may be appointed by the Declarant, pursuant to Section 9.2, to review and approve or disapprove the plans for initial construction of any structure to be located on the Property.

(23) "Land Records" means the land records of Rockingham County, Virginia, the jurisdiction in which the Property and the Additional Land are located.

(24) "Lawn and Garden Area" shall have the meaning set forth in Section 7.1(i).

(25) "Limited Common Area" means a portion of the Common Area which has been designated by the Declarant pursuant to Section 3.9 for the exclusive use of Owners of one or more but less than all of the Lots.

(26) "Limited Common Expenses" means Common Expenses benefiting one or more but less than all of the Owners and assessed against the Lots benefited pursuant to paragraph (3) of Subsection 6.2(a).

(27) "Lot" means a portion of the Property which is a separate subdivided lot of record or any other parcel of Submitted Land held in separate ownership including without limitation rental apartment units, townhouses or single family homes (but not including the land designated as common area or common elements of a Subassociation or dedicated for public purposes), together with any improvements now or hereafter appurtenant thereto. Lot shall also mean any any cooperative unit created in accordance with Chapter 29 of Title 55 of the Code of Virginia (1950), as amended or any Condominium unit. The common elements of any cooperative are appurtenances to such units and are part of the Lot. The Common elements of a Condominium shall not be deemed a part of the Lot under the Association Documents unless, within the instrument which annexes such units within the Association, the common element interests of such units and the common elements of such Condominium are also expressly annexed. The common area owned by any property owners' association operating within the Property shall be treated as a Lot, except that no voting rights or Assessments are associated with such common area except as specifically stated otherwise. For purposes of calculating assessment liability and voting rights under the Association Documents, only improvements for which a certificate of occupancy or other evidence of completion has been obtained from the appropriate governmental agency shall be counted; provided, however, that each Lot shall have at least one vote. If certificates of occupancy have not been issued for the improvements located on Lots owned by the Declarant, then for purposes of voting only, the

Lots owned by the Declarant shall be deemed to contain the maximum number of permitted improvements under applicable zoning ordinances and the maximum possible vote.

(28) "Majority Vote" means a simple majority (more than fifty percent) of the votes entitled to be cast in person or by proxy at a duly held meeting at which a quorum is present. Any specified percentage vote means that percentage with respect to the total number of votes actually cast by Owners entitled to vote on an issue present in person or by proxy at a duly held meeting at which a quorum is present. Any vote by a specified class of Owners means a Majority Vote of the Owners in such class present in person or by proxy at a duly held meeting at which a quorum of that class of Owners is present. Any vote by a specified percentage of the Board of Directors (or committee) means that percentage with respect to votes entitled to be cast at a duly held meeting of the Board (or committee) at which a quorum is present. Any vote of or approval (whether actual or presumed) by a specified percentage of the Mortgagees is calculated according to the number of votes allocated to the Lots (or the Owners of the Lots) on which each Mortgagee has a Mortgage.

(29) "Mortgagee" means an institutional lender (one or more commercial or savings banks, savings and loan associations, trust companies, credit unions, industrial loan associations, insurance companies, pension funds or business trusts, including but not limited to real estate investment trusts, any other lender regularly engaged in financing the purchase, construction or improvement of real estate, or any assignee of loans made by such lender, or any combination of any of the foregoing entities) holding a first mortgage or first deed of trust ("Mortgage") encumbering a Lot which has notified the Association of its status in writing pursuant to Section 13.2 and has requested all rights under the Association Documents. Only for the purpose of the notice and inspection rights in Articles 13, 14 and 15, the term "Mortgagee" shall also include the Federal Housing Administration ("FHA"), the Federal Home Loan Mortgage Corporation ("Freddie Mac"), FannieMae (formerly, the Federal National Mortgage Association), the Department of Veterans Affairs ("VA"), the Government National Mortgage Association ("GNMA") and any other public or private secondary mortgage market agency participating in purchasing, guarantying or insuring Mortgages which has notified the Association of such participation in writing (each a "Secondary Mortgage Market Agency"). Where the approval of Mortgagees is required, such approval means: (i) written approval; (ii) any written waiver of approval rights; (iii) a letter stating no objection; or (iv) presumptive approval if a Mortgagee does not respond to a notice by certified or registered United States mail, return receipt requested, within thirty days after the date the request for approval is transmitted in accordance with the notice requirements of Article 10 of the Bylaws and Section 13.2.

(30) "Officer" means any Person holding office pursuant to Article 6 of the Bylaws.

(31) "Owner" means one or more Persons who own a Lot in fee simple, but does not mean any Person having an interest in a Lot solely by virtue of a contract or as security for an obligation. Although the term "Owner" is sometimes used to refer to a member of the Association, in the case of a Subassociation, the board of directors (or other governing body) of such Subassociation shall represent, vote and act on behalf of the Owners of the Lots

subject to the Subassociation and the individual Owners shall not be members of the Association unless the applicable Supplementary Declaration provides otherwise.

(32) "Person" means a natural person, corporation, limited liability company, partnership, association, trust or other entity capable of holding title or any combination thereof.

(33) "Phase" means a portion of the Property designated as provided in Section 4.3.

(34) "POA Act" means the Virginia Property Owners' Association Act, Chapter 26 of Title 55 of the Code of Virginia (1950), as amended, supplemented or replaced from time to time.

(35) "Private Streets and Roadways" means all alleys, streets, roadways, gates, sidewalks, curbs, gutters and parking areas which are part of the Common Area, but not including streets and roadways dedicated to public use by a plat or deed of dedication.

(36) "Proffers" means the proffers applicable to the Submitted Land or the Additional Land, as approved October 4, 2005, by the Board of Supervisors of Rockingham County, Virginia and as amended from time to time. Although the Declarant intends to develop the Property substantially in accordance with the initial Development Plan, the Declarant reserves the right to modify the Proffers subject only to the requirements and procedures of the County.

(37) "Property" means, at any given time, the Submitted Land together with all improvements and appurtenances thereto now or hereafter existing.

(38) "Reserved Common Area" means a portion of the Common Area for which the Board of Directors has granted a revocable license pursuant to Section 3.9 for the exclusive use of Owners of one or more but less than all of the Lots.

(39) "Rules and Regulations" means the rules and regulations governing the use, occupancy, operation, Upkeep and physical appearance of the Property adopted from time to time by the Board of Directors.

(40) "Subassociation" means any property owners association subject to this Declaration and governing some but less than all of the Property pursuant to covenants recorded among the Land Records. As used herein, the term "Subassociation" does not include the Main Street at Preston Lake Condominium or any other Condominium which contains units which have been annexed within the Association pursuant to Section 4.1 of this Declaration, which permits the Declarant to annex Condominium units without subjecting the common element interests of such units and the common elements of such Condominium to the jurisdiction of the Association.

(41) “Submitted Land” means the real estate designated as such in Exhibit A and all real estate which is from time to time submitted to this Declaration and subjected to the jurisdiction of the Association. Submitted Land includes Common Area and Lots but does not include improvements or appurtenances thereto.

(42) “Supplementary Declaration” means any declaration: (i) submitting real estate to the terms of this Declaration and subjecting such real estate to the jurisdiction of the Association, whether or not such Supplementary Declaration contains additional provisions reflecting the unique characteristics of the real estate being submitted; or (ii) submitting a portion of the Property to such supplementary covenants in accordance with the provisions of Article 4.

(43) “Trails” means (i) the paths and trails constructed by the Declarant, a Builder or an Owner pursuant to an agreement with the Declarant across Common Area, for which the Association is to provide Upkeep and which is available for the use and enjoyment of all Owners or (ii) those portions of the Property subject to a sidewalk/trail easement granted to the County.

(44) “Upkeep” means care, inspection, maintenance, clearing snow and ice, operation, repair, repainting, remodeling, restoration, improvement, renovation, alteration, replacement and reconstruction.

(45) “Visible from Neighboring Property” means with respect to any given object on a Lot, that such object is or would be visible to a person six feet tall, standing on any part of any adjacent Lot or other real estate at an elevation no greater than the elevation of the base of the object being viewed.

Section 1.2. Construction of Association Documents.

(a) Captions; Cross-references. The captions are inserted only for reference, and in no way define, limit or otherwise affect the scope, meaning or effect of any provision. All cross-references are to the Declaration unless otherwise indicated.

(b) Pronouns. The use of the masculine gender shall be deemed to include the feminine and neuter genders, and the use of the singular shall be deemed to include the plural and vice versa, whenever the context so requires.

(c) Severability. Each provision of an Association Document is severable from every other provision, and the invalidity of any one or more provisions shall not change the meaning of or otherwise affect any other provision. To the extent that any provision of the Association Documents is found to be overly broad or unenforceable and a narrower or partially enforceable construction may be given to such provision, then the narrower or partially enforceable construction shall be applied and, to the extent practicable, the provision shall be enforced.

(d) Interpretation. If there is any conflict between the Association Documents, this Declaration and then the applicable Supplementary Declaration shall control, except as to matters of compliance with the Act, in which case the Articles of Incorporation shall control. Specific provisions shall control general provisions, except that a construction consistent with the Act shall in all cases control over any construction inconsistent therewith. The provisions of the Bylaws shall control over any conflicting provision of any rule, regulation or other resolution adopted pursuant to any of the Association Documents. The Association Documents shall be construed together and shall be deemed to incorporate one another in full. Any requirements as to the content of one shall be deemed satisfied if the deficiency can be cured by reference to any of the others.

(e) No Merger; Savings Clause. The easements granted and reservations made herein or in any Supplementary Declaration shall not terminate or merge and shall continue to run with the Land, notwithstanding the common law doctrine of merger and the common ownership of the Property at this time by the Declarant. If the intended creation of any easement provided for in this Declaration should fail by reason of the fact that at the time of creation there may be no grantee in being having the capacity to take and hold such easement, then any such grant of easement deemed not to be so created shall nevertheless be considered as having been granted directly to the Association as agent for such intended grantees for the purpose of allowing the Persons to whom the easement were originally to have been granted the benefit of such easement.

(f) Ambiguities Resolved by Declarant. If there is any ambiguity or question as to whether any Person, real estate or improvement falls within any of the definitions set forth in Article 1, the determination made by the Declarant (as evidenced by a recorded Supplementary Declaration) shall be binding and conclusive.

(g) Use of New Technology. Due to the ongoing development of new technologies and corresponding changes in business practices, to the extent permitted by law now or in the future: (1) any notice required to be sent or received; (2) any signature, vote, consent or approval required to be obtained; or (3) any payment required to be made, under the Association Documents may be accomplished using the most advanced technology available at that time if such use is a generally accepted business practice. The use of technology in implementing the provisions of this Declaration dealing with notices, payments, signatures, votes, consents or approvals shall be governed by this Subsection.

(1) Electronic Means. To the extent permitted by law, the Association and its Owners and occupants may perform any obligation or exercise any right by use of any technological means providing sufficient security, reliability, identification and verifiability. Acceptable technological means shall include without limitation electronic communication over the internet, the community or other network, whether by direct connection, intranet, telecopier or email.

(2) Signature Requirements. Any requirement for a signature under the Association Documents may be satisfied by a digital signature meeting the requirements of applicable law.

(3) Electronic Funds Transfer. Payment of all sums to and from the Association and the Owners and occupants may be made by electronic transfer of funds creating a record evidencing the transaction for the period such record would be required to be available in non-electronic form.

(4) Voting Rights. Voting and approval of any matter under the Association Documents may be accomplished by electronic means provided that a record is created as evidence thereof and maintained as long as such record would be required to be maintained in non-electronic form.

(5) Non-technology Alternatives. If any Owner, occupant or third party does not have the capability or desire to conduct business using electronic or other technological means, the Association shall make reasonable accommodation, at its expense, for such person to conduct business with the Association without use of such electronic or other means until such means has become generally (if not universally) accepted in the County.

Section 1.3. The Association.

(a) Creation. The Association is a nonstock corporation organized and existing under the laws of the Commonwealth of Virginia, charged with the duties and vested with the powers prescribed by law and set forth in the Association Documents.

(b) Membership. Members of the Association shall at all times be, and be limited to, the Declarant (during the Development Period) and Persons who constitute Owners of the Lots. If more than one Person owns a Lot, then all of such Persons shall collectively constitute one Owner and be one member of the Association. Each Owner is entitled to attend all open meetings of the Association. Subassociations shall cast their votes through a representative designated by and under the direction of the board of directors or the governing body serving similar purposes of such Subassociation. Membership in the Association (either directly or indirectly through a Subassociation) is mandatory and automatic with ownership of a Lot.

(c) Classes of Owners; Voting Rights. The Association shall have the classes of Owners (members) with the voting rights set forth in Article 4 of the Articles of Incorporation and as follows:

(1) The Class A Owners shall be the Owners of Lots, other than the Declarant or a Builder during the Declarant Control Period. A Class A Owner shall have one vote for each dwelling unit located on or permitted to be located on each Lot owned by such Owner.

(2) The Class B Owner shall be the Declarant. During the Declarant Control Period, the Class B Owner shall have 1090 votes less one vote for each vote held by a Class A Owner when a vote is taken.

If (i) the land described in Exhibits A or B to the Declaration is rezoned or the Development Plan is amended to permit a greater number of dwellings (or the Declarant obtains other approval to permit a greater number of dwellings) to be constructed than permitted at the time the Declaration is recorded, then the number of votes of the Class B Owner described above shall be increased by two times the number of additional dwellings permitted; or (ii) all or any portion of the land that was not originally described in Exhibits A or B to the Declaration is subjected to the Declaration, then the number of votes of the Class B Owner described above shall be increased by two times the number of dwellings that would be permitted on any Lots located on the whole of such land if such land were fully developed under the then applicable zoning and subdivision ordinances and subjected to the Declaration.

After the Declarant Control Period expires, the Declarant shall have one vote as a Class B Owner and the Declarant shall also become a Class A Owner and have Class A votes with respect to the Lots owned by the Declarant. The Class B membership shall expire at the end of the Development Period.

Any Person qualifying as a member of more than one voting class may exercise those votes to which such Person is entitled for each such class, provided, however, that such Person shall not simultaneously have more than one class of vote for the same Lot.

(d) Subassociations. Any portion of the Property may also be subjected to a declaration which grants rights with respect to a portion of the Property to a Subassociation which addresses concerns particular to that specific portion of the Property. Any obligations created under any such declaration shall be in addition to obligations created hereunder.

ARTICLE 2

COMMON AREA

Section 2.1. Conveyance; Title. The Declarant shall convey the Common Area in each Phase of the Property to the Association in fee simple released from any encumbrance securing the repayment of monetary obligations incurred by the Declarant, but subject to all easements and other encumbrances then of record (including those created by this Declaration). The Common Area in each Phase of the Property shall be conveyed to the Association within ninety days after the conveyance to Owners other than the Declarant or a Builder of more than fifty percent of the Lots in such Phase, but in no event shall such conveyance be required earlier than three years after the date such Common Area is submitted to the Declaration. The Association shall accept title to any real estate or personal property offered to the Association by the Declarant or as directed by the Declarant.

Section 2.2. No Dedication. Nothing contained herein or in the other Association Documents shall be construed as a dedication to public use or as an assumption of responsibility for Upkeep of any Common Area by any public or municipal agency, authority or utility, nor shall it be construed to prevent the Board of Directors of the Association from permitting public access to or use of any Common Area.

Section 2.3. Regulation of Common Area. The Board of Directors shall have the right to regulate use of the Common Area pursuant to Section 8.3 and to charge fees for the use of Common Area if appropriate. The Board may also allow non-owners to use portions of the Common Area, specifically any recreational facilities constituting a portion of the Common Area, and in its sole discretion, may charge a daily, an annual or one-time fee for the use of such Common Area. The Board of Directors may also mortgage, dedicate or convey Common Area or grant easements over and through the Common Area.

Section 2.4. Transfer of Responsibility for Upkeep. When the Declarant or a Builder substantially completes improvements on any portion of the Common Area and wishes to transfer responsibility for Upkeep for any portion of the Common Area to the Association the Declarant or Builder shall provide written notice to the Association, specifying the Common Area or improvements for which responsibility is being transferred. A representative of the Association appointed by the Board of Directors shall inspect such portion of the Common Area and shall report its condition to the Board of Directors within fifteen days after notice from the Declarant or Builder that such portion of the Common Area is ready for inspection. If the Association fails to do so within the fifteen-day period, the Association waives its rights under this section. When the Declarant or Builder transfers the responsibility for Upkeep of any portion of the Common Area to the Association, any improvements located thereon shall be substantially complete, all work (except for such work which cannot be performed due to the weather conditions or the season of the year, which the Declarant or Builder will be obligated to complete when weather conditions permit) required by the site plan shall be either completed or bonded with the County if required by law and such portion of the Common Area and improvements on such portion of the Common Area shall be in a condition generally acceptable to the Association. When the Association assumes responsibility for Upkeep of a completed portion of the Common Area, the Association shall cooperate with the Declarant or Builder to obtain the release of any applicable bonds. If such Common Area and the improvements located thereon are not in such condition, the Association shall notify the Declarant or Builder in writing, specifying the deficiencies, whereupon the Declarant or Builder shall have until the later of the bond release or sixty days after the date of the notice of the deficiencies to remedy the deficiencies. Ten days or more after such period expires, the Association may perform on behalf of the Declarant and the Declarant or Builder shall promptly reimburse the Association for the reasonable costs incurred.

Section 2.5. Additional Improvements on Common Area. After the initial improvement and conveyance of any Common Area to the Association, the Declarant or a Builder may, but is not obligated to, construct additional improvements on the Common Area for the benefit of the Property, pursuant to the easements in Section 3.1; provided, however, that such construction is subject to the review and approval of the Board of Directors.

Section 2.6. Boundary Adjustments. The Board of Directors has the power at any time or times, consistent with the then existing zoning or subdivision ordinances of the applicable governmental authority, and pursuant to a recorded subdivision, resubdivision plat or boundary line adjustment plat, to transfer part of the Common Area at the direction of the Declarant, for the purpose of adjusting Lot lines or otherwise in connection with the orderly subdivision and development of the Property; provided, however, that: (i) such transfer shall not reduce the

portion of the Property designated as "open space" below the minimum level of "open space" required in the subdivisions comprising the Property; (ii) the appropriate governmental authorities approve such Lot line adjustments; (iii) documents showing each such Lot line adjustment are submitted to VA if VA is guarantying a Mortgage on a Lot directly affected by the adjustment, or FHA if FHA is insuring a Mortgage on a Lot directly affected by the adjustment; and (iv) the boundary line adjustment is approved by all Owners of Lots for which the boundaries are being adjusted.

ARTICLE 3

EASEMENTS

Section 3.1. Development Easements.

(a) Easements Reserved to the Declarant.

(1) Easement to Facilitate Development. The Declarant hereby reserves to itself and its designees a non-exclusive blanket easement over and through the Property for all purposes reasonably related to the development and completion of improvements on the Property and the Additional Land, including without limitation: (i) temporary slope and construction easements; (ii) drainage, erosion control and storm and sanitary sewer easements (including the right to cut or remove trees, bushes or shrubbery, to regrade the soil and to take any similar actions reasonably necessary; provided, however, that thereafter the Declarant shall restore the affected area as near as practicable to its original condition); (iii) easements for the storage (in a sightly manner) of reasonable supplies of building materials and equipment necessary to complete the improvements; (iv) easements for the construction, installation and Upkeep of improvements (e.g., buildings, landscaping, street lights, signage, etc.) on the Property and the Additional Land or reasonably necessary to serve the Property or the Additional Land; and (v) easements for ingress and egress as necessary to perform the foregoing.

(2) Easement to Facilitate Sales. The Declarant hereby reserves to itself and its designees the right to: (i) use any Lots owned or leased by the Declarant, any other Lot with the written consent of the Owner thereof or any portion of the Common Area (including any buildings thereon) as models, management offices, sales offices, a visitors' center, construction offices, customer service offices or sales office parking areas (provided, however, that the Declarant or its designee, as appropriate, shall remain responsible for the Upkeep of that portion of the Common Area used for the foregoing purposes); (ii) place and maintain in any location on the Common Area and on any Lot (for a distance of ten feet behind any Lot line which parallels a public or private street), street and directional signs, temporary promotional signs, temporary construction and sales offices, plantings, street lights, entrance features, "theme area" signs, lighting, stone, wood or masonry walls or fences and other related signs and landscaping features; provided, however, that all signs shall comply with applicable governmental regulations and the Declarant shall obtain the consent of the Owner of any affected Lot or of the Covenants Committee if the Owner does not consent; and (iii) relocate or remove all or any of the above from time to time at the Declarant's sole discretion.

(3) Easement for Utilities and Related Services.

(A) General Utility Easement. A non-exclusive perpetual blanket easement is hereby granted over and through the Property for ingress, egress, installation and Upkeep of the equipment for providing to any portion of the Property or adjacent real estate, any utilities, including without limitation water (both potable and for irrigation from wells or other sources), sewer, drainage, gas, electricity, telephone, television or other telecommunications service, whether public or private; such easement is hereby granted to any Person installing or providing Upkeep for the aforesaid services. Any pipes, conduits, lines, wires, transformers and any other apparatus necessary for the provision or metering of any utility may be installed, maintained or relocated where permitted by the Declarant, where contemplated on any site plan approved by the Declarant or where approved by resolution of the Board of Directors; provided, however that no utility line shall run beneath a dwelling other than the utility lines serving such dwelling.

(B) Specific Development Easement Areas. The Declarant hereby reserves to itself and its successors and assigns the right to grant and reserve easements, rights-of-way and licenses over and through the Common Area and any common area within a planned community or the common elements of any Condominium or cooperative located within the Property or over and through any Lot within ten feet of any boundary line of a Lot for the installation and Upkeep of the equipment for providing to any portion of the Property or adjacent real estate, any utilities, including without limitation water, sewer, drainage, gas, electricity, telephone, television or other telecommunications service, whether public or private, or for any other purpose necessary or desirable for the orderly development of the Property or for the benefit of adjoining real estate; provided, however, that no line shall run beneath a dwelling other than the lines serving such dwelling.

(4) Dedications and Easements Required by Governmental Authority. The Declarant hereby reserves to itself and its successors and assigns, the right to make any dedications and to grant any easements, rights-of-way and licenses required by any government or governmental agency over and through all or any portion of the Common Area. The Declarant also hereby reserves to itself and its successors and assigns an easement to make any corrections required by a governmental authority or utility and a right to grant and reserve easements or to vacate or terminate easements across all Lots and Common Area as may be required by any governmental agency or authority or utility company in connection with the release of bonds or the acceptance of streets for public maintenance with respect to the Property.

(5) Landscaping Easement Across Lots. The Declarant hereby reserves to itself and its successors and assigns, an easement and the right to grant and reserve easements over and through the Common Area, the common area within any planned community or the common elements of any Condominium or cooperative located within the Property or over and through any Lot: (i) within ten feet of any public right-of-way or any adjacent Lot; and (ii) around the lake frontage of all lakes and storm water retention ponds for a depth of twenty feet back from the high water mark. These easements shall be for the purpose of construction, installation, irrigation and Upkeep of landscaping features, including without limitation plants, trees and earth berms and other earth contouring and shall include access as necessary to perform

such tasks. Such easement area shall also be available for entrance features, project signage, fencing and associated lighting and irrigation systems. The Owner of a Lot burdened by the easement shall not construct any improvements within the easement without the permission of the Declarant during the Declarant Control Period, or the Association thereafter. The Association shall provide for the Upkeep of these easement areas and the cost of such Upkeep shall be a Common Expense.

(6) Storm Water Management Easement. The Declarant hereby reserves to itself and its successors and assigns an easement and the right to grant and reserve easements over and through the Property for the construction and Upkeep of storm water management facilities, including storm water retention areas. The Declarant shall also have the right to allow the owners of Additional Land and other adjacent real estate to tie into the storm water management facilities for the Property; provided, however, that such owners pay that portion of the expense of Upkeep for the storm water management facilities for the Property as may be deemed appropriate by the Declarant.

(7) Access to Exterior and Adjacent Roof. The Declarant hereby reserves to itself and its designees and also grants to the Association, the adjacent Owner and their agents, employees or designees an easement for access to the exterior and roof area of improvements built or to be built upon the Lots which share a common wall with the improvements on the adjacent Lot or Common Area for the purpose of inspection and Upkeep of such exterior and roof areas and which easement shall permit any Person exercising its rights under this section access at reasonable hours for such purposes. This easement is for the purpose of mutual protection of adjacent Owners from damage or possible damage to an improvement resulting from lack of exterior Upkeep or roof leakage from or into an adjacent improvement.

(8) Specific Easements. The Declarant hereby reserves to itself and its designees easements over and through all or any portions of the Property (excluding any improvements) for the following purposes:

(A) Planting, replanting, maintaining, protecting, enhancing and otherwise controlling (including all landscaping) the Common Area. The Declarant or the Association, as appropriate, shall be solely responsible for selecting and maintaining all landscaping in the Common Area.

(B) Locating, relocating, constructing, maintaining, protecting, enhancing and otherwise controlling all walkways or pathways located in the Common Area.

(C) Locating, relocating, constructing, maintaining, protecting and otherwise controlling all electrical, oil, gas, solar, television and telephone, microwave, cable, sanitary and storm sewer, and public water facilities (including pipes, conduits, lines, wires, transformers, manholes, inlets and other appurtenances), but only where such facilities serve lots other than the Lot on which the specific facilities in question are located and only to the extent permitted by paragraph (3) of Subsection 3.1(a).

(D) Locating, relocating, constructing, maintaining, protecting and otherwise controlling all project signage located on the Common Area or on any other portion of the Property and controlling signage installed by Owners for other purposes. The Association shall have the right to exercise control over all signage only pursuant to explicit guidelines contained in the Rules and Regulations, which guidelines shall balance the interests of the separate Owners and the Property as a whole with the aesthetic atmosphere of the entire Property. There is a mutual economic interest between the Association and all Owners for the purpose of placing signage anywhere on the Property.

(E) Controlling and regulating the use and enjoyment of all open spaces and facilities located in the Common Area.

The Declarant or the Association, as appropriate, or their agents and designees, shall have the mutual right and responsibility to perform the tasks and functions listed in Subsections (A) through (E) above to the exclusion of all others, including all Owners.

(b) Further Assurances. Any and all conveyances made by the Declarant to the Association or any Owner shall be conclusively deemed to incorporate these reservations of rights and easements, whether or not set forth in such grants. Upon written request of the Declarant, the Association and each Owner shall from time to time sign, acknowledge and deliver to the Declarant such further assurances of these reservations of rights and easements as may be requested. If a designee described in Subsection 3.1(a) requests recordation of a separate document evidencing such Person's easement rights that are consistent with this Declaration, then the Declarant or the Association, as applicable, may sign and record such an easement instrument, without the consent, approval or joinder of any Owner or Mortgagee.

(c) Duration and Assignment of Development Rights. The Declarant may assign its rights under this section to, or share such rights with, one or more other Persons, exclusively, simultaneously or consecutively. The Declarant shall notify the Association of any such assignment or designation by the Declarant. The rights and easements reserved by or granted to the Declarant pursuant to this section shall continue until the end of the Development Period, unless specifically stated otherwise.

Section 3.2. Association Power to Make Dedications and Grant Easements. The Declarant, on behalf of itself and its successors and assigns, hereby also grants to the Association the rights, powers and easements reserved to the Declarant by paragraphs (2), (3), (4), (5) and (6) of Subsection 3.1(a). These rights, powers and easements may be exercised by the Association; provided, however, that the limitations on duration applicable to the Declarant shall not apply to the Association. If the Declarant or any Owner requests the Association to exercise its powers under this section, the Association's cooperation shall not be unreasonably withheld, conditioned or delayed.

Section 3.3. Easement for Upkeep.

(a) Association Access. The Declarant, on behalf of itself and its successors and assigns, hereby grants the right of access over and through any portion of the Property

(excluding any occupied dwelling) to the Association, the managing agent and any other Persons authorized by the Board of Directors, in the exercise and discharge of their respective powers and responsibilities, including without limitation to make inspections, correct any condition originating in a Lot or in the Common Area threatening another Lot or the Common Area, correct drainage, perform installations or Upkeep of utilities, landscaping or other improvements located on the Property for which the Association is responsible for Upkeep, or correct any condition which violates the Association Documents. The agents, contractors, Officers and directors of the Association may also enter any portion of the Property (excluding any occupied dwelling) in order to utilize or provide for the Upkeep of the areas subject to easements granted in this Article to the Association. Each Owner shall be liable to the Association for the cost of all Upkeep performed by the Association and rendered necessary by any act, neglect, carelessness or failure to comply with the Association Documents for which such Owner is responsible pursuant to Section 12.1, and the costs incurred by the Association shall be assessed against such Owner's Lot in accordance with Sections 6.2 and 12.1.

(b) Declarant Access. Until the expiration of any applicable warranty period, the Declarant hereby reserves to itself and successors and assigns a right of access over and through any portion of the Property not within an improvement to perform warranty-related work within the Common Area or the Lots. The Declarant may assign its rights under this subsection to, or share such rights with, one or more other Persons, exclusively, simultaneously or consecutively.

(c) Entry into Improvements. If entry to an improvement is required by any Person pursuant to this section, a request for entry shall be made in advance and such entry shall be made, to the extent practicable, at a time reasonably convenient to the Owner. In case of an emergency, however, such right of entry to any improvement shall be immediate.

Section 3.4. Limitations on Exercise of Rights and Easements.

(a) Other Easements. These easements are subject to all other easements and encumbrances of record (including those created by this Declaration).

(b) Notice. The Declarant, the Association, any Owner or any other Person, as appropriate, when exercising the rights and easements granted by this Article, shall: (i) give reasonable prior notice to all affected Owners, unless an emergency exists which precludes such notice; (ii) minimize any economic or aesthetic injury to the affected Lots or the Common Area; and (iii) not unreasonably interfere with the affected Owners' use, enjoyment and benefit from such Owners' Lots or the Common Area or the building areas located on such Lot as approved by the Declarant or the appropriate Covenants Committee.

(c) Relocation. If an easement is relocated, the cost of such relocation shall be paid by the party requesting the relocation.

(d) Damage. Any damage resulting from the exercise of the aforesaid rights and easements shall be promptly repaired and the site restored to the extent practicable by the Declarant or the Association, as appropriate, or at the option of the Declarant or the Association,

the party responsible for such damage. In either case, the cost of such repair and restoration shall be paid for by the party responsible for the damage.

Section 3.5. Easements for Encroachments. If any improvement on the Property now or hereafter encroaches on any other portion of the Property by reason of: (i) the original construction thereof; (ii) deviations within normal construction tolerances in the Upkeep of any improvement; or (iii) the settling or shifting of any land or improvement, an easement is hereby granted to the extent of any such encroachment for the period of time the encroachment exists. The Owner of the encroaching improvement shall also have an easement for the limited purpose of Upkeep of the encroaching improvement. This easement does not relieve any Owner or any other Person from liability for such Owner's or other Person's negligence or willful misconduct.

Section 3.6. Easement for Support. To the extent that any portion of the Property now or hereafter supports or contributes to the support of any other portion of the Property, the former is hereby burdened with an easement for the lateral and subjacent support of the latter.

Section 3.7. Easement for Emergency Access. The Declarant, on behalf of itself and its successors and assigns, hereby grants an easement: (i) to all police, fire, ambulance and other rescue personnel over and through all or any portion of the Property for the lawful performance of their functions during emergencies and (ii) to the Association over and through all Lots, if emergency measures are required in any Lot to reduce a hazard thereto or to any other portion of the Property. The Association is hereby authorized but not obligated to take any such measures.

Section 3.8. Easement for Use of Common Area.

(a) Use and Enjoyment. The Declarant hereby reserves to itself during the Development Period and, on behalf of itself and its successors and assigns, grants to each Owner and each Person lawfully occupying a Lot a non-exclusive right and easement of use and enjoyment in common with others of the Common Area (other than any Limited Common Area or Reserved Common Area). Such right and easement of use and enjoyment shall be appurtenant to each Lot, whether or not mentioned in the deed thereto. Each Owner is also hereby granted a non-exclusive easement for ingress and egress (including lead sidewalks and driveway aprons) over the Common Area to the extent necessary to provide utility services and vehicular and pedestrian access to such Lot for such Owner and such Owner's household, tenants, guests, customers, employees, agents and invitees, subject to any Rules and Regulations promulgated by the Association pursuant to Section 8.3. The Association, acting through its Board of Directors without the joinder or approval of any Owner or holder of a Mortgagee, is authorized on behalf of each Owner to relocate, modify or terminate easements over and across the Common Area now or hereafter granted in this Declaration, in deeds of subdivision or otherwise; provided, however, that each Owner retains (in a location determined by the Board of Directors) a right of convenient, unobstructed, all weather access to such Owner's Lot for vehicular and pedestrian ingress and egress and for utility services. A conveyance or dedication of a portion of the Common Area to any entity, other than an entity formed for similar purposes in which the Owner is directly or indirectly a member, shall extinguish the Owner's easement rights except for those easements which provide access and utility services to such Owner's Lot. Every Owner and each Person lawfully occupying a Lot is also granted a non-exclusive easement over all alleys, streets,

walks and paths on the Common Area for the purpose of vehicular and/or pedestrian access, ingress and egress, as appropriate, to any portion of the Property to which such Person has the right to go, subject to any Rules and Regulations promulgated by the Association pursuant to Section 8.3. Any purported conveyance or other transfer of such rights and easements apart from the Lot to which such rights and easements are appurtenant is void.

(b) Limitations. The rights and easements of enjoyment created in this Section shall be subject (in addition to any easements granted or reserved in this Declaration or pursuant to the other Association Documents) to all rights and powers of the Declarant and the Association when exercised in accordance with the other applicable provisions of the Association Documents, including without limitation the Association's right to designate Reserved Common Area, to regulate the use of the Common Area and to establish reasonable charges therefor, to grant easements across the Common Area, to dedicate portions of the Common Area and to mortgage the Common Area.

(c) Delegation. Subject to the Rules and Regulations and such other restrictions as may be adopted by the Association, any Person having the right to use and enjoy the Common Area may delegate such rights to such Person's household, guests, employees, customers, tenants, agents and invitees and to such other Persons as may be permitted by the Association. The easements and rights granted by this Declaration shall not be enforceable by Persons to whom such easements and rights may be delegated by Owners, including without limitation the household, tenants, guests, employees, agents and invitees of any Owner. This section does not affect, however, the rights of Mortgagees in possession or court-appointed officers in possession and control of a Lot acting in the name, place and stead of Owners, or any Person's right to enforce any easements or rights granted in any lease or agreement between such Person and an Owner.

(d) Additional Land.

(1) Use of Amenities; Parking and Recreational Facilities. During the Development Period, the Declarant hereby reserves to itself and its successors and assigns the right to grant to each Person lawfully occupying any portion of the Additional Land a nonexclusive right and easement of use and enjoyment in common with others of the recreational facilities and parking areas facilities constituting a portion of the Common Area and shared utilities and a right of access over and through the Common Area (other than any Limited Common Area or Reserved Common Area) to such facilities. The rights and easements granted by the Declarant pursuant to this subsection shall be subject to all rights and powers of the Association, when exercised in accordance with the applicable provisions of the Association Documents (in addition to any easements granted or reserved in this Declaration or pursuant to other Association Documents). The Persons to whom this easement is granted or the owners association or unit owners association of any planned community or Condominium or cooperative corporation located on the Additional Land shall pay to the Association an annual assessment levied exclusively for a share of the costs of management and Upkeep of the recreational facilities, parking areas or shared utilities and for services and facilities related thereto equal to the amount that would be payable if the Additional Land were subject to the Declaration.

(2) Access Across Common Area. The Declarant also reserves to itself and on behalf of itself and its successors and assigns during the Development Period, the right to grant to each Person lawfully occupying a portion of the Additional Land a non-exclusive easement over all alleys, streets, walks and paths on the Common Area, as may be necessary for vehicular and/or pedestrian ingress and egress across such Common Area from a public right-of-way to any portion of the Additional Land that would not otherwise have access to a public right-of-way; provided, however, that the Persons benefiting from such easement bear a portion of the expense of Upkeep for the access roads in such amounts as may be determined by the Declarant.

Section 3.9. Reserved Common Area and Limited Common Area.

(a) Reserved Common Area. The Board of Directors shall have the power in its discretion from time to time to grant revocable licenses in the Common Area by designating portions of the Common Area as Reserved Common Area. This right extends to Common Area that has been assigned as Limited Common Area for the primary use of the Owners of a group of Lots, so long as the assignment of Reserved Common Area is to one of the Owners of the Lots that have been designated to receive the primary use of such Limited Common Area. Such Reserved Common Area shall be subject to such restrictions, reasonable charges and conditions on the use thereof as the Board may deem appropriate. At the sole option of the Board of Directors, Upkeep of such Reserved Common Area shall be performed by the Association and paid for as a Common Expense or a Limited Common Expense, or performed and paid for by the Persons having the exclusive right to use the Reserved Common Area. The Board of Directors may assign Reserved Common Area in a non-uniform manner, assigning parking spaces to some Owners and not others, assigning different numbers of parking spaces to different Owners based on whether or not such Owners have parking on such Owners' Lots, providing priority parking to Persons with a handicap, or for other reasonably justifiable purposes. Such Reserved Common Area shall be subject to such restrictions, reasonable charges and conditions on the use thereof as the Board may deem appropriate.

(b) Limited Common Area. The Declarant shall have the right during the Development Period to restrict portions of the Common Area in the nature of an easement for the exclusive use of the Owners of one or more specific Lots by designating such portions of the Common Area as Limited Common Area. The Declarant may: (1) describe the location of the Limited Common Area and the Lots to which it is appurtenant in this Declaration or a Supplementary Declaration; (2) indicate the locations of the Limited Common Area appertaining to one or more Lots by depicting such Limited Common Area and the Lots to which it is appurtenant on a plat attached as an exhibit to a Supplementary Declaration; or (3) label a portion of the Common Area shown on a plat as an exhibit to a Supplementary Declaration as "Common Area that may be assigned as Limited Common Area," and thereafter assign such Limited Common Area to one or more specific Lots by unilaterally amending the Supplementary Declaration to indicate the assignment, depicting the Limited Common Area being assigned and the Lots to which it is appurtenant. The Declarant shall not, however, designate Common Area as Limited Common Area or Common Area that may be assigned as Limited Common Area once such Common Area has been conveyed to the Association. The Declarant hereby reserves

the exclusive right to assign all or any portion of the Common Area as Limited Common Area to be used as parking spaces, being in the nature of a irrevocable easement for the exclusive use of the Owners of the Lots to which such spaces are appurtenant. The Declarant may unilaterally record an amendment to the Declaration showing the assignment of such Limited Common Area.

Section 3.10. Priority and Enforcement of Easements.

(a) No Subordination. No Person who owns Property subject to this Declaration may subordinate the easements herein created to any subsequent encumbrance.

(b) No Enforcement by Third Parties. The easements and rights granted by this Declaration shall not be enforceable by Persons to whom such easements and rights may be delegated by Owners, including without limitation the household, guests, employees, customers, tenants, agents or invitees of any Owner. This subsection does not affect, however, the rights of Mortgagees in possession or court-appointed officers in possession and control of a Lot acting in the name, place and stead of Owners or any Person's right to enforce any easements or rights granted in any lease or agreement between such Person and an Owner.

(c) Easements Additional. The easements created by or pursuant to this Article shall be in addition to such other easements as may be created by recordation of appropriate instruments among the Land Records.

Section 3.11. Limited Appointment of Attorney-in-Fact. Each Owner, for such Owner and such Owner's successors and assigns, by acquisition of title to all or any portion of the Property irrevocably appoints the Declarant during the Development Period and the Association after the Development Period as attorney-in-fact to grant, relocate and terminate all easements, rights-of-way and licenses which the Declarant or the Association has the power to grant pursuant to the Association Documents and subject to the limitations set forth therein; provided, however, that any action taken as attorney-in-fact shall not materially, adversely affect any Owner's use and development of the Lot owned by such Owner. The Declarant shall act as such attorney-in-fact only in furtherance of its development of the Property, and the Association shall act as such attorney-in-fact only in furtherance of its responsibilities and duties as set forth in the Association Documents, it being recognized that this grant of a power of attorney is required because the Declarant or the Association may not own the real estate to be subjected to easements, rights-of-way and licenses hereunder.

Section 3.12. Land Submitted by Owners Other than the Declarant. Any Person other than the Declarant submitting land to this Declaration hereby grants to the Declarant, the Association and to each other Owner all rights, easements and other interests with respect to such land granted or reserved in this Article and shall provide such further assurances as may be required.

Section 3.13. Dedications. Notwithstanding any other provision of this Declaration, any easement created herein or pursuant hereto shall automatically terminate and cease to exist with respect to any portions of the Property dedicated for public rights-of-way and accepted into the Virginia State secondary system for maintenance.

Section 3.14. Easements for Parking and Alley Access.

(a) Right to Use Parking Areas and Alleys. Each of the parking spaces located on the Common Area (other than on Limited Common Area or Reserved Common Area), if any, shall be available for the use of the Owners. In this Section 3.14, "Owners" means the Owners and such Owners' tenants and such Owners' (or tenants') households, companies, guests, employees, customers, agents or invitees. Such use shall be subject to Subsection 3.14(b) and such reasonable Rules and Regulations regulating the same as the Board of Directors may adopt. The Association will not unreasonably interfere with the right of any Owner, or such Owner's tenant or such Owner's (or tenant's) household, company, guests, employees, customers, agents or invitees to use the alleys for both vehicular and pedestrian ingress and egress to and from such Owner's Lot. Unless otherwise specifically designated in this Declaration or any other agreement, the parking areas and driveways on each Owner's Lot are to be used and maintained solely by such Owner and such Owner's designees.

(b) Limitations. Each of the parking spaces located on the Common Area shall be subject to designation as Reserved Common Area appurtenant to certain designated Lots pursuant to the reservation set forth in Subsection 3.9(a). Until assigned as Reserved Common Area, all parking spaces located on the Common Area shall be used by the Owners for self-service parking purposes on a "first come, first served" basis, except as the Board of Directors may otherwise determine or as may be otherwise stated with respect to Additional Land in an amendment to this Declaration adding such Additional Land. No Owner shall park on the Common Area parking spaces except in accordance with the Association's parking limitations. The Board has the right to restrict the number of parking spaces located on the Common Area used by one Owner. If the Board of Directors assigns Common Area parking spaces, anyone assigned a handicap accessible parking space may be reassigned a different parking space to accommodate the needs of a handicapped occupant. During the Development Period, no more than twenty-five parking spaces located on the Common Area may be restricted to the Declarant's or its designees' use for sales purposes (in addition to parking spaces reserved for such purposes on Limited Common Area).

ARTICLE 4

DEVELOPMENT OF THE PROPERTY

Section 4.1. Expansion by the Declarant. The Declarant hereby reserves an option until twenty-fifth anniversary of the date of recordation of this Declaration to expand the Property from time to time without the consent of any Owner or Mortgagee (except the owner of or holder of a deed of trust on such real estate) by submitting all or any portion of the Additional Land to the provisions of this Declaration and the jurisdiction of the Association whether or not such real estate is owned by the Declarant. The option to expand may be terminated earlier only upon the recordation by the Declarant of an instrument relinquishing such option. The Declarant reserves the unilateral right, without the approval of any Owner or Mortgagee, to execute and record a Supplementary Declaration, subjecting any Lot to such additional covenants and restrictions as may be necessary to reflect the different characteristics of such Lot as are not inconsistent with

the overall scheme of the Declaration; provided, however, that the Declarant shall not have such right after the conveyance of such Lot to an Owner other than the Declarant without the written consent of such Owner (and the Mortgagee) of such Lot. The Declarant shall add Additional Land in accordance with the procedures set forth in Section 4.3. There are no limitations on the option to expand except as set forth in this Article. If the Declarant does not submit all or any portion of the Additional Land to the Declaration, such real estate may be developed in any manner allowable under the local zoning ordinance without regard to the restrictions in this Declaration. The Declarant expressly reserves the right to submit all or any portion of the Additional Land to the Declaration, and expressly reserves the right to submit individual Condominium units located within the Additional Land to the Declaration without submitting the common element interest of such unit and the common elements of such Condominium to the Declaration and the jurisdiction of the Association.

Section 4.2. Expansion by the Association. With the written consent of the fee simple owner (if not the Association) and any mortgagee or holder of a deed of trust on such real estate, a Sixty-seven Percent Vote or written approval from Owners entitled to cast sixty-seven percent of the total number of votes and the written consent of the Declarant during the Development Period, the Association may submit any real estate located immediately adjacent to the Property or across a public right of way from the Property to the provisions of this Declaration and the jurisdiction of the Association, in accordance with the procedures set forth in Section 4.3.

Section 4.3. Procedure for Expansion; Additional Covenants. The Declarant or the Association, as appropriate, may record one or more Supplementary Declarations. Each Supplementary Declaration adding real estate shall: (i) include a legally sufficient description of the real estate added, (ii) designate such real estate with the term Phase and a unique identifier so as to differentiate between each portion of the Property; and (iii) describe any real estate being conveyed to the Association as Common Area and describe any new Lots. Any Supplementary Declaration may contain such additional covenants and restrictions as may be necessary to reflect the different characteristics of the Lots or the land uses if consistent with the overall scheme of this Declaration. The Declarant or the Association may not subject a Lot to a Supplementary Declaration after conveyance of such Lot to an Owner other than the Declarant or a Builder without the prior written consent of such Owner (and the Mortgagee) of such Lot. Upon recording a Supplementary Declaration submitting real estate to the Declaration, the provisions of the Declaration shall apply to the real estate thereby added as if such real estate were originally part of the Submitted Land. Any Owner other than the Declarant submitting Additional Land to the Declaration shall be deemed to have granted all the easements and rights granted and reserved herein to the Declarant, the Association and the Owners.

Section 4.4. Withdrawable Land.

(a) By the Declarant. During the Development Period, the Declarant has the unilateral right without the approval or joinder of any Owner or Mortgagee (except the Owner of and Mortgagee of the real estate being withdrawn) to sign and record an amendment to the Declaration withdrawing any portion of the Submitted Land or the Property owned by the Declarant or a Builder for any purpose from time to time if such real estate is: (i) submitted to a different property owners' association or a separate declaration; (ii) dedicated or to be dedicated

to public use; or (iii) conveyed or to be conveyed to a public authority for any purpose if such real estate is dedicated or to be dedicated to public use.

(b) By the Association. After the Development Period, the Board of Directors, acting on behalf of the Association without the joinder or approval of any Owner or Mortgagee, may record an amendment withdrawing any real estate (i) dedicated or to be dedicated to a public use; or (ii) conveyed or to be conveyed to a public authority. The Association may also amend the Declaration to withdraw other real estate.

(c) Dedications for Public Streets. Any real estate dedicated to a public authority for public street purposes is automatically withdrawn and the Declarant or the Board of Directors may unilaterally, without the joinder or approval of any Owner or Mortgagee, record an instrument confirming such withdrawal.

Section 4.5. Association Consent Not Required. During the Development Period, the exercise of any right by the Declarant under this Article 4 shall not require the consent of the Association.

ARTICLE 5

SPECIAL DECLARANT RIGHTS; TRANSFER

Section 5.1. Special Declarant Rights. Special declarant rights are those rights reserved for the benefit of the Declarant as provided for in the Association Documents, and shall include without limitation the following rights: (1) to use easements over and through the Property for the purpose of making improvements within the Property; (2) to maintain models, management offices, construction offices, sales offices, customer service offices and signs advertising the Property; (3) to exercise the rights and votes of the Class B Owner; (4) to remove and replace any director elected by the Class B Owner until the meeting at which the Class A Owners are entitled to elect a majority of the directors; (5) to make unilateral amendments to the Association Documents as provided in Sections 3.9, 4.1, 4.4 and 15.1; (6) to remove and replace any director appointed by the Declarant pursuant to Article 5 of the Articles of Incorporation; (7) to add Additional Land; (8) to withdraw Submitted Land pursuant to Section 4.4; and (9) to exercise any other rights given to the Declarant.

Section 5.2. Transfer of Special Declarant Rights.

(a) Procedure. The Declarant may transfer special declarant rights created or reserved under the Association Documents to any Person acquiring Lots or Additional Land by an instrument evidencing the transfer recorded in the Land Records. The instrument is not effective unless executed by the transferor and transferee; provided, however, that a Person acquiring Lots or Additional Land pursuant to Subsection 5.2(c) may unilaterally execute and record an instrument to acquire some or all of the special declarant rights. A partial transfer of special declarant rights does not prevent the transferor declarant from continuing to exercise special declarant rights with respect to real estate retained by such declarant. The instrument providing for a partial transfer of special declarant rights shall allocate voting rights between the

transferor and the transferee. Each Person having special declarant rights under the Association Documents has the right to transfer such rights unilaterally with respect to real estate owned by such Person.

(b) Liability of Transferor. Upon transfer of any special declarant right, the liability of a transferor declarant is as follows:

(1) A transferor is not relieved of any obligation or liability arising before the transfer and remains liable for warranty obligations the transferor has undertaken by contract or which are imposed upon the transferor by law.

(2) If the successor to any special declarant right is an Affiliate of a declarant (as defined in Subsection (g)), the transferor is jointly and severally liable with the successor for any obligation or liability of the successor that relates to the Property.

(3) If a transferor retains any special declarant rights, but transfers other special declarant rights to a successor who is not an Affiliate of the declarant, the transferor remains liable for any obligations and liabilities relating to the retained special declarant rights imposed on a declarant by the Association Documents arising after the transfer.

(4) A transferor has no liability for any act or omission, or any breach of a contractual or warranty obligation arising from the exercise of a special declarant right by a successor declarant who is not an Affiliate of the transferor.

(c) Effect of Foreclosure on Successor. Unless otherwise provided in a Mortgage, in case of foreclosure of a Mortgage (or deed in lieu of foreclosure), tax sale, judicial sale, sale by a trustee under a deed of trust or sale under the Bankruptcy Code or receivership proceedings, of any Lots or Additional Land owned by a declarant, a Person acquiring title to all the Lots or Additional Land being foreclosed or sold, but only upon such Person's request, succeeds to all special declarant rights related to such Lots or Additional Land or only to any rights reserved in the Association Documents to maintain models, management offices, construction offices, sales offices, customer service offices and signs advertising the Property. The judgment, instrument conveying title or other instrument recorded in the Land Records shall provide for transfer of only the special declarant rights requested.

(d) Effect of Foreclosure on Declarant. Upon foreclosure (or deed in lieu of foreclosure), tax sale, judicial sale, sale by a trustee under a deed of trust, or sale under the Bankruptcy Code or receivership proceedings, of all Lots and Additional Land owned by a declarant (1) the declarant ceases to have any special declarant rights, and (2) the Declarant Control Period terminates unless the judgment, instrument conveying title or other instrument recorded among the Land Records provides for transfer of special declarant rights held by that declarant to a successor declarant.

(e) Liability of Successor. The liabilities and obligations of Persons who succeed to special declarant rights are as follows:

(1) A successor to any special declarant right who is an Affiliate of a declarant is subject to all obligations and liabilities imposed on the transferor by the Association Documents.

(2) A successor to any special declarant right, other than a successor described in paragraphs (3) or (4) of this subsection or a successor who is an Affiliate of a declarant, is subject to all obligations and liabilities imposed by the Association Documents: (A) on a declarant which relate to such declarant's exercise or non-exercise of special declarant rights; or (B) on the transferor, other than: (i) misrepresentations by any previous declarant; (ii) warranty obligations, if any, on improvements made by any previous declarant, or made before the Association was created; (iii) breach of any fiduciary obligation by any previous declarant or such declarant's appointees to the Board of Directors; or (iv) any liability or obligation imposed on the transferor as a result of the transferor's acts or omissions after the transfer.

(3) A successor to only a right reserved in the Association Documents to maintain models, sales offices, customer service offices and signs, if such successor is not an Affiliate of a declarant, may not exercise any other special declarant right, and is not subject to any liability or obligation as a declarant.

(4) A successor to all special declarant rights held by a transferor who succeeded to those rights pursuant to foreclosure, a deed in lieu of foreclosure or a judgment or instrument conveying title under Subsection (c), may declare the intention in an instrument recorded in the Land Records to hold those rights solely for transfer to another Person. Thereafter, until transferring all special declarant rights to any Person acquiring title to any Lots owned by the successor, or until recording an instrument permitting exercise of all those rights, that successor may not exercise any of those rights other than any right held by the transferor to vote as the Class B Owner in accordance with the provisions of the Association Documents for the duration of any Declarant Control Period, and any attempted exercise of those rights is void. So long as a successor declarant may not exercise special declarant rights under this subsection, such successor is not subject to any liability or obligation as a declarant.

(f) Limitation. Nothing in this Article subjects any successor to a special declarant right to any claim against or other obligation of a transferor declarant, other than claims and obligations arising under the Association Documents.

(g) Affiliate. For the purposes of this section, "Affiliate" or "Affiliate of a declarant" means any Person who controls, is controlled by, or is under common control with a declarant. A Person controls a declarant if the Person (i) is a general partner, officer, director or employer of the declarant, (ii) directly or indirectly or acting in concert with one or more Persons or through one or more subsidiaries, owns, controls, holds with power to vote, or holds proxies representing more than twenty percent of the voting interests in the declarant, (iii) controls in any manner the election of a majority of the directors of the declarant, or (iv) has contributed more than twenty percent of the capital of the declarant. A Person is controlled by a declarant if the declarant (i) is a general partner, officer, director or employer of the person, (ii) directly or indirectly or acting in concert with one or more other Persons or through one or more subsidiaries, owns, controls, holds with power to vote or holds proxies representing more than

twenty percent of the voting interest in the Person, (iii) controls in any manner the election of a majority of the directors of the Person, or (iv) has contributed more than twenty percent of the capital of the Person. Control does not exist if the powers described in this paragraph are held solely as security for an obligation and are not exercised.

Section 5.3. No Obligations. Nothing contained in the Association Documents shall impose upon the Declarant or its successors or assigns any obligation of any nature to build, construct, renovate or provide any improvements. Neither the Declarant nor its successors or assigns shall be liable to any Owner or occupant by reason of any mistake in judgment, negligence, nonfeasance, action or inaction or for the enforcement or failure to enforce any provision of this Declaration. No Owner or occupant of any portion of the Property shall bring any action or suit against the Declarant to recover any damages or to seek equitable relief because of the enforcement or failure to enforce any provision of the Declaration against a third party. This section shall not be construed to release or absolve the Declarant, its successors or assigns from any obligation imposed by the duly adopted ordinances of the local jurisdiction, including without limitation the approved Proffers and conditions of subdivision approval.

P A R T T W O

ARTICLE 6

COMMON EXPENSES AND ASSESSMENTS

Section 6.1. Determination of Common Expenses and Budget.

(a) Fiscal Year. The first fiscal year of the Association shall be as determined in accordance with Section 9.3 of the Bylaws.

(b) Preparation and Approval of Budget.

(1) At least sixty-five days before the beginning of each fiscal year, the Board of Directors shall adopt a budget for the Association containing an estimate of the total amount considered necessary for the ensuing fiscal year to pay the cost of management and Upkeep of the Common Area and, to the extent provided in the Association Documents, Upkeep of the Lots, and the cost of other expenses that may be declared to be Common Expenses by the Association Documents or by a resolution of the Board of Directors, including without limitation services provided to the Owners, Lots or Common Area.

(2) Such budget shall also include such reasonable amounts as the Board of Directors considers necessary to provide working capital (available cash for day-to-day expenses which is otherwise uncommitted), a general operating reserve (including an amount to cover operating losses due to insurance deductibles) and reserves for contingencies (potential costs or liabilities which have not been incurred but which should be planned for) and reserves for replacements. At least fifty-five days before the beginning of each fiscal year, the Board of Directors shall make available a copy of the budget in a reasonably itemized form which sets

forth the amount of the Common Expenses and provide a copy of such budget to each Owner. Such budget shall constitute the basis for determining the Assessment against each Lot.

(3) The budget shall also reflect the separate assessment of Limited Common Expenses, including without limitation certain expenses (and reserves) relating to or benefiting one or more but less than all of the Lots, whether categorized by location or type of expense. Such expenses shall be assessed only against the Lots benefited in accordance with paragraph (2) of Subsection 6.2(a).

(4) The budget shall be approved by majority vote of the Board of Directors; provided, however, that (after the lapse of the Declarant Control Period) any budget under consideration by the Board pursuant to this Section 6.1 that (i) would result in an increase in the Common Expenses of the Association in excess of fifteen percent (15%) of the budgeted amount for Common Expenses set forth in the budget for the immediately preceding fiscal year, or (ii) would result in an increase in the Annual Assessments payable by the Owners in excess of fifteen percent (15%) of the budgeted amount for Annual Assessments set forth in the budget for the immediately preceding fiscal year, shall be approved by the affirmative vote of Owners entitled to cast not less than sixty-seven percent (67%) of the votes of the Owners present, in person or by proxy, and voting at any meeting of the Association duly called for this purpose.

(c) Installment Payments and Due Dates. Any and all such Assessments and other charges shall be a lien against each Owner's Lot as provided in Section 12.2. On or before the first day of each fiscal year, and the first day of each succeeding payment period in such fiscal year, each Owner shall pay to such Person at such place as the Board of Directors may direct that installment of the Annual Assessment which is due during such period. The Board of Directors shall establish one or more payment periods and the due dates for each such payment in each fiscal year; provided, however, that payments shall be due not less than semi-annually nor more frequently than monthly unless specifically provided otherwise herein. All sums collected by the Board of Directors with respect to Assessments against the Lots or from any other source may be commingled into a single fund.

(d) Initial Budget and Initial Assessments.

(1) Prior to the conveyance of the first Lot to an Owner other than the Declarant or a Builder, the Board of Directors shall determine the budget, as defined in this section, for the balance of that fiscal year.

(2) The first installment of the Annual Assessment for Common Expenses shall be prorated based upon the number of days remaining in the payment period and shall be due on the date a Lot is conveyed to an Owner other than the Declarant or a Builder. Any additional amounts due shall be divided by the number of full payment periods (if any) remaining in that fiscal year and paid in equal installments on the first day of each payment period remaining in that fiscal year. Such Assessment shall be levied and become a lien as set forth in Section 12.2.

(3) Notwithstanding any other provision of this Declaration, the Declarant may, at the Declarant's sole option, decide to pay all ordinary operating costs of the Association for a period of time not to exceed two years after the date of the first conveyance of a Lot to an Owner other than the Declarant or a Builder. If the Declarant so elects, the Association will incur no Common Expenses and thus no regular Annual Assessments will be collected during such time.

(4) Each initial Owner of a Lot or Condominium or cooperative unit other than the Declarant or a Builder shall pay at settlement an "initial capital assessment" equal to One Thousand Dollars to provide working capital for the Association. In the sole discretion of the Declarant, the amount of the initial capital assessment may be increased by not more than ten percent each fiscal year.

(e) Effect of Failure to Prepare or Adopt Budget. For the first fiscal year of the Association following the first conveyance of any Lot to an Owner other than the Declarant or a Builder, and for all fiscal years thereafter, the Board of Directors shall establish the Annual Assessment against each Lot for Common Expenses. The failure or delay of the Board of Directors to prepare or adopt a budget for any fiscal year shall not constitute a waiver or release in any manner of an Owner's obligation to pay the allocable share of the Common Expenses as herein provided whenever the same shall be determined and, in the absence of any annual budget or adjusted budget, each Owner shall continue to pay Assessments at the rate established for the previous fiscal year until notified of the new payment which is due on the first day of the next payment period which begins more than ten days after such new annual or adjusted budget is adopted and the Owner receives such notice.

(f) Pledge of Revenues. The Board of Directors, by a vote of two-thirds of the total number of directors, shall have the right and power to assign and pledge all revenues to be received by the Association, including but not limited to Annual Assessments and Additional Assessments in order to secure the repayment of any sums borrowed by the Association from time to time.

Section 6.2. Assessments.

(a) Purpose, Rate and Calculation of Annual Assessment.

(1) Subject to the provisions of paragraphs (2) and (3) of this Subsection 6.2(a) and Section 6.3, the total amount of the estimated funds required: (i) for the management and Upkeep of the Property; (ii) for services to the Lots and Owners; (iii) for the maintenance of adequate reserves; and (iv) to meet other obligations of the Association established pursuant to this Declaration, other shared Upkeep agreements, subdivision documents or easements or governmental requirements, shall be assessed annually against the Lots. The Board of Directors shall assess each Lot in an amount equal to the total amount budgeted for Common Expenses for such fiscal year, excluding Limited Common Expenses, divided by the total number of Lots subject to assessment.

(2) Limited Common Expenses may be assessed only against the Lots benefited in proportion to their relative Common Expense liability inter se or based on usage, as appropriate. Such Limited Common Expenses include without limitation:

(A) Any expenses incurred for the Upkeep of or reserves for any Limited Common Area may be assessed only against the Lots to which such Limited Common Area is appurtenant.

(B) Any expenses incurred by the Association which benefit the Lots but do not directly benefit Lots which are Condominium units or cooperative units. Such expenses include the costs of: (i) the Upkeep of or reserves for private streets and common driveways, alleys or pipestems, whether located on Common Area or available by easement; (ii) utilities; and (iii) landscaping, snow removal, irrigation and general Upkeep. Such expenses shall be assessed as a Limited Common Expense against all Lots except Condominium units or cooperative units. The provisions of this Section 6.2(a)(2)(B) may not be amended without the written consent of at least sixty-seven percent (67%) of the Owners of Condominium and cooperative units subject to this Declaration.

(C) Any expenses designated in a Supplementary Declaration as Limited Common Expenses shall be paid by the Owners of Lots subject thereto.

(D) Any services or utilities to Lots which vary based on usage shall be assessed against the Lots served based on usage.

(E) Any expenses proposed by the Association or a specific group of Owners as Limited Common Expenses against a specific group of Lots and agreed to by such Owners entitled to cast a majority of the total number of votes with respect to such Lots, shall be assessed against such Lots as such Owners may agree or on the basis set forth in paragraph (1) of Subsection 6.2(a), inter se.

(b) Additional Assessments. The Association may levy Additional Assessments on the Lots subject to Assessment pursuant to paragraph (1) of Subsection 6.2(a). The Association shall give notice of any Additional Assessment to the Owners specifying the amount and reasons therefor, and unless otherwise specified in the notice, such Assessment shall be payable in full with the next periodic installment which is due more than ten days after the date of such notice or in installments, as the Board of Directors may determine. Such Assessment shall be a lien as set forth in Section 12.2. After the lapse of the Declarant Control Period, any Additional Assessments shall be approved by Members entitled to cast not less than sixty-seven percent (67%) of the votes of Owners present, in person or by proxy, and voting at any meeting of the Association duly called for this purpose; provided, further, that any special assessment required because of conditions which, if not corrected, could reasonably result in a threat to the health or safety of the Members or a significant risk of damage to the Common Area may be approved by the Board of Directors without the foregoing vote of the Owners.

(c) Individual Assessments. The Association shall have the power to assess an Owner's Lot individually: (i) for the amount of any costs incurred by the Association

pursuant to Subsection 7.2(a) in performing Upkeep that the Owner failed to perform as required by that subsection; (ii) for the amount of any charges imposed on that Owner pursuant to Subsection 12.1(i); (iii) for any costs incurred by the Association because of any violation or negligence for which that Owner is responsible under Section 12.1; and (iv) for contractual charges levied pursuant to Subsection 6.2(d). Each such Assessment shall be due within ten days after notice thereof is given to the Owner unless the notice specifies a later date

(d) Optional Expenses. Upon request, the Association may provide certain services to Owners (including the Declarant) on a contractual basis; provided, however, that the charge for such services shall be assessed against such Owners' Lots and such Owners in accordance with the terms of the contract.

(e) Reserves. The Association shall build up and maintain reasonable reserves for working capital, contingencies and replacements. Such funds shall be a Common Expense of the Association. Reserves for items serving only certain Lots shall be accounted for and funded solely by the Owners of the Lots served (as a Limited Common Expense). As to each separate reserve account:

(1) Extraordinary expenditures not originally included in the annual budget which may become necessary during the year shall be charged first against the appropriate reserves. Except for expenses for normal Upkeep shown in the annual operating budget, all expenses for repair and replacement of physical assets maintained by the Association shall be charged first against the appropriate reserves. Unless otherwise determined by the Owners, the amount held as reserves shall not substantially exceed the amount reasonably required to assure the Association's ability to replace components as they reach the end of their useful lives.

(2) If regular annual Upkeep extends the useful life of components so that reserves are excessive, the reserves shall be adjusted by reallocation to other budget items or by distribution to each Owner (including the Declarant) in proportion to the percentage (if any) of Assessments paid by such Owner.

(3) If the reserves are inadequate to meet actual expenditures for any reason then the Association shall, in accordance with Subsections 6.2(b) and (f), levy an Additional Assessment against the Lots.

(f) Surplus and Deficit.

(1) Any amount accumulated in excess of the amount required for actual expenses and reserves shall, at the discretion of the Board of Directors: (i) be placed in reserve accounts; (ii) be placed in a special account to be expended solely for the general welfare of the Owners; (iii) be credited to the next periodic installments due from Owners under the current fiscal year's budget until exhausted, or (iv) be distributed to each Owner (including the Declarant) in proportion to the percentage (if any) of Assessments paid by such Owner.

(2) After the Declarant Control Period and unless either (i) previous years' surpluses are applied to amortize the deficit or (ii) the budgets for the next two succeeding fiscal years are adjusted to amortize the deficit during such fiscal years, any net shortage in expenses (including reserves) shall be assessed promptly against the Owners as an Additional Assessment in accordance with Subsection 6.2(b).

(g) Lots Added During the Fiscal Year. Notwithstanding any other provision of this Article, whenever any Additional Land is added, the Assessment against each Lot being added shall be calculated in the same manner and be due in the same number of installments as the Assessment for the remainder of the fiscal year against Lots already a part of the Property. In addition, the Owner of the Lot being added shall pay a prorated portion of any amount payable for the period between the date the Lot becomes subject to Assessments and the due date of the next installment. Such proration of the Assessment due for any Lot added shall be based upon the total Assessment due and a 365-day fiscal year. Payment of the prorated portion will be due no later than the due date of the first installment to be paid by the Owner of any Lot added.

(h) Special Actions. Notwithstanding any provision of the Association Documents to the contrary, from and after termination of Declarant Control Period, the Board of Directors shall not be authorized to take any "Special Actions" (as defined below) without the affirmative vote of Owners entitled to cast not less than sixty-seven percent (67%) of the votes of the Owners present, in person or by proxy, and voting at any meeting of the Association duly called for this purpose. As used in this Article 6, the term "**Special Actions**" shall mean any and all legal actions or proceedings taken or pursued by or on behalf of the Association, including, without limitation, commencing or maintaining any litigation, arbitration or similar proceeding on a contingency fee or payment basis that would reasonably require the expenditure of funds in excess of Ten Thousand Dollars (\$10,000.00) in the aggregate during any fiscal year of the Association, except for routine Common Expenses related to the normal care, upkeep, repair, maintenance or replacement of any Common Area, Assessment collection matters, or actions required to enforce the restrictions on the Lots and Common Area set forth in the Association Documents and the Rules and Regulations.

(i) Notice and Quorum. Written notice of any meeting called for the purpose of establishing an increase in Common Expenses or Annual Assessments in excess of fifteen percent (15%) as required by Section 6.1(b)(4), an increase in Additional Assessments in excess of fifteen percent (15%) as required by Section 6.2(b), or to approve a Special Action in accordance with Section 6.2(h) hereof, shall be sent to all Owners not less than thirty (30) days nor more than sixty (60) days in advance of such meeting. At the first such meeting called, the presence of Members or of proxies entitled to cast sixty percent (60%) of the votes of Owners shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

Section 6.3. Declarant Deficit-funding Option; Exemptions.

(a) Declarant's Deficit-funding Option. The Declarant may, in its sole discretion, fund all or any portion of the operating budget deficits (the amount by which the operating expenses of the Association exceed the total budgeted income of the Association); however, the Declarant shall have no obligation to do so.

(b) Exemptions. The Common Area and any properties dedicated to a public authority or exempt from taxation by a public authority shall be exempt from Assessment and the lien created hereby. Unoccupied Lots (Lots which have never been occupied) owned by the Declarant or a Builder shall be exempt from full Assessment for Common Expenses and the lien created hereby. Lots formerly owned by the Declarant or a Builder shall cease to be exempt from Assessments commencing upon transfer or conveyance of any such Lot from the Declarant or Builder to any other Owner. The exemption from paying Assessments shall apply to Lots used by a Declarant or Builder for model home purposes, including parking.

Section 6.4. Liability for Common Expenses.

(a) Declarant and Owner Liability. The Declarant (for each Lot owned by the Declarant) and each Owner of a Lot by acceptance of a deed therefor (whether or not so stated in any such deed or other conveyance), covenant and agree to pay to the Association all Common Expenses, including Limited Common Expenses, and other charges assessed by the Board of Directors pursuant to the provisions of this Declaration. Each Owner shall be personally liable for all Assessments against such Owner's Lot. No Owner may be exempted from liability for the assessment for Common Expenses by reason of waiver of the use or enjoyment of any of the Common Area or by abandonment of the Lot. No Owner shall be liable for the payment of any part of the Common Expenses assessed against the Lot subsequent to the date of recordation of a conveyance by such Owner in fee of such Lot. Prior to or at the time of any such conveyance, all liens, unpaid charges and Assessments shall be paid in full and discharged. The purchaser of a Lot shall be jointly and severally liable with the selling Owner for all unpaid Assessments against the latter for (i) the amount shown on the Statement of Common Expenses; or (ii) if no Statement of Common Expenses is obtained, the amount shown on the assessment or judgment lien against the Lot filed in the Land Records; or (iii) if no Statement of Common Expenses is obtained and no assessment or judgment lien has been filed, the amount owed not to exceed six monthly installments of the Annual Assessment for Common Expenses, including Limited Common Expenses, in any case without prejudice to the purchaser's right to recover from the selling Owner amounts paid by the purchaser therefor. The Lot also shall remain subject to a lien for the amount owed to the Association in accordance with this section until such amount has been paid. Any such purchaser may rely on a Statement of Common Expenses obtained pursuant to Section 6.6.

(b) Mortgagee Liability. Each Mortgagee who comes into possession of a Lot by virtue of foreclosure or by deed or assignment in lieu of foreclosure, or any purchaser at a foreclosure sale, shall take the Lot free of any claims for unpaid Assessments or charges against such Lot which accrue prior to the time such Mortgagee or purchaser comes into possession thereof, except as provided below and for claims for a pro rata share of such Assessments or

charges resulting from a pro rata reallocation of such Assessments or charges to all Lots including the mortgaged Lot assessed after the Mortgagee or purchaser takes possession. The lien created by Section 12.2 shall cease to exist with respect to Assessments and charges levied prior to the time title is transferred by foreclosure or by deed or assignment in lieu thereof; provided, however, that if the proceeds of a foreclosure exceed the total amount due to the Mortgagee, the excess shall first be paid to the Association and applied to the satisfaction of the Association's lien created by Section 12.2.

Section 6.5. Collection of Assessments. Any assessment or installment thereof not paid within ten days after the due date shall be delinquent and shall accrue a late charge in the amount of Twenty-five Dollars, or such other amount as may be established from time to time by the Board of Directors. The Board of Directors, or the managing agent at the request of the Board, shall take prompt action to collect any Assessments for Common Expenses due from any Owner which remain unpaid for more than thirty days after the due date for payment thereof. The late charge is in addition to the Association's other enforcement powers pursuant to Article 12.

Section 6.6. Statement of Common Expenses. The Board of Directors or managing agent shall provide any Owner, contract purchaser or Mortgagee, within fourteen days after a written request therefor (or within such other time period as may be required by law), with a written statement of all unpaid Assessments for Common Expenses due with respect to a specific Lot (or a statement that the amount of unpaid Assessments is zero) ("Statement of Common Expenses") as part of the "Association Disclosure Packet" substantially in the form attached as Exhibit A to the Bylaws or otherwise. No contract purchaser, Mortgagee or purchaser from a Mortgagee requesting such a statement shall be liable for, nor shall the Lot conveyed to such Person relying on such statement be subject to a lien for, any unpaid Assessments due prior to the date of such statement in excess of the amount set forth on such statement; provided, however, that this section shall not be interpreted to release any Person from personal liability for such Assessments levied while such Person owned the Lot. The Board of Directors may impose a reasonable charge for the preparation of such statement to cover the cost of preparation.

Section 6.7. Assessment from Lots Subject to Subassociations. With respect to any Annual Assessment or Additional Assessment provided for herein which is payable by Owners of Lots which are also subject to a Subassociation, the Board of Directors may elect by resolution to collect Assessments directly from the Subassociation. In such event, payment of such Assessments shall be an obligation of such Subassociation, but each Owner shall remain personally liable for the Assessment against such Owner's Lot and each such Lot shall remain subject to a lien for Assessments; provided, however, that upon an Owner's payment of that portion of an Association Assessment that is attributable to such Owner's Lot to the applicable Subassociation, such Lot, upon the Association's receipt of reasonable proof of such payment, shall not be subject to further lien or remedies for such Assessment by the Association or the Subassociation. If the Board elects to collect Assessments from such Subassociation, then all notices regarding Assessments against such Lots shall be sent to such Subassociation, but notices of any intention to lien an Owner's Lot shall also be sent to the Owner of the Lot. This section shall not limit or waive any of the Association's remedies for non-payment of Assessments.

Section 6.8. Resale Fees. Each purchaser of a Lot from an Owner other than the Declarant or a Builder shall pay at the time of settlement to the Association a "resale fee" initially in the amount of One Thousand Dollars. The "resale fee" may be increased by the Board of Directors annually in an amount not to exceed the increase in the Annual Assessment for such year. The funds received from resale fees shall be used for capital improvements and enhancements to community life or such other similar purposes as the Board of Directors may determine by a vote of at least two-thirds of the directors. Such funds may not be used to offset the ordinary operating expenses of the Association without an Eighty Percent Vote of the Owners.

ARTICLE 7

OPERATION OF THE PROPERTY

Section 7.1. Upkeep by the Association.

(a) Common Area. The Association shall be responsible for the management and Upkeep of all of the Common Area, including Limited Common Area and Reserved Common Area, such Upkeep to include without limitation: (i) Upkeep of all open areas, including grass cutting, trash collection, landscaping and lawn maintenance; (ii) Upkeep of the alleys, private streets and roadways, sidewalks, Trails and parking areas, including clearing snow and ice; and (iii) Upkeep of all other improvements located on the Common Area; (1) all landscaping within the Common Area; (2) all lighting within the Common Area; (3) trash receptacles within the Common Area; (4) walkways, pathways and driveways within the Common Area; (5) project signage located on the Common Area or on any other portion of the Property with the consent of the Owner thereof; and (6) utility lines, equipment and appurtenances for providing water, sewage, drainage, gas, electricity, telephone, television reception and other related facilities serving more than one Lot or Lots other than the one upon which such equipment is located to the extent permitted by paragraph (3) of Subsection 3.1(a). Notwithstanding the foregoing, Upkeep of lead sidewalks, driveway aprons and utility laterals shall be provided by the Owner of the Lot served or, if so determined by the Board of Directors, by the Association at such Owner's expense. The Association shall not have any responsibility for the Upkeep of any Lot except for those responsibilities and duties specifically enumerated within the Association Documents for easement areas pursuant to Section 3.3, Lots pursuant to this Section 7.1 or other areas described in the subdivision documents for the Property or separate easement agreements. Notwithstanding the general provisions for Upkeep of Common Area set forth in this section, other specific Upkeep responsibilities and allocations of Upkeep costs shall be determined by any provisions therefor indicated in either a Supplementary Declaration or plat recorded when subjecting such Common Area to the Declaration.

(b) Costs.

(1) Except as otherwise specifically provided in this Section 7.1, the cost of all management and Upkeep of the Common Area shall be charged to the Owners as a Common Expense or Limited Common Expense, as appropriate, depending on the nature of the service provided (except for improvements specially assessed in accordance with Section 7.4).

(2) If the Board of Directors determines that certain Upkeep was necessitated by the negligence, misuse or misconduct of an Owner or for which an Owner is responsible pursuant to Section 12.1, the cost of such Upkeep shall be assessed against such Owner's Lot pursuant to Subsections 6.2(c) and 12.1(a). Further, the Board may determine that all or a part of the Upkeep of any portion of the Common Area designated as Reserved Common Area shall be performed by the Person having the exclusive right to use the same, at such Person's sole expense.

(c) Standard for Upkeep. The Board of Directors shall establish the standard for Upkeep of the Common Area in its sole discretion; provided, however, that the standard for Upkeep, at a minimum, shall be sufficient to meet the requirements of applicable law and governmental regulations. The Board of Directors may also determine to provide for the Upkeep of the medians and rights-of-way along dedicated streets and roadways to the extent not provided by the appropriate governmental agency.

(d) Storm Water Management. The Declarant may construct the improvements and facilities for storm water management control. Such facilities shall not be used for any purposes other than storm water management. The Declarant shall provide Upkeep for the storm water management facilities at its sole expense until the earlier of: (i) release from any bond required by the local jurisdiction, (ii) conveyance of the Lot first served by such facilities; or (iii) the end of the Declarant Control Period; thereafter, the Upkeep of the storm water management facilities shall be an expense of the Association to the extent required by the subdivision documents. The Upkeep of the storm water management facilities and easements on or serving the Property shall be performed by the Association and shall be a Common Expense provided, however, that the Upkeep obligations identified in this subsection shall cease and terminate at such time as the County, through a department of public works or some similar agency, elects to maintain the storm drainage and management facilities contained within the easements, or elects to maintain all such easements within the water shed where the easement is located. The Association may, but is not obligated to provide additional Upkeep to the extent not provided by the County. The Owner of any Lot on which there is located an easement for storm water drainage, management or control shall be responsible for the following items of maintenance, where applicable, grass mowing with reasonable frequency and the removal of debris and other matter to the best of Owner's ability where such debris or matter has impeded or threatens to impede the free flow of storm water through drainage structures. Such Owner's responsibility shall include notification of the Association of: (i) any defects in any fencing, if any, surrounding or within the easement; (ii) any debris or other matter which is beyond such Owner's ability to remove; and (iii) any excessive erosion within the area of the easement. The Declarant and the Association shall have easements pursuant to Sections 3.1, 3.2 and 3.3 to enter upon any Lot to the extent necessary for Upkeep of such facilities.

(e) Entrance Features, Signs and Rights-of-Way. The Association shall provide for the Upkeep of: (i) entrance features; (ii) sidewalks, Trails and paths; (iii) project, street, traffic and directional signage and accessories, including poles; (iv) bus shelters; (v) pedestrian underpasses or overpasses, if any; (vi) street lights and accessories, including poles; (vii) mail box pavilions, (viii) center islands and road frontage; and (ix) landscaping and associated lighting and irrigation systems (but excluding street pavement area within the public rights-of-way), both located within the Property and within the public rights-of-way through, adjacent to or leading to the Property to the extent such items are not maintained by a governmental authority or others and to the extent permitted by the appropriate governmental authorities. The Board of Directors may place, pay for and/or provide Upkeep for off-site signage beneficial to the Owners. The Association shall have the right to exercise control over all signage only pursuant to explicit guidelines contained in the Rules and Regulations, which guidelines shall balance the interests of the separate Owners and the Property as a whole with the aesthetic atmosphere of the entire Property.

(f) Other Services. To the extent determined to be reasonably necessary or desirable by the Board of Directors, the Association may provide recycling programs, water, transportation or similar services to the Owners as a Common Expense or a Limited Common Expense, as appropriate.

(g) Shared Maintenance. The Board of Directors may enter into shared maintenance agreements to maintain areas whether or not located within the Property. Such areas may include without limitation storm water management or drainage easements and facilities, landscaping, entrance features, signage, Trails, sidewalks and areas along streets and roadways (including within public rights-of-way to the extent not maintained by the appropriate governmental authorities, excluding street pavement areas). The amounts charged the Association pursuant to such agreements shall be a Common Expense, or a Limited Common Expense, as determined by the Board of Directors.

(h) Private Streets and Roadways. Neither the County nor the Virginia Department of Transportation shall be responsible for the Upkeep of the Private Streets and Roadways. The State and the County shall not be responsible for the construction or maintenance of the private streets whether or not such streets serve the Property as a whole or individual Lots as ingress-egress easements.

(i) Lawn and Garden Area.

(1) The Board of Directors may elect, in its sole discretion, to have the Association assume such maintenance responsibilities with respect to the Lawn and Garden Area (as defined below) located within any Lot, as the Board may deem necessary or appropriate, including, without limitation, responsibility for mowing, fertilizing, trimming, pruning and/or otherwise maintaining all or any portion of the grass, shrubs, bushes, trees and other planted materials, and any replacements thereof, as may be located within the Lawn and Garden Area. Maintenance of the Lawn and Garden Area by the Association shall be with such frequency and in conformity with such standards as may established by the Board of Directors from time to

time. In the event that the Board of Directors elects to assume such maintenance responsibilities, all costs of such maintenance shall be assessed only against the Owners of Lots that contain Lawn and Garden Area maintained by the Association; provided, however, that an Owner that elects, as provided below in this subsection, to maintain Lawn and Garden Area that would otherwise be maintained by the Association shall not be entitled to any reimbursement from the Association or reduction in the assessments levied against such Owner's Living Lot. As used in this Declaration, the term "Lawn and Garden Area" shall mean and refer to any portion of the front, side or rear (if applicable) yard areas of any Lot that contains grass, shrubs, bushes, trees or other planted material, including the grass strip located between the sidewalk and the curb; provided, however, that any portion of a Lot which is enclosed by a wall, fence or other obstruction and which is not readily accessible to the Association, as determined by the Board of Directors in its sole discretion, shall not be considered a Lawn and Garden Area.

(2) Any Owner may request that the Association refrain from performing all or any part of the Lawn and Garden Area maintenance described above. Such a request must be made to the Association at least thirty (30) days prior to the date the Owner desires the Association to refrain from such maintenance. The Association shall not unreasonably withhold approval of such request, provided the Owner has demonstrated to the satisfaction of the Association his or her intention to maintain the Lawn and Garden Area, as applicable, in a manner acceptable to the Association. In the event an Owner elects to maintain the Lawn and Garden Area situated on his or her Lot pursuant to the terms hereof, such Owner shall not be entitled to any reimbursement from the Association or reduction in the assessments levied against such Lot.

(3) If the Board of Directors elects not to maintain the Lawn and Garden Area within any Lot, and in the event that the Owner of such Lot shall fail to maintain the Lawn and Garden Area within such Owner's Lot in a manner consistent with good property management and community standards, the Association or its agent shall have the right to enter upon said Lot to repair, maintain and restore the Lawn and Garden Area therein. Whenever entry is not required in an emergency situation, the Association shall afford the Owner reasonable notice and an opportunity to cure the problem prior to entry. All costs related to such repair, maintenance or restoration, including reasonable attorney's fees, shall be collectible from the Owner of such Lot in the same manner as Assessments as provided in Article 6 of this Declaration.

(4) The provisions of this Section 7.1(i) shall not apply to any Condominium unit located within the Property.

Section 7.2. Upkeep by the Owners.

(a) Lots. Each Owner shall keep such Owner's Lot and all improvements located on the Lot in good order, condition and repair and in a clean and sanitary condition, including without limitation all necessary grounds maintenance and clearing snow and ice, in accordance with local ordinances, except where performed by the Association and except as may be otherwise provided in this Declaration or in a Supplementary Declaration. Each Owner shall maintain the lead sidewalk, driveway, driveway apron and utility laterals serving each Owner's

Lot, even if located on Common Area. Each Owner shall also clear snow and ice from any sidewalks located adjacent to such Owner's Lot. Each Owner shall perform these responsibilities in such manner as shall not unreasonably disturb or interfere with the reasonable enjoyment by the other Owners of their Lots. If any Owner shall fail to keep such Owner's Lot in as good repair and condition as when acquired (normal wear and tear excepted) and in a neat and orderly condition, consistent with such Rules and Regulations as the Board of Directors may promulgate, then the Board or the Covenants Committee may, pursuant to resolution, give notice to that Owner of the condition complained of, describing generally the action to be taken to rectify that condition. If the Owner fails to take the action described or otherwise to rectify the condition within thirty days after the date the notice is given, or such other period as may be specified in the notice if the circumstances warrant a different period, the Board of Directors or the Covenants Committee shall have the right, but not the obligation, pursuant to Section 3.3 and Subsection 12.1(e) and any resolutions adopted by the Board of Directors to rectify that condition by taking such action (or by causing such action to be taken) as was generally described in the notice. The costs incurred in rectifying the condition shall be assessed against such Owner's Lot in accordance with Subsection 6.2(c) and Section 12.1. The Owner shall reimburse the Association within thirty days after delivery of a statement for such expenses from the Board.

(1) Assignment of Insurance Proceeds. Each Owner covenants and agrees, by acquisition of title to a Lot, that if any insurance proceeds are payable by reason of any event or circumstances causing a condition rectified by the Association pursuant to this Article, those proceeds are hereby assigned to the Association to the extent not assigned to the Mortgagee in the Mortgage. Each Owner shall, promptly upon request of any Director or Officer of the Association, sign such documents as may be necessary to effect or confirm such assignment. The amount thereof received by the Association shall be credited against the costs incurred by the Association in rectifying that condition and any amount in excess of those costs shall be returned by the Association to the Owner, subject to the rights of any Mortgagee having a lien upon such Owner's Lot.

(2) Sidewalks. If the right-of-way adjacent to any Lot is improved by a sidewalk or similar structure, the Owner of such Lot must provide the Upkeep for the sidewalk adjacent to such Owner's Lot (including snow removal) to the extent not provided by the Association. If the Association provides this service, the cost will be a Common Expense or Limited Common Expense, as may be determined by the Board of Directors. The Association shall cure any Owner's default in performing such Upkeep (after notice and opportunity to cure) at the sole expense of the defaulting Owner.

(b) Common Area in Subassociations. Any Subassociation shall keep the common area or the common elements, as applicable, in good order, condition and repair and in a clean and sanitary condition (in keeping with the general character of the Property) including without limitation all necessary grounds Upkeep. The Subassociation may contract with third parties, including the Association, to provide the necessary Upkeep and management services to perform its responsibilities under this subsection. If such Subassociation fails to keep the portion of the Property for which such Subassociation has Upkeep responsibility in as good repair and condition as when acquired (normal wear and tear excepted) and in a neat and orderly condition,

consistent with such Rules and Regulations as the Board of Directors may promulgate, then the Board may, pursuant to resolution, give notice to that Subassociation of the condition complained of, specifying generally the action to be taken to rectify the condition. If the Subassociation fails to take the action specified by the Board or otherwise to rectify that condition within thirty days after the date the notice is given, or such other period as may be specified in the notice if the circumstances warrant a different period, the Board of Directors shall have the right pursuant to Section 3.3 and Subsection 12.1(e) and any resolutions adopted by the Board of Directors to rectify the condition by taking such action (or by causing such action to be taken) as was specified in the notice. The costs incurred shall be charged against such Subassociation.

Section 7.3. Manner of Repair and Replacement. All repairs and replacements by the Association or the Owners shall be substantially similar to the original construction and installation and shall be of first-class quality, but may be made with contemporary materials. The method of approving payment vouchers for all repairs and replacements made by the Association shall be determined by the Board of Directors.

Section 7.4. Additions, Alterations or Improvements by the Board of Directors. Whenever in the judgment of the Board of Directors the Common Area shall require capital additions, alterations or improvements (other than for Upkeep) costing in excess of five percent in the aggregate of the total Annual Assessment for that fiscal year during any period of twelve consecutive months, the making of such additions, alterations or improvements requires a Majority Vote of the Owners, and the Board of Directors shall pay the cost from existing funds or assess all Owners benefited for the cost thereof as a Common Expense or Limited Common Expense, depending on the nature of the improvements. Any capital additions, alterations or improvements (other than for Upkeep) costing in the aggregate five percent or less of the total Annual Assessment for that fiscal year during any period of twelve consecutive months may be made by the Board of Directors without approval of the Owners and the cost thereof shall constitute a Common Expense or a Limited Common Expense, depending on the nature of the improvements. Notwithstanding the foregoing, if the Board of Directors determines that such capital additions, alterations or improvements are exclusively or substantially exclusively for the benefit of specific Owners, such Owners shall be assessed therefor in such proportion as they jointly approve or, if they are unable to agree thereon, in such proportion as may be determined by the Board of Directors.

Section 7.5. Additions, Alterations or Improvements by the Owners. Any addition, alteration or improvement by an Owner shall be subject to Section 9.4.

Section 7.6. Restriction on Further Subdivision.

(a) No Lot shall be further subdivided or separated into smaller Lots by any Owner during the Development Period without the prior written approval of the Declarant. Any open space parcel shall be conveyed to the Association or be part of the common elements of a Condominium or otherwise conveyed as approved by the Declarant during the Development Period. The Declarant may approve other subdivisions in its sole discretion. The Board of Directors shall also be informed of any resubdivision. This provision does not apply to the

adjustment of unit boundaries of a Condominium unit which does not increase the total number of units in the Condominium. This provision shall not require the approval of the Declarant for deeds of correction, deeds to resolve boundary line disputes and similar corrective instruments.

(b) No portion of any such Lot, nor any easement or other interest therein, except easements for utilities, stormwater drainage and management, street dedications and other easements or dedications to any utility or public authority, shall be conveyed or transferred by an Owner without the approval of the Declarant during the Development Period or the Board of Directors, thereafter. This subsection (b) shall not apply to units within or any portion of a Condominium.

Section 7.7. Parking Areas and Private Street Access.

(a) Right to Use Parking Areas and Private Streets. Each of the parking spaces located on the Common Area (other than on Limited Common Area or Reserved Common Area), if any, shall be available for the use of the Owners. In this Section 7.7, "Owners" means the Owners and such Owners' tenants and such Owners' (or tenants') households, guests, employees, agents or invitees. Such use shall be subject to Subsection 7.7(b) and such reasonable Rules and Regulations regulating the same as the Board of Directors may adopt. The Association will not unreasonably interfere with the right of any Owner, or such Owner's tenant or such Owner's (or tenant's) household, guests, employees, agents or invitees to use the private streets and roadways on the Common Area for both vehicular and pedestrian ingress and egress to and from such Owner's Lot. Unless otherwise specifically designated in this Declaration or any other agreement, the parking areas and driveways on each Owner's Lot are to be used and maintained solely by such Owner and such Owner's designees.

(b) Limitations. Each of the surface parking spaces located on the Common Area shall be subject to designation as Reserved Common Area appurtenant to certain designated Lots pursuant to the reservation set forth in Subsection 3.9(a). All parking spaces located on the Common Area (except for those portions designated as Limited Common Area or Reserved Common Area) shall be used by the Owners for self-service parking purposes on a "first come, first served" basis, except as the Board of Directors may otherwise determine or as may be otherwise stated with respect to Additional Land in an amendment to this Declaration adding such Additional Land. The Board has the right to restrict the number of parking spaces located on the Common Area used by one Owner. If the Board of Directors assigns Common Area parking spaces, anyone assigned a handicap accessible parking may be reassigned a different parking space to accommodate the needs of a handicapped occupant. During the Development Period, any number of parking spaces located on the Common Area may be restricted to the Declarant's or its designees' use for sales purposes (in addition to parking spaces reserved for such purposes on Limited Common Area).

Section 7.8. Disclaimer of Liability.

(a) Bailee. The Board of Directors, the Association, any Owner and the Declarant shall not be considered a bailee of any personal property stored or placed on the Common Area (including property located in vehicles parked on the Common Area), whether or

not exclusive possession of the particular area is given to an Owner for parking or otherwise, and shall not be responsible for the security of such personal property or for any loss or damage thereto, whether or not due to negligence, except to the extent covered by insurance in excess of any applicable deductible.

(b) Operational. The Association shall not be liable for any failure of water supply, utility service or other services to be obtained by the Association or paid for as a Common Expense, or for personal injury or property damage caused by the elements or by any Owner, or any other Person, or resulting from electricity, water, snow or ice which may leak or flow from or over any portion of the Property or from any pipe, drain, conduit, appliance or equipment, or any secondary or consequential damages of any type. No diminution, offset or abatement of any Assessments shall be claimed or allowed for inconvenience or discomfort arising from the making of repairs or improvements to the Property by the Association or from any action taken by the Association to comply with any law, ordinance or with the order or directive of any governmental authority. This section is not intended nor shall it be construed to relieve any insurer of its contractual obligations under any policy benefiting the Association or an Owner.

Section 7.9. Services to Owners and Subassociations.

(a) Association Services. The Association may, in the sole discretion of the Board of Directors, provide additional services to Owners (including the Declarant), and to any Subassociation on a contractual basis. The charges for such services shall be assessed against the Declarant, such Owners' Lots or charged to the Subassociation pursuant to the contract. Services which may be provided to a Subassociation include without limitation: (i) the Upkeep of any Lot owned by, or the common elements maintained by, the Subassociation; (ii) the enforcement of any declaration creating a Subassociation; (iii) the collection of assessments under the declaration creating a Subassociation on behalf of and in the name of the Subassociation; (iv) financial and physical property management services; and (v) obtaining insurance for such Subassociation.

(b) Telecommunications Services. The Declarant and the Association shall have the right, but not the obligation, to contract for cable television, telecommunication, broadband services or any other communication services, or any similar services or utilities on a bulk basis and make such services available to any Owner. Any or all of such services may be provided either indirectly, through the Association and paid for as a Common Expense or a Limited Common Expense, as appropriate, or directly by the provider and paid for by the recipient of the services. The contract may allow for additional services to be provided on an optional basis, to be paid for solely by those Owners using such additional services. Notwithstanding the foregoing, neither the Declarant nor the Association shall be obligated to provide such services and shall not be liable for failure to provide such services.

ARTICLE 8

RESTRICTIONS ON USE OF LOTS AND COMMON AREA;
RULES AND REGULATIONS

Section 8.1. Use of the Property. Except as otherwise provided in the Association Documents, each Lot and the Common Area may be occupied and used for any purposes permitted in the Development Plan for which such Lot is zoned and designed and which are permissible under local zoning ordinances. No Lot or the Common Area shall be used for any other purpose without the prior written approval of the Board of Directors. The Board's approval of other uses may be conditioned or withheld at the Board's discretion. Each Owner shall comply with applicable zoning requirements, as amended from time to time. The Declarant and its successors, assigns and designees may use any Lot owned by the Declarant (or any other Lot with the permission of the Owner thereof) or any portion of the Common Area for promotional, marketing, display or customer service purposes (such as a visitors' center) or for the settlement of sales of Lots. Further, the Declarant specifically reserves the right to operate construction offices, rental, brokerage and management offices, sales offices and model or display homes at any time on Lots owned or leased by the Declarant (or any other Lot with the permission of the Owner thereof) and on any portion of the Common Area, to the extent permitted by law. The Declarant may assign its rights under this subsection to or share such rights with one or more other Persons, exclusively, simultaneously or consecutively with respect to the Common Area and Lots owned or leased by the Declarant or such Persons.

Section 8.2. Restrictions on Use. The following restrictions on use shall apply to all Lots and common area or common elements of a Subassociation; provided, however, that if a Subassociation enforces restrictions at least as restrictive as in this Section 8.2, the Subassociation and not the Association shall enforce such restrictions.

(a) No Unsafe Activities or Waste. Nothing shall be done or kept on the Property which 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 which 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.

(b) 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, and, if the

Association, then the cost of such compliance shall be a Common Expense, or Limited Common Expense, as appropriate.

(c) 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 which 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.

(d) Noise. No Person shall cause any unreasonably loud noise (except for security devices) anywhere on the Property, nor shall any Person permit or engage in any activity, practice or behavior for the purpose of causing annoyance, discomfort or disturbance to any Person lawfully present on any portion of the Property. This provision shall not be construed to forbid any work involved in the construction or Upkeep of any portion of the Property so long as such work is undertaken and carried out (i) with the minimum practical disturbance to Persons occupying other portions of the Property; (ii) in such a way as does not violate the rights of any Person under other provisions of this Declaration; and (iii) in accordance with all applicable restrictions in the Rules and Regulations, the resolutions of the Board of Directors and the other provisions of this Declaration.

(e) 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.

(f) 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.

(g) 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. Further, 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, that the appropriate size, placement and installation of a flagpole is in compliance with the Design Guidelines.

(h) 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 no 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.

(i) Landscaping; Utility Lines. No tree, hedge or other landscape feature shall be planted or maintained in a location which obstructs sight-lines for vehicular traffic on public or private streets. Pavement, plantings and other landscape materials shall not be placed or permitted to remain upon any Lot: (i) if such materials may damage or interfere with any easement for the installation or Upkeep of utilities; (ii) in violation of the requirements of such easements; (iii) unless in conformity with public utility standards; or (iv) if such materials may unreasonably change, obstruct or retard direction or flow of any drainage channels. Otherwise, the installation of such materials within utility easements shall be encouraged. Except for hoses and the like which are reasonably necessary in connection with construction activities or normal landscape Upkeep, no water pipe, sewer pipe, gas pipe, drainage pipe, television or telephone cable, electric line or other similar transmission line shall be installed or maintained upon any Lot above the surface of the ground except for those located in easements existing prior to the recordation of this Declaration or as approved by the Declarant during the Development Period or the Covenants Committee thereafter.

(j) Accessory 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. All accessory buildings must be approved in writing by the Covenants Committee. No exterior air conditioning unit, solar panels, burglar bars or similar equipment attached to the exterior of a building may be installed or modified without the prior written approval of the Covenants Committee. No basketball hoops, swings or

other play equipment may be erected, placed or maintained on any Lot, except with the prior written approval of the Covenants Committee.

(k) Cutting Trees. Except in accordance with the Design Guidelines, no sound trees with a diameter in excess of four inches, measured twelve inches above ground, nor trees in excess of two inches in diameter, similarly measured, which are generally known as flowering trees (such as dogwood or redbud) or as broad leaf evergreens (such as holly, laurel, or rhododendron), no live vegetation on slopes of greater than twenty percent gradient or marked "no cut" areas on approved site plans may be cut unless necessary to construct improvements based on plans previously approved by the Covenants Committee. Further, no live trees planted by the Declarant or a Builder to comply with applicable ordinances or other governmental requirements shall be cut without the prior written approval of the Covenants Committee. The Board of Directors shall adopt Rules and Regulations for cutting of trees to allow for selective clearing or cutting.

(l) 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.

(m) 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 prior 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.

(n) Vehicles. Each Owner may park two vehicles on the Property in addition to any vehicles parked in a garage on such Owner's Lot. 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, 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, 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 any criminal act by reason of such towing. 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.

(o) 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.

(p) Animals. Keeping livestock, poultry or other animals on any Lot 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 without the prior written approval of 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 that 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 which regularly leave the Lot shall be registered and inoculated as required by law.

(q) 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.

(r) 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.

(s) Operation of Recreational Vehicles. No person may operate a motorcycle, trail bike, motor bike, or similar vehicle within the Property on a Trail; such vehicle may only be operated on the paved roadways intended for vehicular use Private Streets and Roadways with a paved width greater than twenty feet.

(t) 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 and if otherwise located and used in accordance with County ordinances.

(u) Lighting. No exterior lighting shall be directed outside the boundaries of a Lot except for required street and parking lot lighting without the prior written approval of the Covenants Committee; typical residential flood lights directed toward the dwelling shall be permitted. Except for traditional holiday lighting, which may be maintained from Thanksgiving through January 15, or such other time period as determined by the Covenants Committee, all other exterior lighting requires the prior written approval of the Covenants Committee.

(v) Aesthetic Issues. Unless in compliance with the applicable Design Guidelines, mailboxes and newspaper tubes, exterior clotheslines and swimming pools may not be installed on a Lot.

(w) 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 which 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.

(x) Construction Activities.

(1) This section shall not be construed as forbidding any work involved in the construction or Upkeep of any portion of the Property so long as such work is undertaken and carried out: (i) with the minimum practical disturbance to Persons occupying other portions of the Property; (ii) in such a way as does not violate the rights of any Person under other provisions of this Declaration; and (iii) in accordance with all applicable restrictions in the Rules and Regulations, the resolutions of the Board of Directors and the other provisions of this Declaration. The Board of Directors may approve temporary structures for construction purposes which may otherwise be in violation of the Association Documents or the Rules and Regulations.

(2) Any Owner, contractor or Builder undertaking development or construction activities on the Property shall take all steps reasonably necessary to prevent damage to adjacent Lots or Common Areas and shall restore any land or improvement disturbed by such development or construction activities to the condition existing prior to the undertaking of such work. The Owner, contractor or Builder shall be responsible for the cleanliness of all construction vehicles working on the Property during the site's development and construction. If any soil or debris is deposited on any other portion of the Property because of such development or construction, particularly on any private or public roads, such Owner, contractor or Builder, at its sole cost and expense, shall remove the same; otherwise, the Declarant or the Association may perform such cleaning and charge the cost thereof to such Owner, contractor or Builder. Each Owner hereby indemnifies and holds the Declarant and its successors, assigns and transferees, and the Association, harmless and shall defend the Declarant, its successors, assigns and transferees, and the Association, as applicable, from and against any and all lawsuits, liability, cost, damage, expense, claims and judgments incurred or suffered by reason of or in any way related to any development and/or construction activities that violate or breach any provision of the Association Documents or any applicable Design Guidelines, including any attorneys' fees incurred by the Declarant (its successors, assigns and transferees) and/or the Association. Any amount that an Owner, contractor or Builder is obligated to pay under this paragraph that is not reimbursed to the Declarant or the Association, as applicable, within five days after the date of the demand shall accrue interest at the higher of (i) twelve percent per annum compounded quarterly or (ii) the rate then charged by the Internal Revenue Service (or a successor agency) on delinquent personal income taxes on the principal amount unpaid from the date due until paid.

(y) Garages. No garage on a Lot shall be converted to living space or altered or used for purposes which 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.

(z) Proffer and Zoning Changes. No Person other than the Declarant shall make any request or application to any governmental or quasi-governmental authority having jurisdiction over the Property or an Owner's Lot, or over both, to change or alter the zoning, the Development Plan or the Proffers, or to seek any other governmental or quasi-governmental approvals for the Property or any Additional Land, including any changes that reasonably could affect the zoning, densities or Development Plan for all or any portion of the Property, without the consent of the Declarant during the Development Period, or the Board of Directors thereafter, to be granted or withheld in their respective sole discretion.

(aa) Use of "Preston Lake" Name. No Person shall use the "Preston Lake" name or logo in any advertising of or for Lots or the Property in print, radio, television or any other media without prior written approval by the Declarant of: (i) the typeface of the name "Preston Lake" and (ii) the appearance of the logo. The Declarant expressly retains the right at all times to modify the appearance of the logo (except that any exercise of such right after an approval of the previous appearance of the logo must occur reasonably and with reasonable notice to the Owner of the requirement that the logo be changed). The Declarant also reserves the right to prohibit and to enjoin any advertising whatsoever which the Declarant determines contains any false or misleading facts, information or representations with respect to the Declarant, the Property or any part thereof. Upon the expiration of the Development Period, the Declarant's rights to the "Preston Lake" name and logo shall automatically vest in the Association.

Section 8.3. Rules and Regulations.

(a) Adoption; Variances. The Board of Directors shall have the power to adopt, amend and repeal Rules and Regulations restricting and regulating the use and enjoyment of the Property or of any portion thereof, which may supplement but may not be inconsistent with the provisions of the Association Documents. The Board of Directors may issue temporary or permanent exceptions or variances to any prohibitions expressed or implied by this Article, for good cause shown, in accordance with the procedures set forth in Subsection 9.1(d).

(b) Distribution. Copies of the Rules and Regulations shall be furnished by the Board of Directors to each Owner and to each occupant requesting the same. Changes to the Rules and Regulations shall be published prior to the time when the same shall become effective and copies thereof shall be provided to each Owner and to each occupant requesting the same.

(c) Scope. For the purposes of interpretation and enforcement of the Rules and Regulations, the Property shall be deemed to include the real estate immediately adjacent to the Property within the public rights-of-way or otherwise to the extent an Owner's or occupant's actions affect the appearance of or value of the Property. Rules and Regulations governing the

actions of Owners or occupants on real estate adjacent to the Property shall be consistent with and reasonably necessary to the maintenance of a uniform quality of appearance and value of the Property.

(d) Limitation. The Rules and Regulations shall not unreasonably interfere with the use or enjoyment of the Lots or Common Area. Any Rules and Regulations adopted or amended after conveyance of a Lot to an Owner other than the Declarant or a Builder may only be amended (except for corrections or minor wording changes) by a two-thirds vote of the total number of directors, following a hearing for which due notice has been provided to all Owners.

(d) Subassociations. The Board of Directors shall review and approve the rules and regulations proposed by any Subassociation; provided, however, that any rules and regulations submitted to the Board shall be deemed approved if not disapproved within ten days after the first meeting of the Board after such rules and regulations are submitted. The Property shall be occupied and used in compliance with the Rules and Regulations, as well as the rules and regulations established by any Subassociation; provided, however, that any rules and regulations adopted by such Subassociation which are inconsistent with the Association Documents or the Rules and Regulations of the Association shall be void.

Section 8.4. Exclusions During Development Period. Notwithstanding any other provision of the Association Documents, neither the restrictions in this Article nor the Rules and Regulations shall apply to any otherwise lawful acts or omissions of the Declarant or of any Builder approved by the Declarant during the Development Period. This exception for Builders shall be subject to such rules as may be established by the Declarant for safety or to maintain the appearance of the Property.

Section 8.5. Leasing and Resale of Lots.

(a) Leasing. No Lot shall be used or occupied for transient or hotel purposes or in any event leased for an initial period of less than twelve months. No portion of any dwelling (other than the entire dwelling) shall be leased for any period; provided, however, that a reasonable number of roommates is permitted. No Owner shall lease a Lot other than on a written form of lease: (1) requiring the tenant to comply with the Association Documents; (2) providing that failure to comply constitutes a default under the lease; and (3) providing that after forty-five days prior written notice to the Owner, the Board of Directors has the power to terminate the lease or to bring summary proceedings to evict the tenant in the name of the lessor in the event of a default by the tenant under the Association Documents or the lease. The Board of Directors may suggest or require a standard form lease for use by Owners. Each Owner shall, promptly following the execution of any lease of a Lot, forward a conformed copy thereof to the Board of Directors. Except for the restriction against use or occupancy for hotel or transient purposes, this subsection shall not apply to Lots owned by the Association, the Declarant, or a Mortgagee in possession of a Lot as a result of foreclosure, judicial sale or a proceeding in lieu of foreclosure.

(b) Resale.

(1) Reference to Declaration. The deed or instrument transferring title to any Lot shall contain a provision incorporating by reference the provisions of this Declaration, as well as any applicable Supplementary Declaration. Notwithstanding failure to include a reference to this Declaration in a deed or instrument transferring title to a Lot, the covenants, restrictions, easements, charges and liens set forth herein shall encumber the Lot as though reference thereto was set forth in such deed or instrument.

(2) Notification. The contract seller of a Lot shall notify the Board of Directors of the name of the contract purchaser and the scheduled date and place of settlement.

(3) Association Resale Disclosure. The Board of Directors shall, upon written request from a contract seller of a Lot and upon payment of the applicable fee, furnish an Association Disclosure Packet as required by applicable Virginia law and a Statement of Common Expenses in accordance with Section 6.6.

Section 8.6. Resubdivision and Rezoning.

(a) Resubdivision. A Lot may be subdivided or altered so as to relocate the boundaries between such Lot and any adjoining Lot only with the prior written approval of the Declarant, during the Development Period, or the Board of Directors thereafter, and with any required approvals by the Mortgagees of the affected Lots and the appropriate governmental authorities. This section is not intended to require the approval of the Declarant or the Board of Directors to leases, deeds of correction, deeds to resolve boundary line disputes or similar corrective instruments, or deeds granting any easement, right-of-way or license to any governmental or public entity, utility, the Association or the Declarant for any purpose. This section is not intended to apply to the relocation of boundary lines of a Condominium unit.

(b) Rezoning and Proffer Amendments. No Owner shall seek to rezone or amend the proffers affecting such Owner's Lot without the prior written approval of the Declarant during the Development Period or the Board of Directors thereafter. The Declarant reserves the right to seek to rezone or amend the zoning or proffers applicable to any portion of the Property or the Additional Land during the Development Period, without the joinder or approval of the Association or any other Owner, except the Owner of the real estate described in the application and directly affected by the amendment. To the extent the approval and consent of any other Owner is required under State or local law to apply for or obtain any rezoning or proffer condition amendment or to make any subdivision submission, then each Owner appoints the Board of Directors as attorney-in-fact to sign such application on behalf of the Owner or, in the alternative, upon request each Owner shall sign the application or other documents required for such action; provided, however, that such joinder shall be without liability or cost to such Owner unless such liability or cost is expressly accepted by such Owner; and provided, further, that this covenant does not apply to any amendment which would materially, adversely affect an Owner's ability to use such Owner's Lot for its intended purposes or significantly increase such Owner's development costs.

ARTICLE 9

ARCHITECTURAL REVIEW

Section 9.1. Covenants Committee.

(a) Purpose and Membership. The Board of Directors shall establish a Covenants Committee consisting of at least three persons appointed by the Board. The Covenants Committee may employ paid professional architects or design consultants when necessary. Each person shall serve for a term of from one to three years as may be determined by the Board of Directors, in order to assure that the Property shall always be maintained in a manner: (i) providing for visual harmony and soundness of repair; (ii) avoiding activities deleterious to the aesthetic or property values of the Property; and (iii) promoting the general welfare and safety of the Owners, such Owners' tenants and such Owners' (or tenants') household, guests, employees, agents and invitees. If the Board of Directors fails to appoint a Covenants Committee, then the Board of Directors shall perform the duties of the Covenants Committee.

(b) Powers.

(1) The Covenants Committee shall regulate the external design, signage, appearance, use and Upkeep of the Property (including establishing minimum floor area specifications and building setbacks); provided, however, that the Covenants Committee shall not have the power to regulate the activities of the Declarant on the Common Area or any Lot owned by the Declarant or construction on any Lot which has been approved by the Declarant during the Development Period; and provided, further, that the Covenants Committee shall not have the power to review initial construction on the Property, if such construction is reviewed by the Declarant or the Initial Construction Committee. In addition, unless the Board of Directors determines otherwise, the Covenants Committee shall not review applications made by Owners of Lots subject to the jurisdiction of a Subassociation if the covenants committee, board of directors or similar body of such Subassociation performs such review on behalf of the Covenants Committee.

(2) The Covenants Committee may from time to time establish requirements regarding the form and content of plans and specifications to be submitted for approval. The Covenants Committee shall have the power to impose reasonable application fees as well as the costs of reports, analyses or consultations required in connection with improvements or changes proposed by an Owner. Such fees shall be assessed against the Lot owned by the Owner making the application; provided, however, that the Committee shall inform the applicant Owner of the potential fees before incurring or assessing such fees and the Owner shall have the option to withdraw the application.

(3) The Covenants Committee shall have the power pursuant to Subsection 12.1(h) (upon petition of any Owner or upon its own motion) to impose reasonable charges upon, and issue a cease and desist request to, an Owner, such Owner's tenant and such

Owner's (or tenant's) household, guests, employees, agents and invitees whose actions are inconsistent with the provisions of the Association Documents or the Rules and Regulations.

(4) Subject to the review of the Board of Directors, the Covenants Committee shall from time to time provide interpretations of the Association Documents pursuant to the intents, provisions and qualifications thereof when requested to do so by an Owner, a member or the Board of Directors. The Committee may publish and record such interpretations in order to establish precedents for application of the Association Documents or the Design Guidelines or other matters relative to architectural control and protection of the aesthetic or property values of the Property.

(5) The Covenants Committee shall propose changes or additions to the Design Guidelines for approval by the Board of Directors, subject to the limitations in Subsection 9.2(a). Such Design Guidelines approved by the Board of Directors are hereby incorporated by this reference and shall be enforceable as if set forth herein in full; provided, however, that no amendments or additions thereto, or exceptions or waivers therefrom, are permitted during the Development Period without the prior written approval of the Declarant. The Covenants Committee shall also review the architectural guidelines proposed by any Subassociation and shall determine whether such guidelines are in keeping with the overall architectural character of the Property. Any such guidelines which are submitted to the Covenants Committee shall be deemed approved if not disapproved within forty-five days. The guidelines or rules established by any Subassociation are subordinate to the Association Documents and the Design Guidelines and are void to the extent less restrictive than the Association Documents or Design Guidelines, unless approved by the Covenants Committee.

(6) Subject to Subsection 12.1(h), a Majority Vote of the Covenants Committee shall be required in order to take any action. Any member of the Covenants Committee may request the assistance and/or participation of a paid professional architect or design consultant. The Covenants Committee shall keep written records of all its actions. Any action, ruling or decision of the Covenants Committee may be appealed to the Board of Directors by any party who appeared at a hearing with respect to such action, ruling or decision or who submitted a written protest prior to the action, ruling or decision or any other person as determined appropriate by the Board, deemed by the Board to have standing as an aggrieved party and the Board may modify or reverse any such action, ruling or decision.

(7) The Covenants Committee shall have the right to inspect construction periodically. Any deviation from the approved drawings and specifications which materially changes the exterior appearance, quality or location of the improvement is a violation of the Association Documents. This section shall in no way affect any requirement for inspection by any governmental entity.

(c) Authority. The Covenants Committee shall have such additional duties, powers and authority as the Board of Directors may from time to time provide by resolution. The Board of Directors may relieve the Covenants Committee of any of its duties, powers and authority either generally or on a case-by-case basis. The Covenants Committee shall carry out its duties and exercise its powers and authority in accordance with Subsections 12.1(h) and (i)

and in the manner provided for in the Rules and Regulations adopted by the Board of Directors or by resolution of the Board of Directors. Notwithstanding the foregoing, neither the Covenants Committee nor the Board of Directors shall have authority to regulate new construction or alterations of existing improvements by the Declarant or by others as approved by the Declarant or the Initial Construction Committee during the Development Period.

(d) Time for Response; Variances or Exceptions. The Covenants Committee shall act on all matters properly before it within forty-five days after its receipt of a complete application in the form prescribed by the Covenants Committee; failure to do so within the stipulated time shall constitute an automatic referral to the Board of Directors at the written request of the applicant. Except when a request is being handled by the Covenants Committee, the Board of Directors shall be obligated to answer any written request for approval of a proposed structural addition, alteration or improvement within fifteen days after the first Board of Directors meeting held following such referral to the Board, and failure to do so within the stipulated time shall constitute a consent by the Board of Directors to the proposed structural addition, alteration or improvement; provided, however, that neither the Board of Directors nor the Covenants Committee has the right or power, either by action or failure to act, to waive enforcement or grant variances or exceptions from written Design Guidelines without a specific finding that enforcement of such guidelines would impose an unfair burden on such Owner or is otherwise not in the best interests of the Association and stating the variance or exception and the reasons therefor in a written instrument which shall be part of the records of the Association.

(e) Standards for Enforcement. In performing its duties to accomplish its purpose as set forth in subsection (a), the Covenants Committee shall: foster harmonious relations between Owners, occupants and third parties, encourage direct communication between disputants, balance the need for enforcement against the economic, social and community effects of such enforcement in each individual case, evaluate the materiality of any claimed breach, consider community standards and treat all Owners and occupants fairly and equally. At the request of any party, the decision of the Covenants Committee on any matter shall contain a finding as to whether the decision preserves or protects property values and/or sustains or enhances the quality of life in the community.

(f) Determination of Violations. The Covenants Committee shall establish a policy for the consideration of violations of the Association Documents, Rules and Regulations, Design Guidelines and other provisions which the Covenants Committee is empowered to enforce. Such policy shall provide whether the Covenants Committee will proactively seek out certain violations or reactively respond to complaints filed by the Owners and occupants. The Covenants Committee shall direct the management company as to the specific extent of management's enforcement duties (in accordance with the management agreement).

(g) Specific Exclusions. Supplementary Declarations adding Additional Land may exclude certain types of improvements or alterations from Covenants Committee review to the extent such improvements or alterations are not Visible from Neighboring Property. The Owner asserting an exemption shall file a plan showing or describing (as appropriate) the proposed addition, alteration, improvement, modification or change in use with the Covenants Committee at least ninety days before the earlier of filing a request for the change with the

County (if required) or making the change. The purpose of filing the plan or description with the Covenants Committee is to notify the Association of the Owner's proposed exercise of an exemption; the decision of the Covenants Committee as to the applicability of the exemption shall be binding.

Section 9.2. Architectural Review During the Development Period. During the Development Period, the architectural review shall be performed by the Declarant or the Initial Construction Committee (appointed by the Declarant). The Declarant shall have the right to adopt all initial Design Guidelines for the Property during the Development Period and review and approve or disapprove the plans for the initial construction of any structure to be located on the Property, including without limitation the site development plan, architectural design, architectural materials, landscaping plans, minimum square footage, non-structural improvements and general appearance in order to ensure the quality and compatibility of style of all the improvements to be located on the Property. Such Design Guidelines for new construction, as the same may be amended by the Declarant during the Development Period from time to time, are hereby incorporated herein by this reference and shall be enforceable as if set forth herein in full. In the alternative, the Declarant has the right to appoint an Initial Construction Committee, consisting of at least three persons, two of whom shall be selected by the Declarant. Such appointees shall perform such tasks or, at the Declarant's sole option, the Declarant may delegate such tasks to the Covenants Committee. The Initial Construction Committee may establish its own applications and procedures and may charge a fee for its review. Decisions of the Initial Construction Committee are not appealable to the Board of Directors. The Declarant or the Initial Construction Committee has the right or power to waive enforcement or grant variances or exceptions from written Design Guidelines in a written instrument stating the variance which shall be part of the records of the Association. Upon such written approval of any specific variance or exception from the requirements of the Design Guidelines, all development conforming to such variance or exception shall be deemed to comply. While the Initial Construction Committee exists, all additions and modifications to the Design Guidelines must be approved by the Committee. The Declarant may appoint the Initial Construction Committee during the Development Period. After the Development Period, the Initial Construction Committee shall cease to exist. If initial construction on the Property occurs after the Initial Construction Committee ceases to exist, then such construction will be reviewed by the Covenants Committee. If the Declarant does not delegate its powers hereunder to an Initial Construction Committee or the Covenants Committee, then the Declarant may perform the functions of the Initial Construction Committee. All costs and expenses of the Initial Construction Committee not covered by application fees shall be a Common Expense.

Section 9.3. Compensation of the Covenants Committee. One or more members of the Covenants Committee other than an Owner or an occupant of the Property, may be compensated by the Association for their service on the Covenants Committee (including designees of the Declarant) and for their technical or professional expertise as may be determined by the Board of Directors.

Section 9.4 Additions, Alterations and Improvements Requiring Approval.

(a) Approval Required.

(1) No Person shall make any addition, alteration, improvement or change of grade in or to any Lot (other than for normal Upkeep or natural landscaping and not including areas within a building visible from the exterior only because of the transparency of glass doors, walls or windows) which is Visible from Neighboring Property of the Lot, without the prior written approval of the Covenants Committee. No Person shall make any addition, alteration or improvement to any common area or the common elements of any Subassociation (other than for normal Upkeep or natural landscaping and not including areas within a building visible from the exterior of the Lot which does not comply with the applicable Design Guidelines, without the written consent of the Covenants Committee. No Person shall paint, affix a sign not permitted by the Rules and Regulations to or alter the exterior of any improvement, including the doors and windows, if such exterior is Visible from Neighboring Property or the Common Area, without the prior written approval of the Covenants Committee. Approval by the Declarant, the Board of Directors or the Covenants Committee shall not relieve an Owner from any obligation to obtain required governmental approvals and permits. The Owner shall deliver all approvals and permits required by law to the Covenants Committee or Board of Directors, as appropriate, prior to the commencement of the construction requiring such approval or permit. If any application to any governmental authority for a permit to make any such structural addition, alteration or improvement to any Lot or improvement located on any Lot requires signature by the Association, and provided consent has been given by the Board of Directors or the Covenants Committee, as appropriate, then the application shall be signed on behalf of the Association by an Officer only, without incurring any liability on the part of the Officer, Board of Directors, the Association, the Covenants Committee or any of them to any contractor, subcontractor or materialman on account of such addition, alteration or improvement, or to any Person having a claim for personal injury or property damage arising therefrom. Any addition, alteration or improvement upon any Lot in violation of the Association Documents shall be removed or altered to conform to the Association Documents (including the Design Guidelines) within thirty days after notice of the violation from the Board of Directors or the Covenants Committee.

(2) With respect to Lots which are also subject to the jurisdiction of a Subassociation, the Board of Directors may determine to have the covenants committee, board of directors or similar body of such Subassociation review applications for architectural review on behalf of the Covenants Committee, unless the Board of Directors specifically determines to have the Covenants Committee perform such review. Owners of such Lots must comply with the Design Guidelines and the Rules and Regulations for the Property, as well as any guidelines or rules and regulations established by the Subassociation with jurisdiction over such Lot.

(3) During the Development Period, the provisions of this section shall not apply to Lots owned by the Declarant or to new construction or alteration of existing improvements on any Lot if such construction or alteration has been approved by the Declarant. The Declarant or an Owner, if approved by the Declarant, shall have the right to construct improvements, make alterations or subdivisions without the approval of the Board of Directors

or the Covenants Committee and an authorized Officer shall sign any application required therefor.

(4) The provisions of this section shall not apply to a Mortgagee in possession of a Lot as a result of foreclosure, judicial sale or proceeding in lieu of foreclosure affixing a sign or taking any other actions that may be necessary to sell or lease all or any portion of the Lot, if such actions are in accordance with applicable zoning and not detrimental to the value of the Property.

(b) Limitations.

(1) Any Person obtaining approval of the Covenants Committee shall commence construction or alteration in accordance with plans and specifications approved within twelve months after the date of approval and shall substantially complete any construction or alteration within eighteen months after the date of approval, or within such other periods as are specified in the approval during which to commence or complete construction. If any such Person does not commence work within the time period specified, the approval shall lapse.

(2) Any Person obtaining approval of the Covenants Committee shall not deviate materially from the plans and specifications approved without the prior written consent of the Committee. Such Person shall notify the Committee when the alterations or improvements are complete. Approval of any particular plans and specifications or design does not waive the right of the Committee to disapprove such plans and specifications, or any elements or features thereof, if such plans and specifications are subsequently submitted for use in any other instance or by any other Person.

(c) Certificate of Compliance. Upon the completion of any construction or alterations in accordance with plans and specifications approved in accordance with this Article, the Covenants Committee shall, at the request of the Owner thereof, issue a certificate of compliance which shall be prima facie evidence that such construction or alteration referenced in such certificate has been approved and constructed or installed in full compliance with the provisions of this Article and with such other provisions and requirements of the Association Documents as may be applicable. The certificate shall not be used and may not be relied upon for any other purpose, and shall not constitute a representation either as to the accuracy or sufficiency of the plans and specifications reviewed by the Committee or the quality or soundness of the construction, alterations or improvements or as a substitute for governmental approvals or permits. The Committee may impose a reasonable charge to cover the costs of inspection and preparation of such a certificate.

ARTICLE 10

INSURANCE

Section 10.1. General Provisions.

(a) Authority, Liability and Notice. The Board of Directors shall have the power and responsibility on behalf of the Association to (1) purchase insurance policies relating to the Common Area, (2) adjust all claims arising under such policies and (3) sign and deliver releases upon payment of claims. The cost of all insurance policies purchased by the Board relating to the Common Area shall be a Common Expense or a Limited Common Expense, as appropriate. The Board of Directors, the managing agent and the Declarant shall not be liable for failure to obtain any coverages or endorsements required by this Article or for any loss or damage resulting from such failure: (i) if such failure is due to the unavailability of such coverages or endorsements from reputable insurance companies; (ii) if such coverages or endorsements are so available only at demonstrably unreasonable cost; or (iii) if the Association's insurance professionals advise that any of the coverages required by this Article 10 (including without limitation paragraph (2) of Subsection 10.2(b)) are not necessary, advisable or reasonably available. Exclusive authority to negotiate losses under policies purchased by or on behalf of the Association shall be vested in the Board of Directors or with its authorized representative. The Board of Directors shall promptly notify the Owners and Mortgagees of material adverse modifications, lapses or termination of insurance coverages obtained on behalf of the Association.

(b) Policy Requirements.

(1) All policies of insurance shall be written by reputable companies licensed or qualified to do business in Virginia.

(2) The deductible or self-insured retention (if any) on any insurance policy purchased by the Board of Directors shall be a Common Expense (or a Limited Common Expense, as appropriate); provided, however, that the Association may, pursuant to Subsections 6.2(c) and 12.1(a), assess any deductible amount necessitated by the misuse or neglect of an Owner, or such Owner's tenant or such Owner's (or tenant's) household, guests, employees, agents or invitees against the Lot owned by such Owner.

(3) The Declarant, so long as the Declarant shall own any Lot, shall be protected by all such policies as an Owner.

(4) Each such policy shall provide that:

(A) The insurer waives any right to claim by way of subrogation against the Declarant, the Association, the Board of Directors, the managing agent, any Owner and the Owner's household, guests, employees, tenants, agents and invitees;

(B) Such policy shall not be cancelled, invalidated or suspended due to the conduct of any Owner, or such Owner's tenant or such Owner's (or tenant's) household, company, guests, employees, customers, agents and invitees, or of any member, Officer or employee of the Board of Directors or the managing agent without a prior demand in writing that the Board or the managing agent cure the defect and neither shall have so cured such defect within thirty days after such demand;

(C) Such policy may not be cancelled or substantially modified (including cancellation for non-payment of premium) without at least thirty days prior written notice to the Board of Directors and the managing agent;

(D) The Association is the "First Named Insured" under such policy.

Section 10.2. Property Insurance.

(a) Coverage. The Board of Directors shall obtain and maintain a property insurance policy written on a Special Covered Causes of Loss Form, including without limitation fire damage, vandalism, malicious mischief, sprinkler leakage (if applicable), cost of demolition, debris removal, and water damage coverage, insuring any improvements located on the Common Area, if any, (including without limitation any floor coverings, fixtures and appliances), together with all air conditioning and heating equipment and other service machinery contained therein and covering the interests of the Association, in an amount equal to one hundred percent of the then current full insurable replacement cost of any improvements located on the Common Area (exclusive of the land, excavations, foundations and other items normally excluded from such coverage), without deduction for depreciation (such amount to be redetermined annually by the Board with the assistance of the insurance company affording such coverage). The Board of Directors shall also obtain and maintain appropriate coverage on all personal property and any real estate other than the Common Area owned by the Association.

(b) Waivers and Endorsements. Each such policy shall also provide:

(1) a waiver of any right of the insurer to repair, rebuild or replace any damage or destruction, if a decision is made not to do so;

(2) the following endorsements (or equivalent): (A) "no control" (to the effect that coverage shall not be prejudiced by any act or neglect of any Owner or occupant or their agents when such act or neglect is not within the control of the insured or the Owners collectively, nor by any failure of the insured or the Owners collectively, to comply with any warranty or condition with regard to any portion of the Property over which the insured, or the Owners collectively have no control; (B) ordinance/law coverage for (i) the "cost of demolition" of the undamaged portion of the Property, (ii) "contingent liability from operation of building laws or codes;" and (iii) "increased cost of construction;" (C) "replacement cost" or "guaranteed replacement cost;" (D) "inflation guard;" and (E) "agreed amount" or "elimination of co-insurance" clause;

(3) that any "no other insurance" clause expressly exclude individual Owners' policies from its operation so that the property damage policy purchased by the Board of Directors shall be deemed primary coverage and any individual Owners' policies shall be deemed excess coverage, and in no event shall the insurance coverage obtained and maintained by the Board of Directors hereunder provide for or be brought into contribution with insurance purchased by individual Owners or Mortgagees, unless otherwise required by law;

(4) such deductibles and self-insured retentions as to loss as the Board of Directors in its sole discretion deems prudent and economical; and

(5) to the extent a policy covers a dwelling located on any Lot, the standard mortgagee clause.

(c) Certificates. Certificates of property insurance coverage signed by an agent of the insurer, all renewals thereof, and any sub-policies or certificates and endorsements issued thereunder, together with proof of payment of premiums, shall be delivered by the insurer to any Mortgagee requesting the same, at least ten days prior to expiration of the then current policy.

(d) Notice to Mortgagees. All Mortgagees shall be notified promptly of any event giving rise to a claim under such policy arising from damage to improvements located on the Common Area in excess of ten percent of the annual budget for Common Expenses. The Mortgagee of any Lot insured by the Association shall be notified promptly of any event giving rise to a claim under such policy arising from damage to improvements located on such Lot.

Section 10.3. Liability Insurance. The Board of Directors shall obtain and maintain liability insurance in such limits as the Board may from time to time determine, insuring the Association, each director and Officer, the managing agent, the Owners and the employees of the Association against any liability to the public or to any Owner or such Owner's tenants and such Owner's (or tenant's) household, guests, employees, agents and invitees arising out of, or incident to the ownership or care, custody, control and use of the Common Area or any facilities located in the public right-of-way. Such insurance shall be issued on a commercial general liability basis and shall contain: (1) a cross-liability endorsement under which the rights of a named insured under the policy shall not be prejudiced with respect to an action against another named insured; (2) hired and non-owned vehicle coverage; (3) host liquor liability coverage with respect to events sponsored by the Association; (4) products and completed operations coverage; and (5) a "severability of interest" endorsement which shall preclude the insurer from denying liability coverage to an Owner because of negligent acts of the Association or of another Owner. The Board of Directors shall review such limits once each year, but in no event shall such insurance be less than one million dollars covering all claims for bodily injury, property damage, personal injury and advertising injury. This coverage, or a separate policy, shall also contain protection for the Association if it operates a website or conducts business using the website, email or similar means. Reasonable amounts of "umbrella" liability insurance in excess of the primary limits shall also be obtained in an amount not less than two million dollars.

Section 10.4. Other Insurance. The Board of Directors shall obtain and maintain:

(1) Fidelity. Adequate fidelity insurance coverage to protect against dishonest acts on the part of directors, Officers, trustees and employees of the Association and all others who handle or are responsible for handling funds of the Association, including the managing agent and volunteers. If the Association has delegated some or all of the responsibility for handling funds to a managing agent, such managing agent shall be covered by its own fidelity insurance. Such fidelity insurance (except for fidelity insurance obtained by the managing agent for its own personnel) shall: (i) name the Association as the insured; (ii) be written in an amount not less than one-fourth the total annual assessment for Common Expenses or the amount required by the Mortgagees, FannieMae or Freddie Mac, whichever is greatest; (iii) contain waivers of any defense based upon the exclusion of Persons who serve without compensation from any definition of "employee" or similar expression; and (iv) may provide that the managing agent is an insured under the policy;

(2) Flood Insurance. If required by a majority of the Mortgagees or governmental regulations, flood insurance in accordance with the then applicable regulations for such coverage;

(3) Workers' Compensation. Workers' compensation and employers liability insurance if and to the extent necessary to meet the requirements of law (including a voluntary employees endorsement and an "all states" endorsement);

(4) Mechanical Breakdown Insurance. If applicable, mechanical and electrical equipment (including information technology and air conditioning equipment) coverage on a comprehensive form in an amount not less than the greater of (A) fifty thousand dollars per accident per location or (B) the replacement cost of all such insured equipment;

(5) Directors and Officers Liability Insurance. Directors and officers liability insurance in an amount not less than one million dollars including coverage for the Association, directors, Officers, committee members and employees. The policy may also provide that the managing agent is an insured under the policy except with respect to claims that the managing agent may file against the Association or that the Association may file against the managing agent. Such coverage, to the extent available, shall include non-monetary damages, breach of contract, fair housing disputes and allegations of wrongful purchase of the insurance program in form, content or amount; and

(6) Other. Such other insurance: (i) as the Board of Directors may determine; (ii) as may be required with respect to the Additional Land by any amendment to this Declaration adding such Additional Land; or (iii) as may be requested from time to time by a Majority Vote of the Owners. Such insurance may include, without limitation: (i) business income and extra expense; (ii) employee benefits; (iii) employment practices liability; (iv) auto (owned); (v) medical payments protection; and (vi) electronic data processing (EDP) coverage.

Section 10.5. Insurance on Lots.

(a) Optional Insurance. Subject to subsection (b), each Owner or Subassociation shall have the right to obtain insurance for such Owner's or Subassociation's benefit, at such Owner's or Subassociation's expense, covering the improvements located on such Owner's Lot or the Lot for which Upkeep is performed by such Subassociation and such Owner's or Subassociation's liability.

(b) Insurance Restriction. No Person shall acquire or maintain insurance coverage on the Common Area insured by the Association so as to: (i) decrease the amount which the Board of Directors may realize under any insurance policy maintained by the Board; or (ii) cause any insurance coverage maintained by the Board to be brought into contribution with insurance coverage obtained by such Person; or (iii) in violation of any Condominium instruments or declaration of covenants encumbering such Owner's Lot. No Person shall obtain separate insurance policies on the Common Area.

(c) Required Coverage.

(1) Due to the shared walls between the improvements located on some of the Lots, each Owner of a Lot containing an attached structure shall obtain personal liability insurance in a minimum amount of one million dollars and property insurance on a Special Covered Causes of Loss Form (or its equivalent) in an amount equal to one hundred percent of the then current insurable replacement cost of any improvements located on such Owner's Lot. Such personal insurance shall also include coverage for "loss assessment" that may be levied by the Association against the Owner (including loss assessment for common area insurance deductibles and retentions) and shall provide protections for the Owner for any permitted home business pursuits. The Association shall not be responsible for any claim for loss of business, income, clients, reputation or other loss from a permitted home business use because of any damage or claim (insured or otherwise) to the Common Area or arising from actions of the Association, the Board of Directors, committee members or the managing agent.

(2) Owners may be required to obtain certain insurance coverages with respect to Additional Land in amendments to this Declaration adding such Additional Land.

(d) Board Authority. If the Board of Directors so requests, the Owner of a Lot shall provide a certificate of insurance to the Board thirty days prior to the expiration of such insurance. Due to the shared walls between the improvements located on the Lots and the improvements located on the Common Areas, the insurance required to be obtained by each Owner pursuant to this section shall include coverage for damage to the adjacent Common Area which occurs as a result of a casualty originating within the Lot. The Association shall be named as an additional named insured as its interests may appear. Any policy obtained shall provide that it may not be cancelled except upon ten days written notice to the Association. If an Owner fails to obtain the insurance coverage required by this Article, the Board of Directors may purchase such insurance coverage on such Owner's behalf and assess the Lot owned by such Owner for the cost thereof pursuant to Subsections 6.2(c) and 12.1(a). The Declarant, the Association and the Board of Directors shall not be held liable for the failure of any Owner to purchase insurance or for not purchasing such insurance on the Owner's behalf.

ARTICLE 11

RECONSTRUCTION AND REPAIR

Section 11.1. When Reconstruction or Repair Required.

(a) Common Area. Except as otherwise provided in Section 11.4, if all or any part of any improvement located on the Common Area is damaged or destroyed by fire or other casualty, the Board of Directors shall arrange for and supervise the prompt repair and restoration thereof (including without limitation any floor coverings, fixtures and appliances). The Association shall not use the proceeds of casualty insurance received as a result of damage or destruction of improvements located on the Common Area for purposes other than the repair, replacement or reconstruction of such improvements except in accordance with Section 11.4.

(b) Lots. If a building or other major improvement located upon a Lot is damaged or destroyed, the Owner thereof or the Subassociation responsible for the Upkeep of such building or improvement shall restore the site either (i) by repairing or reconstructing such building or other major improvement or (ii) by clearing away the debris and restoring the site to an acceptable condition compatible with the remainder of the Property. Unless the Covenants Committee permits a longer time period, such work must be: (i) in the case of a detached structure, commenced within six months after the casualty and substantially completed within eighteen months after the casualty or (ii) in the case of an attached structure, commenced within three months after the casualty and substantially completed within six months after the casualty. If the building or other major improvement will look substantially the same as before the casualty and will comply with the Design Guidelines, no prior approval of the Covenants Committee shall be required.

Section 11.2. Procedure for Reconstruction and Repair of Common Area.

(a) Cost Estimates. Immediately after a fire or other casualty causing damage to any portion of any improvement located on the Common Area, the Board of Directors shall obtain reliable and detailed estimates of the cost of restoring and repairing such improvement (including without limitation any floor coverings, fixtures and appliances) to a condition as good as that existing before such casualty. Such costs may also include professional fees and premiums for such bonds as the Board of Directors determines to be necessary.

(b) Plans and Specifications. Any such reconstruction or repair shall be substantially in accordance with the original construction of any improvement located on the Common Area, subject to any modifications required by changes in applicable governmental regulations, and using contemporary building materials and technology to the extent feasible.

Section 11.3. Disbursement of Construction Funds for Common Area.

(a) Construction Fund and Disbursement. The proceeds of insurance collected on account of a casualty and the sums received by the Board of Directors from the collection of Assessments against the Owners pursuant to Subsection 11.3(b) or any Owner

pursuant to Subsections 6.2(c) or 12.1(a), shall constitute a construction fund which shall be disbursed in payment of the costs of reconstruction and repair in the following manner.

(1) If the estimated cost of reconstruction and repair is less than five percent of the total annual Assessment for Common Expenses for that fiscal year, then the construction fund shall be disbursed in payment of such costs upon order of the Board of Directors.

(2) If the estimated cost of reconstruction and repair is five percent or more of the total annual Assessment for Common Expenses for that fiscal year, then the construction fund shall be disbursed in payment of such costs upon approval of an architect qualified to practice in Virginia and employed by the Board of Directors to supervise such work, payment to be made from time to time as the work progresses. The architect shall be required to furnish a certificate giving a brief description of the services and materials furnished by various contractors, subcontractors, materialmen, the architect and other Persons who have rendered services or furnished materials in connection with the work stating that: (i) the sums requested by them in payment are justly due and owing and that such sums do not exceed the value of the services and materials furnished; (ii) there is no other outstanding indebtedness known to such architect for the services and materials described; and (iii) the cost as estimated by such architect for the work remaining to be done subsequent to the date of such certificate does not exceed the amount of the construction fund remaining after payment of the sum so requested. The Board of Directors shall be entitled to rely on such certificate.

(b) Shortfalls. If the proceeds of insurance are not sufficient to defray such estimated costs of reconstruction and repair, or if upon completion of reconstruction and repair the funds for the payment of the costs thereof are insufficient, the amount necessary to complete such reconstruction and repair may be obtained from the appropriate reserve for replacement funds or shall be deemed a Common Expense or Limited Common Expense, as appropriate, and an assessment therefor shall be levied subject to Section 6.2.

(c) Surplus. The first monies disbursed in payment of the cost of reconstruction and repair shall be from insurance proceeds. If, after payment of the costs of all reconstruction and repair, and the refund of any excess payments made by Owners pursuant to Subsection 11.3(b) in proportion to their contributions or the refund of excess payments by any Owner pursuant to Subsection 12.1(a), there remains any surplus fund, such fund shall be paid to the Association and shall be placed in the appropriate reserve account.

Section 11.4. When Reconstruction and Repair of Common Area Not Required. If destruction of the improvements located on the Common Area is insubstantial, the Board of Directors may elect not to repair such insubstantial damage. If damaged improvements are not repaired, then the Board of Directors shall remove all remnants of the damaged improvements and restore the site thereof to an acceptable condition compatible with the remainder of the Common Area and the balance of any insurance proceeds received on account of such damage shall be placed in the appropriate reserve account.

ARTICLE 12

COMPLIANCE AND DEFAULT

Section 12.1. Compliance and Enforcement. Each Owner and Subassociation shall be governed by, and shall comply with, all of the terms of the Association Documents and the Rules and Regulations as they may be amended from time to time. A default by an Owner or Subassociation shall entitle the Association, acting through its Board of Directors or through the managing agent, to the relief set forth in this section.

(a) Additional Liability. Each Owner and Subassociation shall be liable to the Association or to any affected Owner for the expense of all Upkeep rendered necessary by such Owner's or Subassociation's act or omission regardless of negligence or culpability but only to the extent that such expense is not covered by the proceeds of insurance carried by the Board of Directors. Such liability shall include any increase in casualty insurance rates occasioned by use, misuse, occupancy or abandonment of any Lot or its appurtenances. Nothing contained herein, however, shall be construed as modifying any waiver by any insurance company of its rights of subrogation. Any costs, including without limitation legal fees, incurred as a result of a failure to comply with the Association Documents or the Rules and Regulations by any Owner or Subassociation, or for which any Owner or Subassociation is deemed responsible hereunder, may be assessed against such Owner's Lot or such Subassociation.

(b) Costs and Attorneys' Fees. In any proceedings arising out of any alleged default by an Owner or a Subassociation or any suit brought by an Owner or a Subassociation against the Association or any director or Officer, the prevailing party shall be entitled to recover the costs of such proceeding and reasonable attorneys' fees, even if the proceeding is settled prior to judgment.

(c) No Waiver of Rights. The failure of the Association, the Board of Directors, a Subassociation or an Owner to enforce any right, provision, covenant or condition which may be granted by the Association Documents or the Rules and Regulations shall not constitute a waiver of the right of the Association, the Board, a Subassociation or Owner to enforce such right, provision, covenant or condition in the future. All rights, remedies and privileges granted to the Association, the Board of Directors, a Subassociation or Owner pursuant to any term, provision, covenant or condition of the Association Documents shall be deemed to be cumulative and the exercise of any one or more thereof shall not be deemed to constitute an election of remedies, nor shall it preclude the Person exercising the same from exercising such other privileges as may be granted to such Person by the Association Documents, the Act or at law or in equity (subject, however to Article 18).

(d) Interest. If a default by any Owner in paying any sum assessed against such Owner's Lot, except for Common Expenses, or any Subassociation in paying any amount to be collected from such Subassociation continues for a period in excess of thirty days, interest at the higher of (i) twelve percent per annum compounded quarterly, or (ii) the rate not to exceed that then charged by the Internal Revenue Service (or a successor agency) on delinquent personal income taxes, may be imposed in the discretion of the Board of Directors on the principal

amount unpaid from the due date until paid; provided, however, that if the Board of Directors does not impose interest, the Board shall set forth its reasons for not charging such interest in a written record of its decision. The imposition of interest shall not preclude collection of a late charge nor shall a late charge levied pursuant to Section 6.5 be considered interest subject to the limitations of this subsection.

(e) Abating and Enjoining Violations. The violation of any of the Rules and Regulations adopted by the Board of Directors or the breach of any provision of the Association Documents shall give the Board of Directors the right, in addition to any other rights set forth in the Association Documents or the Rules and Regulations: (1) to enter the portion of the Property (excluding any occupied dwelling) pursuant to Section 3.3 on which, or as to which, such violation or breach exists and summarily to abate and remove, at the expense of the defaulting Owner, any structure, thing or condition that may exist therein contrary to the intent and meaning of the provisions of the Association Documents or the Rules and Regulations, and the Board of Directors shall not thereby be deemed guilty in any manner of trespass; (2) to use self-help to remove or cure any violation of the Association Documents or the Rules and Regulations on the Property (including without limitation the towing of vehicles); or (3) to enjoin, abate or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any such breach; provided, however, that (1) reasonable notice must be provided before entering any improvement and (2) before any construction may be altered or demolished (except in emergencies) judicial proceedings shall be instituted.

(f) Legal Proceedings. Failure to comply with any of the terms of the Association Documents or the Rules and Regulations shall be grounds for relief, including without limitation an action to recover any sums due for money damages, injunctive relief, foreclosure of the lien for payment of all Assessments, any other relief provided for in the Association Documents and any other relief afforded by a court of competent jurisdiction, all of which relief may be sought by the Association, the Board of Directors, the managing agent or, if appropriate, by any aggrieved Owner or Subassociation and shall not constitute an election of remedies.

(g) Suspension of Rights; Other Remedies.

(1) The Board of Directors or the Covenants Committee, as appropriate, shall have the power to suspend an Owner's or Subassociation's voting rights pursuant to Subsection 3.2(d) of the Bylaws.

(2) The Board of Directors or the Covenants Committee, as appropriate, shall also have the power to suspend the right of an Owner or occupant, and the right of such Person's household, guests, employees, tenants, agents and invitees, to use the Common Area for a reasonable period not to exceed sixty days for any violation of any provision of any of the Association Documents or the Rules and Regulations or for any period during which any assessment against an Owner's Lot remains unpaid; provided, however, that the Association shall not suspend the right to use the alleys or Private Streets and Roadways located on the Common Area for both vehicular and pedestrian ingress and egress to and from such Owner's Lot and for parking or to use the Common Area for necessary, ordinary and reasonable

pedestrian ingress and egress to and from such Owner's Lot, or to suspend any easement over the Common Area for utilities (storm water drainage, electricity, water, sanitary sewer, natural gas) or telecommunications (television reception, telephone service) or similar utilities and services to the Lots.

(3) If a utility service is paid for as a Common Expense or a Limited Common Expense and an Owner does not pay the Assessment for such Common Expense or Limited Common Expense for a period of more than sixty days, then such utility service may be discontinued to such Owner until payment of the Assessment for such service is made; provided, however, that such suspension shall not endanger the health, safety or property of any Owner or occupant.

To the extent not prohibited by the POA Act or other law, the Board of Directors or Covenants Committee may impose the foregoing sanctions for non-payment of Assessments without giving the Person charged with the violation notice and an opportunity for a hearing.

(h) Charges. The Board of Directors or the Covenants Committee, depending on the provision violated and which entity has the responsibility to enforce the provision, shall have the power to impose charges (pursuant to Subsection 3.2(d) of the Bylaws) in the case of an Owner or a Subassociation found by the Board or Committee to be responsible for a violation of the Association Documents or the Rules and Regulations (personally or under the provisions of the Association Documents). No such penalty shall be imposed until the Person charged with such a violation has been given notice and an opportunity for a hearing as set forth in paragraph (i) below. The charges which may be imposed by the Board or Committee may not exceed the maximum amounts permitted by the POA Act. No charge may be imposed for failure to pay an assessment except as otherwise provided in the Declaration. Charges are Individual Assessments and shall be collectible as such and, if against an Owner, shall also constitute a lien against a Lot in accordance with Section 12.2. Imposition of a charge does not preclude the liability of an Owner for reimbursement to the Association of costs incurred by the Association.

(i) Due Process. The Board of Directors or the Covenants Committee may deliberate privately, but shall either announce its decision in the presence of the respondent or give the respondent notice thereof. A decision adverse to the respondent shall require a two-thirds vote of the entire membership of the Board or Committee. The Board or Committee, before imposing any charge or before taking any action affecting one or more specific Owners or Subassociations, shall afford such Owners or Subassociations the following basic due process rights.

(1) Notice. The respondent shall be afforded prior written notice of any action (except when an emergency requires immediate action) and, if notice is of default or violation, an opportunity to cure which is reasonable under the circumstances, prior to the imposition of any sanction. The notice shall also state that the respondent is entitled to a hearing, if a hearing is required pursuant to Subsection 12.1(h). Notice of a hearing shall include a summary of the charges or other sanctions that may be imposed as a result of the alleged violation. Notice of any violation or any hearing shall be sent by registered or certified United States mail, return receipt requested (or in any other manner permitted by law), to the Owner at

such Owner's address of record with the Association at least fourteen days prior to such hearing or as may otherwise be required by the POA Act.

(2) Hearing. If the respondent is entitled to a hearing and requests in writing a hearing before any charge is imposed or action taken, then the imposition of the charge or the taking of the action shall be suspended until the respondent has an opportunity to be heard at a hearing at which the Board of Directors or the Covenants Committee discusses such charge or action. Each Person so appearing shall have the right to be represented by such Person's counsel, at such Person's own expense. The hearing result shall be hand-delivered or sent by registered or certified mail, return receipt requested (or in any other manner permitted by law), to the Owner at the Owner's address of record with the Association within three days after the hearing.

(3) Appeal. Upon receipt of a written request therefor made within ten days after the date of an action by the Covenants Committee, the Board of Directors may afford any Person deemed by the Board to have standing as an aggrieved party the right to appeal to the Board, and the Board may reconsider, review, modify or reverse any action taken by the Covenants Committee.

(4) Fairness. The Board of Directors and the Covenants Committee shall treat all Persons equitably, based upon decision-making procedures, standards and guidelines which shall be applied to all Persons consistently.

(j) Privacy and Quiet Enjoyment. The Board of Directors, the Covenants Committee and the Association shall not interfere with the lifestyle or conduct of, or invade the privacy of, any Owner or occupant within an improvement unless necessary to protect the rights of another Owner or occupant or to protect adjacent Property from damage.

(k) New Owner Information. If the contract seller or the new Owner does not give the Secretary written notice stating the name and address of the new Owner and the number or address of the Lot within thirty days after acquiring title to such Lot, then reasonable record-keeping costs incurred by the Association, as determined by the Board of Directors, may be assessed against such Owner's Lot. The Board may set or change the amount of such Assessment from time to time. Such Assessment shall be a lien against such Owner's Lot as provided in Section 12.2(a).

(l) Enforcement Against Subassociations. If a Subassociation fails to pay any Assessment or charge due from such Subassociation within twenty days after due, then the Association may attach any Assessments or charges due from the Owners to such Subassociation and notify such Owners that all assessments or other charges shall be paid directly to the Association until such Owners are notified otherwise. The Association may then retain such portion of the sums collected to satisfy the amount due from the Subassociation and shall remit any sums collected in excess of Assessments or charges due to such Subassociation.

Section 12.2. Lien for Assessments.

(a) Lien. In addition to the lien established by the POA Act, the total Annual Assessment of each Owner for Common Expenses, including Limited Common Expenses, any Additional Assessment, any Individual Assessment or any other sum duly levied (including without limitation charges, interest, late charges, contractual charges, etc.), made pursuant to the Association Documents, is hereby declared to be a lien levied against any Lot owned by any Owner in accordance with this Declaration and Section 55-516 of the POA Act. Until fully paid and satisfied, the lien shall apply to and encumber all of the Lots that were owned, as of the date when payment was due, by the Owner from whom payment was due, and shall also apply to and encumber any and all Lots thereafter acquired by that Owner from the time such Owner becomes the Owner thereof. With respect to Annual Assessments, the lien is effective on the first day of each fiscal year of the Association and, as to Additional Assessments, Individual Assessments and other sums duly levied, on the first day of the next payment period which begins more than ten days after the date of notice to the Owner of such Additional Assessment, Individual Assessment or levy. The Board of Directors or the managing agent may file or record such other or further notice of any such lien, or such other or further document, as may be required to confirm the establishment and priority of such lien. The lien created by this section shall be prior to all liens and encumbrances hereafter recorded except Mortgages, real estate taxes and other charges levied by governmental authority and made superior by law. The personal obligation of the Owner to pay such Assessment shall, in addition, remain such Owner's personal obligation and a suit to recover a money judgment for non-payment of any Assessment or installment thereof, levied pursuant hereto, may be maintained without foreclosing or waiving the lien herein created to secure the same.

(b) Acceleration. If an Assessment against an Owner is payable in installments, upon a default by such Owner in the timely payment of any two consecutive installments, the maturity of the remaining total of the unpaid installments of such Assessment may be accelerated, at the option of the Board of Directors, and the entire balance of the Assessment may be declared due and payable in full by the service of notice to such effect upon the defaulting Owner. If an Owner is delinquent in payment of Assessments for a prior fiscal year, then the entire Assessment (otherwise payable in installments) shall be due and payable in full when assessed, upon receipt of notice of such Assessment by the defaulting Owner.

(c) Enforcement. The lien for Assessments may be enforced and foreclosed in any manner permitted by the Commonwealth of Virginia for foreclosure of mortgages or deeds of trust containing a power of sale or by an action in the name of the Board of Directors, or the managing agent, acting on behalf of the Association. Any such sale provided for herein is to be conducted in accordance with the provisions of Section 55-516I of the POA Act, Sections 55-59.1 through 55-59.4 of the Code of Virginia (1950), as amended, applicable to the exercise of powers of sale in mortgages and deeds of trust, or in any other manner permitted or provided by law. The Declarant, through its duly authorized agents, shall have the power to bid on the lien property at any foreclosure sale, and to acquire, lease, mortgage and convey the same. During the pendency of any such action to enforce the Association lien, the Owner shall be required to pay a reasonable rental for the Lot for any period prior to sale pursuant to any judgment or order of any court having jurisdiction over such sale. The plaintiff in such proceeding shall have the right to the appointment of a receiver, if available under the laws of the jurisdiction. The

Association shall also have the power to bid on the Lot at foreclosure or other legal sale and to acquire, hold, lease, mortgage, convey or otherwise deal with such Lot.

(d) Remedies Cumulative. A suit to recover a money judgment for unpaid Assessments may be maintained without foreclosing or waiving the lien securing the same, and a foreclosure may be maintained notwithstanding the pendency of any suit to recover a money judgment.

Section 12.3. Subordination and Mortgagee Protection. Notwithstanding any other provision hereof to the contrary, the lien of any Assessment levied pursuant to the Association Documents upon any Lot (and any charges, interest on Assessments, late charges or the like) shall be subordinate to, and shall in no way affect the rights of the holder of a Mortgage made in good faith for value received; provided, however, that such subordination shall apply only to Assessments which have become due and payable prior to a sale or transfer of such Lot pursuant to foreclosure or any proceeding in lieu of foreclosure. Such sale or transfer shall not relieve the holder of a Mortgage or the purchaser of the Lot at such sale from liability for any Assessments thereafter becoming due, nor from the lien of any such subsequent Assessment, which lien shall have the same effect and be enforced in the same manner as provided herein. Notwithstanding any other provision of this Declaration, to the extent specifically permitted by Virginia statute in the future, the Association's lien shall prime a Mortgage to the extent of six-months worth of Assessments which would have become due (based on the budget adopted by the Association) in the absence of acceleration during the six months immediately preceding perfection of the lien.

ARTICLE 13

MORTGAGEES

Section 13.1. Notice to Board of Directors. Upon request, an Owner who mortgages such Owner's Lot shall notify the Board of Directors of the name and address of the holder of the Mortgage. No holder of a Mortgage shall be entitled to any Mortgagee rights under the Association Documents unless such holder of a Mortgage has notified the Board of its address as required by Section 13.2 and has requested all rights under the Association Documents.

Section 13.2. Notices to Mortgagees. Any holder of a Mortgage who desires notice from the Association shall notify the Secretary of the Association to that effect by certified or registered United States mail, postage prepaid. Any such notice shall contain the name and address, including post office address of such Mortgagee and the name of the person to whom or office to which notices from the Association should be directed. The Mortgagee shall be responsible for keeping such information current. The Board of Directors shall notify Mortgagees of the following:

(1) Any default by an Owner of a Lot upon which the Mortgagee has a Mortgage (i) in paying Assessments (which remains uncured for sixty consecutive days) or (ii) any other default, simultaneously with the notice sent to the defaulting Owner (failure to notify the Mortgagee shall not affect the validity of the Association's lien);

(2) In accordance with Subsection 10.2(d), any event giving rise to a claim under the Association's property insurance policy arising from damage to improvements located on the Property;

(3) All actions taken by the Association with respect to reconstruction of the Common Area or a Lot upon which the Mortgagee has a Mortgage;

(4) Any termination, lapse or material adverse modification in an insurance policy held by the Association at least ten days in advance;

(5) Any taking in condemnation or by eminent domain of the Common Area and the actions of the Association in connection therewith;

(6) Any proposal to terminate this Declaration or dissolve the Association, at least sixty days before any action is taken to terminate or dissolve in accordance with Articles 15 and 16; and

(7) Any proposal to amend materially the Articles of Incorporation, this Declaration or the Bylaws.

Section 13.3. Other Rights of Mortgagees. Upon request, all Mortgagees or their authorized representatives shall have the right to receive notice of and to attend and speak at meetings of the Association. All Mortgagees shall have the right to examine the Association Documents, Rules and Regulations and books and records of the Association and to require the submission of existing annual financial reports and other budgetary information on the same terms as the Owners. A Majority of the Mortgagees may request and shall be entitled to an audited financial statement for the preceding fiscal year of the Association prepared at the Association's expense and provided within a reasonable time. A Majority of the Mortgagees shall have the right to require the Association to hire a professional manager.

ARTICLE 14

CONDEMNATION

Section 14.1. Definition. For the purposes of this Article, "Taking" means an acquisition of all or any part of the Common Area or of any interest therein or right accruing thereto as a result of in lieu of or in anticipation of the exercise of the right of condemnation or eminent domain, or a change of grade caused by the action of a governmental entity affecting the value of the Common Area or any part thereof so severely as to amount to condemnation.

Section 14.2. Taking of Common Area. If there is a Taking of all or any part of the Common Area, then the Association shall notify the Owners, but the Board of Directors shall act on behalf of the Association in connection therewith and no Owner shall have any right to participate in the proceedings incident thereto. The award made for such Taking shall be payable to the Association, to be disbursed as follows. If the Taking involves a portion of the Common Area on which improvements have been constructed, then the Association shall restore or replace

such improvements so taken on another portion of the Common Area, to the extent space is available therefor, in accordance with plans approved by the Board of Directors, unless within sixty days after such Taking the Declarant (during the Declarant Control Period) or the Owners by a Sixty-seven Percent Vote (after the Declarant Control Period) shall otherwise agree. The provisions of Article 11 regarding the disbursement of funds following damage or destruction shall apply.

ARTICLE 15

AMENDMENTS

Section 15.1. Amendment by the Declarant. In addition to corrective amendments made pursuant to Section 15.4, during the Development Period the Declarant may unilaterally without the approval of any Owner or Mortgagee amend any provision of this Declaration, the Articles of Incorporation and/or the Bylaws to: (1) satisfy the requirements of any government, governmental agency or Mortgagee; (2) reflect the relocation of boundary lines between the Common Area and any Lots or among any Lots; provided, however, that such relocation does not materially and adversely affect any Owner other than the Declarant and that such relocation is reflected in an approved resubdivision of all or any part of the Property; (3) depict the assignment of Limited Common Area as required by Subsection 3.9(b); (4) amend Exhibit A and Exhibit B (pursuant to Section 4.1); (5) add all or any portion of the Additional Land in accordance with Section 4.1; and (6) withdraw Submitted Land in accordance with Section 4.4.

Section 15.2. Amendment by the Association.

(a) Owner Approval. In addition to corrective amendments made pursuant to Section 15.4, the Association may amend this Declaration (not including a Supplementary Declaration) with at least a sixty-seven Percent Vote of the Owners or with the written approval of Owners entitled to cast at least sixty-seven percent of the total number of votes

(b) Certification. An amendment by the Association shall be certified by the President as to compliance with the procedures set forth in this Article, signed and acknowledged by the President and Secretary of the Association, and recorded among the Land Records. In accordance with Section 55-515.1E of the POA Act, an action to challenge the validity of an amendment may not be brought more than one year after the amendment is effective.

(c) Supplementary Declarations. Amendment of a Supplementary Declaration is governed by the provisions for amendment contained therein. A Supplementary Declaration may not be amended to reduce the maximum annual Limited Common Expense Assessment set forth therein. A Supplementary Declaration may not include provisions inconsistent with the Declaration except as specifically provided by the Declarant in accordance with Section 4.1. Although the Declaration and Supplementary Declaration should be construed to give effect to both, in the case of conflicting provisions, the Declaration shall control.

(d) Mortgagee Notice. Notice of any material amendment shall be sent to the Mortgagees in accordance with Article 13 of this Declaration.

Section 15.3. Prerequisites to Amendment. Written notice of any proposed amendment to this Declaration or any Supplementary Declaration by the Association shall be sent to every Owner (or every Owner of a Lot subject to such Supplementary Declaration) at least fifteen days before any action is taken. No amendment shall increase the financial obligations of an Owner in a discriminatory manner or further restrict development on existing Lots in a discriminatory manner. No amendment to the Declaration shall diminish or impair the rights of the Declarant during the Development Period under the Declaration without the prior written consent of the Declarant. During the Development Period, no amendment may modify this Article without obtaining the written consent of the Declarant. Except as specifically provided in the Declaration, no provision of the Declaration shall be construed to grant to any Owner or to any other Person any priority over any rights of Mortgagees. Notwithstanding anything contained in this Declaration to the contrary, during the Development Period, any proposed amendment to the Association Documents shall require the written consent of the Declarant.

Section 15.4. Corrective Amendments. The Declarant may unilaterally sign and record a corrective amendment or supplement to the Declaration to correct a mathematical mistake, an inconsistency or a scrivener's error, or clarify an ambiguity in the Declaration with respect to an objectively verifiable fact (including without limitation recalculating the liability for Assessments or the number of votes in the association appertaining to a Lot), within five years after the recordation of the Declaration containing or creating such mistake, inconsistency, error or ambiguity. Regardless of the date of recordation of the Declaration, the president of the Association may also unilaterally sign and record such a corrective amendment or supplement upon a vote of two-thirds of the members of the Board of Directors.

Section 15.5. County Approval. A number of provisions are contained within this Declaration to comply with the Proffers or conditions of subdivision approval applicable to the Property or the Additional Land. No Supplementary Declaration or amendment, including an amendment withdrawing land as provided in Section 4.4 or otherwise, shall impair the right and authority of the County to require compliance with the Proffers and subdivision approval conditions applicable to the Property without the prior written approval of the County.

ARTICLE 16

TERMINATION

Section 16.1. Duration; Termination by the Association. The covenants and restrictions of this Declaration shall run with the land and bind the Property and be in full force and effect in perpetuity except as amended as provided above or unless terminated as hereinafter provided. The Association may terminate this Declaration only by: (i) a vote of the Owners entitled to cast at least sixty-seven percent of the total number of votes; (ii) with the written approval of Owners entitled to cast at least sixty-seven percent of the total number of votes; or (iii) with the written approval of Owners of sixty-seven percent of the Lots. The termination shall not be effective until certified by the President as to compliance with the procedures set forth in this Article, signed and acknowledged by the President and Secretary of the Association and recorded among

the Land Records. Notwithstanding the forgoing, during the Development Period, this Declaration may only be terminated with the written consent of the Declarant.

Section 16.2. Prerequisites. Written notice of the proposed termination shall be sent to every Owner and Mortgagee at least sixty days before any action is taken. The Declaration may not be terminated during the Declarant Control Period without the prior written consent of the Declarant. Such termination shall not affect any permanent easements or other permanent rights or interests relating to the Common Area created by or pursuant to the Association Documents. To the extent necessary, the termination agreement shall provide for the transfer or assignment of the easements, rights or interests granted to the Association herein to a successor entity which is assuming the Association's Upkeep and regulatory responsibilities. Any lien which has arisen pursuant to the provisions of the Declaration shall remain in full force and effect despite termination of the Declaration until the amounts secured thereby are paid in full.

Section 16.3. Transfers Upon Dissolution. Upon the dissolution of the Association other than incident to a merger or consolidation, the assets of the Association shall be granted, conveyed and assigned to another nonprofit corporation, association, trust or other organization or government agency devoted to purposes similar to those for which the Association was created; provided, however, that if a site plan is approved for the Property or any portion thereof containing Common Area which changes the design, layout or use of the Property in such a manner that the Common Area is no longer necessary to the new design, layout or use of the Property, then such Common Area and other associated assets of the Association may be distributed as agreed upon by the Owners.

ARTICLE 17

PARTY WALLS AND FENCES

Section 17.1. Applicable Law; Easement. All matters arising in connection with any wall which would constitute a party wall at common law shall, to the extent consistent with the provisions of this Article, be subject to the common law of the Commonwealth of Virginia, as modified by statute from time to time and as modified by this Article. If the centerline of a party wall now or hereafter fails to coincide with the boundary between the Lots it serves, an easement for any resulting encroachment is hereby granted. If a party wall serves three or more Lots, each segment of it serving two Lots shall be treated for the purposes of this Article as a separate party wall.

Section 17.2. Upkeep. The Owners of Lots served by a party wall shall provide for the Upkeep of the party wall and shall share equally the cost of its Upkeep except as otherwise provided in this Article. No Owner shall impair the structural integrity of any party wall nor diminish the fire protection afforded by any party wall.

Section 17.3. Destruction by Fire or Other Casualty. If a party wall is destroyed or damaged by fire or other casualty, the following procedures shall be followed in order to restore such party wall.

(1) Either Owner served by the party wall shall notify the other Owner served by the party wall of any proposal to repair the wall. If within ten days after such notice (or in an emergency, within twenty-four hours after such notice or a bona fide attempt to give such notice) the other Owner has not responded to the notice, then the Owner giving notice may proceed with the repairs. Such repairs must be substantially similar to the original construction and installation and of first class quality, but may be made with contemporary materials.

(2) If the other Owner served by the party wall responds to the notice, the Owners shall act together to repair the party wall. If the Owners are unable to agree upon the action to be taken, they shall submit the issue to arbitration in accordance with Article 18.

(3) If any Owner restores a party wall in accordance with this section, then the other Owner shall contribute one-half of the cost thereof. An Owner may, however, demand a larger contribution from the other Owner or refuse to contribute one-half of such costs, under any rule of law or equity regarding liability for negligent or willful acts or omissions.

(4) To the extent that any failure to repair a party wall affects the use and enjoyment of the Common Area, the Association may participate in the repair of the party wall and, in an emergency situation threatening life or property, may make such repair without notice to the Owners. The Association may assess the cost of such repair against the Owners responsible for the damage or benefiting from the repair pursuant to Subsections 6.2(d) and 12.1(a).

Section 17.4. Liability. Any Owner who by a negligent or willful act or omission causes or permits a party wall to be damaged shall pay the cost of restoring such party wall to its condition prior to such damage.

Section 17.5. Shared Fences and Other Shared Barriers. The provisions of this Article pertaining to party walls shall also govern any shared fence, other shared barrier or shared improvement originally installed by the Declarant or a Builder (except for fences or barriers installed in connection with construction activities) and to any replacement thereof authorized by the Board of Directors or the Covenants Committee. Otherwise, the Upkeep of any fence, other barrier or improvement shall be the responsibility of the Owner installing such fence, barrier or improvement unless different arrangements are agreed to by the adjoining Owners.

Section 17.6. Right to Contribution Runs With Land. Rights and duties of contribution set forth in this Article and any such rights and duties arising under the laws of the Commonwealth of Virginia shall run with the land and bind successors in interest. This Article shall not prejudice any right of a successor in interest to recover any amount from a predecessor in title for which such predecessor was liable. Any rights of contribution set forth in this Article shall constitute a lien in favor of any Owner entitled to contribution against any Owner obligated to pay such contribution. Until fully paid and satisfied, the lien shall apply to and encumber all of the Lots that were owned, as of the date when payment was due, by the Owner from whom payment was due, and shall also apply to and encumber any and all Lots thereafter acquired by that Owner from the time such Owner becomes the Owner thereof. The lien created by this section shall be prior to all liens and encumbrances except Mortgages, real estate taxes and other

charges levied by governmental authority made superior by law and the Association's lien established pursuant to Section 12.2.

Section 17.7. Townhouse Maintenance Easement. If an Owner (including the Declarant) of any Lot must, in order to make repairs or improvements to a building on such Owner's Lot, enter or cross any area owned or to be owned by the Association, or another Owner's Lot, such Owner is hereby granted an easement to do so, providing that the Owner shall use the most direct, feasible route in entering and crossing over such an area and shall restore the surface so entered or crossed to its original condition, at the expense of the Owner, and further provided that such easement shall not exist on the real estate of any other Owner if the purpose for the entrance or crossing is one requiring approval of either the Board of Directors or the Covenants Committee of the Association, unless such approval has been given.

Section 17.8. Condominium Units. Notwithstanding the foregoing to the contrary, the provisions of this Article 17 shall not apply to any Condominium located within the Property and such matters shall be governed by the governing documents of the Condominium.

ARTICLE 18

ALTERNATIVE DISPUTE RESOLUTION

The purpose of the Declaration is to establish a harmonious community. Because the prompt, efficient, fair and non-belligerent resolution of any disputes is desirable, any controversy arising out of or relating to this Declaration, or a breach thereof, or any other dispute between (1) the Declarant, (2) the Association and/or (3) any Owner of a Lot shall be resolved as set forth in this Article. The parties involved in any such controversy or dispute shall at all times strictly maintain the privacy and confidentiality among the parties of any controversy or dispute and its resolution.

Section 18.1 Direct Communication. The parties to the disagreement shall set forth their respective positions in the dispute in correspondence. Each party shall respond within seven days after receipt of a letter from the other until agreement is reached or until one party requests mediation.

Section 18.2 Mediation. If the dispute cannot be resolved through direct communication of the parties, either party may request appointment of a neutral and properly credentialed mediator. Both parties shall participate in the mediation in good faith until the dispute is resolved for a period not to exceed thirty days without the consent of all parties. The cost of the mediation shall be divided equally among the parties.

Section 18.3 Arbitration.

(a) Method. If the dispute cannot be resolved through mediation, either party may request appointment of one or more neutral arbitrators. If the parties cannot agree on a single arbitrator, then each party shall appoint one arbitrator and the two appointed arbitrators shall select the third arbitrator. Each arbitrator shall be properly credentialed with expert

knowledge and practical experience regarding the subject in dispute. The initiating Person shall give written notice of its decision to arbitrate by providing a specific statement setting forth the nature of the dispute, the amount involved and the remedy sought. The initiating Person shall be responsible for all filing requirements and the payment of any fees. The parties shall have an equal and fair opportunity to present their respective positions to the arbitrators, orally or in writing, as the arbitrators may specify depending on the nature of the dispute. The arbitrators may require such testimony, materials and documentation as they may determine to be appropriate. The arbitrators shall provide a written resolution within thirty days after the conclusion of the presentations of the parties and receipt of requested materials and documents.

(b) Costs. The arbitrator shall award to the prevailing party, if any, as determined by the arbitrator, all of its costs and expenses including any attorney's fees, arbitrator's fees and out-of-pocket expenses of any kind. The term "prevailing party" shall mean the party whose position is most nearly upheld in arbitration. (For example, the prevailing party would be the party who is required to pay \$1,000.00 in the arbitration proceeding where such party had, prior to the commencement of the arbitration, offered \$500.00 by way of settlement and the opposing party, refusing such offer, had claimed entitlement to \$10,000.00.)

(c) Binding Nature; Applicable Law. The consideration of the parties to be bound by arbitration is not only the waiver of access to determination by a court and/or jury, but also the waiver of any rights to appeal the arbitration finding other than for the reasons set forth in Sections 8.01-581.010 and 8.01-581.011 of the Code of Virginia (1950), as amended. A judgment upon an award rendered by the arbitrator may be entered in any court having jurisdiction. Unless otherwise provided in this Article, the terms of Sections 8.01-577 and 8.01-581.01 et seq. of the Code of Virginia (1950), as amended, shall apply to the proceedings under this subsection.

Section 18.4 Location. The alternative dispute resolution proceeding shall be held in Rockingham County, Virginia unless otherwise mutually agreed by the parties.

Section 18.5 Sole Remedy; Waiver of Judicial Rights. The Declarant, the Association and each Owner of a Lot expressly consent to the procedures established in this Article as their sole and exclusive remedy, and expressly waive any right they may have to seek resolution of any dispute contemplated by this Article in any court of law or equity, and any right to trial by judge or jury; provided, however, that any party may pursue judicial adjudication of a decision of the Board of Directors: (i) suspending party's right to use a portion of the Common Area pursuant to Subsection 12.1(g); (ii) imposing a charge pursuant to Subsection 12.1(h); or (iii) a judicial grant of injunctive relief obtained pursuant to Subsection 12.1(f). The provisions of this Article shall not reduce or delay the Association's rights to levy a late charge, collect interest or file and pursue a lien as provided in Articles 5, 6 and 12 with respect to any Assessment or other charges due from an Owner hereunder. If a dispute involves the Declarant or the Association, no Person shall file a memorandum of lis pendens or similar instrument that would encumber or create a lien upon the real estate owned either by the Declarant or the Association.

Section 18.6 Disputes Requiring Emergency Relief. If a dispute requires immediate, emergency relief such as would be available through judicial injunctive relief, then either party

to the dispute may seek such relief as a temporary resolution pending the opportunity to conduct other procedures under this Article.

Section 18.7 Limited Authority of the Association

(a) The Association expressly has no right or obligation to intervene in any disputes between or among Owners or in any other matters that do not directly involve Common Areas or other issues for which the Association has been conferred responsibility pursuant to the Association Documents.

(b) The Association shall have no authority or obligation to act on behalf of any Condominium unit owners association or any unit owners within a Condominium with respect to any claims, litigation or proceedings related to the construction or warranties of any Condominium. The provisions of this Section 18.7 may not be amended without the express written consent of the Declarant.

[The remainder of this page is intentionally blank.
Signature page follows.]

IN WITNESS WHEREOF, the undersigned has caused this Declaration to be signed pursuant to due and proper authority as of the date first set forth above.

PRESTON LAKE HOMES, LLC
a Virginia limited liability company

By: *Richard J. Hine*

COMMONWEALTH OF VIRGINIA)
) SS:
COUNTY OF ROCKINGHAM)

I, the undersigned, a Notary Public in and for the jurisdiction aforesaid, do hereby certify that Richard J. Hine, Manager of Preston Lake Homes, LLC, whose name is signed to the foregoing instrument, has acknowledged the same before me in the aforesaid jurisdiction on behalf of the company.

GIVEN under my hand and seal on *June 22*, 20*07*.

Donna L. May [SEAL]
Notary Public

I.D. # 167861

My commission expires: *October 31, 2010* *I was commissioned as Donna L. Callahan*



EXHIBIT A

DESCRIPTION OF SUBMITTED LAND

Beginning at a point in the middle of Massanetta Springs Road, a corner with the 20.941 acre, Main Street at Preston Lake, LLC parcel; thence with the middle of Massanetta Springs Road

S 34°59'53" W 761.93 Feet

To a point; thence with a curve to the left having a delta angle of 8°07'30", a radius of 2816.50 feet and an arc distance of 399.40 feet

Long Chord **S 30°56'08" W 399.07 Feet**

To a point; thence

S 26°52'23" W 678.54 Feet

To a point; thence with a curve to the right having a delta angle of 2°00'00", a radius of 2238.96 feet and an arc distance of 78.15 feet

Long Chord **S 27°52'23" W 78.15 Feet**

To a point; thence leaving the middle of Massanetta Springs Road and continuing with the lands dedicated to public use

S 59°06'50" E 14.94 Feet

To a point; thence

S 25°56'53" W 60.65 Feet

To a point; thence crossing Massanetta Springs Road and with Massanetta Springs, Inc. lands

N 66°45'19" W 49.24 Feet

To an iron pin to be set at a corner of the new Massanetta Springs Road R/W dedication; thence with said R/W dedication making new lines through the Preston Lake Homes, LLC, with a curve to the left having a delta angle of 3°42'37", a radius of 2208.96 feet and an arc distance of 143.04 feet

Long Chord **N 28°43'41" E 143.02 Feet**

To an iron pin to be set; thence

N 26°52'23" E 612.66 Feet

To an iron pin to be set; thence leaving said R/W dedication and with the southern lines of Preston Lake Boulevard

N 12°54'44" E 68.73 Feet

To an iron pin to be set; thence with a curve to the left having a delta angle of 64°18'17", a radius of 30.00 feet and an arc distance of 33.67 feet

Long Chord **N 19°14'24" W 31.93 Feet**
 To an iron pin to be set; thence with a curve to the right having a delta angle of 17°12'45", a radius of 405.00 feet and an arc distance of 121.67 feet

Long Chord **N 42°47'10" W 121.21 Feet**
 To an iron pin to be set; thence with a curve to the left having a delta angle of 74°08'35", a radius of 30.00 feet and an arc distance of 38.82 feet

Long Chord **N 71°15'05" W 36.17 Feet**
 To an iron pin to be set; thence with a curve to the right having a delta angle of 36°07'28", a radius of 305.00 feet and an arc distance of 192.30 feet

Long Chord **S 89°44'21" W 189.13 Feet**
 To an iron pin to be set; thence

N 72°11'55" W 27.20 Feet
 To an iron pin to be set; thence with a curve to the right having a delta angle of 8°38'40", a radius of 305.00 feet and an arc distance of 46.02 feet

Long Chord **N 67°52'34" W 45.97 Feet**
 To an iron pin to be set; thence leaving Preston Lake Boulevard and with Common Area "B"

S 33°51'06" W 131.30 Feet
 To an iron pin to be set; thence

S 13°22'37" W 265.75 Feet
 To an iron pin to be set; thence

S 28°13'58" W 406.15 Feet
 To an iron pin to be set in a line of Massanetta Springs, Inc.; thence with said lines

N 46°28'33" W 116.39 Feet
 To a found iron pin; thence

N 55°54'38" W 771.97 Feet
 To a found stone; thence continuing with Massanetta Springs, Inc. lands in part and Lambert in part

N 53°15'27" W 895.49 Feet
 To a corner post; thence continuing with Lambert

N 19°48'46" E 278.14 Feet
 To a point; thence leaving Lambert and making new lines through the Preston Lake Homes, LLC land

S 70°11'14" E 45.00 Feet

To an iron pin to be set; thence

N 63°22'48" E 316.80 Feet

To an iron pin to be set; thence

N 41°25'09" E 50.04 Feet

To an iron pin to be set; thence

N 35°29'44" E 159.77 Feet

To an iron pin to be set; thence

S 54°30'16" E 765.00 Feet

To an iron pin to be set; thence

S 73°46'50" E 103.15 Feet

To an iron pin to be set; thence

S 62°44'26" E 148.51 Feet

To an iron pin to be set; thence

N 24°27'48" E 205.47 Feet

To an iron pin to be set; thence with the southwestern line of Preston Lake Boulevard

N 01°38'51" E 52.24 Feet

To an iron pin to be set; thence with a curve to the left having a delta angle of 72°45'59", a radius of 25.00 feet and an arc distance of 31.75 feet

N 38°01'50" E 29.66 Feet

Long Chord
To an iron pin to be set; thence

N 01°38'51" E 47.24 Feet

To an iron pin to be set; thence with a curve to the left having a delta angle of 56°09'07", a radius of 255.00 feet and an arc distance of 249.91 feet

N 26°25'43" W 240.03 Feet

Long Chord
To an iron pin to be set; thence

N 54°30'16" W 425.63 Feet

To a point; thence crossing Preston Lake Boulevard

N 35°29'44" E 50.00 Feet

To a point; thence

S 54°30'16" E 35.00 Feet

To an iron pin to be set; thence

N 35°29'44" E 488.34 Feet

To a point in a line of the TMC Harrisonburg LLC lands; thence with TMC Harrisonburg LLC lands

S 53°24'37" E 680.24 Feet

To a corner post; thence

N 34°47'42" E 241.09 Feet

To a found iron pin at a corner of the said 20.941 acre, Main Street at Preston Lake, LLC; thence with said 20.941 acre parcel

S 55°00'07" E 926.32 Feet

Passing a found iron pin on line at 901.32 feet to the beginning and enclosing an area of **65.687 Acres.**

EXHIBIT B

DESCRIPTION OF ADDITIONAL LAND

Beginning at a fence post on the southwestern side of Preston Lake Homes, LLC lands, a corner with Lambert and Massanetta Springs, Inc. lands; thence with Massanetta Springs, Inc. lands

S 53°15'27" E 783.72 feet

To a found stone; thence continuing with Massanetta Springs, Inc. lands

S 55°54'38" E 771.97 feet

To a found iron pin; thence

S 46°28'33" E 165.33 feet

To a found iron pin; thence passing an iron pin set on line at 347.82 feet

S 66°45'19" E 392.02 feet

To a point on the southeastern side of Massanetta Springs Road; thence with Massanetta Springs Road

N 25°56'53" E 60.65 feet

To a point; thence

N 59°06'50" W 14.94 feet

To a point in the middle of Massanetta Springs Road; thence continuing with the middle of the road with a curve to the left with a radius of 2238.96 feet and an arc distance of 78.15 feet

Long Chord **N 27°52'23" E 78.15 feet**

To a point; thence

N 26°52'23" E 678.54 feet

To a point; thence with a curve to the right with a radius of 2816.50 feet and an arc distance of 399.40 feet

Long Chord **N 30°56'08" E 399.07 feet**

To a point; thence

N 34°59'53" E 761.93 feet

To a point, a corner with Main Street at Preston Lake, LLC lands; thence

N 34°59'53" E 521.65 feet

To a point; thence

N 54°51'40" W 20.00 feet

To a point at a leaning VDH Monument marking the beginning of the Fee Right-of-Way; thence with the northwestern line of Massanetta Springs Road

N 18°26'23" E 52.20 feet
To an iron pin set; thence

N 35°08'20" E 200.00 feet
To a VDH monument; thence

N 29°17'33" E 100.40 feet
To an iron pin set; thence

N 22°30'01" W 121.28 feet

To a VDH Monument; thence with the southwestern line of Spotswood Trail (U. S. Route 33)

N 44°16'08" W 426.76 feet
To a found iron pin; thence

N 41°52'56" W 303.53 feet
To a point; thence

S 35°29'12" E 72.89 feet
To a found iron pin, a corner with Massanetta Springs, LLC lands; thence with said lands

N 35°02'47" W 419.87 feet
To a found iron pin; thence

N 31°53'00" W 313.22 feet
To a found iron pin; thence

N 23°18'00" W 76.30 feet
To a found iron pin, a corner with TMC Harrisonburg, LLC lands; thence continuing with said lands

N 18°49'00" W 19.26 feet
To a point; thence

N 56°12'00" E 19.24 feet
To a point; thence

N 24°49'00" W 168.00 feet
To a point; thence

N 68°29'00" W 29.04 feet
To a found iron pin; thence

N 23°00'00" W 108.74 feet
To a found iron pipe; thence

N 25°37'00" W 145.25 feet
To a found iron pin; thence

N 29°58'00" W 71.45 feet

To a metal post, a corner with Billy B. Smith lands; thence with said lands and the following rotated metes and bounds deed descriptions

N 33°48'37" W 100.00 feet
To a corner post, a corner with Bectin Properties, LC lands; thence with said lands

N 34°10'32" W 155.51 feet
To an iron pin set; thence

N 34°10'32" W 140.07 feet
To a VDH Monument; thence

N 34°33'37" W 58.92 feet
To an iron pin set; thence

N 34°33'37" W 100.00 feet
To an iron pin set, a corner with Sonifrank lands; thence with said lands

N 34°18'41" W 186.45 feet
To a VDH Monument; thence leaving the Sonifrank lands and crossing Boyers Road with the southwest line of Spotswood Trail

N 34°18'41" W 140.00 feet
To a VDH Monument, a corner to Boyers Road, LLC lands; thence with said lands

N 34°18'41" W 205.70 feet
To a found iron pin; thence leaving Spotswood Trail

S 74°12'28" W 129.12 feet
To a found iron pin; thence

S 71°49'28" W 68.00 feet
To a found iron pin; thence

S 49°49'28" W 45.50 feet
I. *To a metal Right-of-Way post; thence*

S 25°49'28" W 48.27 feet
To a found iron pin; thence leaving the Boyers Road, LLC lands and crossing the discontinued Right-of-Way of Old State Route 704

N 75°11'29" W approximately 25.00 feet

To a point in the line of Golden Rule, LLC lands; thence continuing with Golden Rule, LLC lands

N 14°48'31" E approximately 38.92 feet

To a metal fence post; thence

S 73°04'20" W 1076.57 feet

To a 36 inch white oak; thence

S 52°16'20" W 667.13 feet

To a fence post, a corner with Archie J. Boyers lands; thence with said lands

S 52°18'53" W 437.03 feet

To a found iron pin; thence

S 72°49'38" W 511.34 feet

To a found iron pin; thence

S 46°25'14" E 440.20 feet

To a found iron pin; thence

S 46°25'14" E 625.83 feet

To a found iron pin; thence

S 60°51'39" E 45.45 feet

To an iron pin set, a corner with Ethel G. Boyers lands; thence with said lands

S 60°51'39" E 717.03 feet

To an iron pin set, a corner with Archie J. Boyers lands; thence with said lands

S 60°51'39" E 11.91 feet

To a found iron pin; thence

S 58°21'50" E 258.41 feet

To a found iron pin, in or near the line of Preston Heights Corp. lands; thence with the Preston Heights Corp. line and crossing Boyers Road

S 44°07'33" W 742.24 feet

To a point; thence

S 52°38'55" E 9.02 feet

To a post, a corner with Massanetta Springs, LLC lands; thence with said lands

S 43°43'05" W 115.55 feet

To an iron pipe; thence

S 40°57'05" W 78.80 feet

To an iron pipe; thence

S 38°59'05" W 81.70 feet

To an iron pipe; thence

S 34°58'05" W 68.80 feet

To an iron pipe, in the line of Larry and Joyce Erbaugh lands; thence with Erbaugh lands

N 57°49'32" W 31.49 feet

To an iron pin in Boyers Road; thence with said road

S 24°26'58" W 285.53 feet

To an iron pin; thence

S 52°49'07" E 15.00 feet

To an iron pin; thence

S 44°40'59" W 175.00 feet

To an iron pin, a corner with Michael and Elizabeth Beahm lands; thence with said lands

S 44°40'59" W 300.35 feet

II. *To an iron pin, a corner with Gerald and Sharon Strite lands; thence with said lands*

S 44°41'02" W 404.76 feet

To an iron pin, a corner with David and Denise Embres lands; thence with the Embres line and leaving Boyers Road

S 53°06'59" E 1156.99 feet

To an iron pin set in the line of Massanetta Springs, Inc. lands; thence continuing with the Massanetta Springs, Inc. line

N 24°42'01" E 410.25 feet

To an iron pin set, a corner with Gerald and Sharon Strite lands; thence with said lands

(N 24°41'58" E 299.23 feet)

To an iron pin, a corner with Thelma Lambert lands; thence with said lands

N 24°41'58" E 177.72 feet

To the beginning and enclosing an area of approximately **312 acres**.

CONSENT OF MORTGAGEE TO
DECLARATION FOR PRESTON LAKE

THIS CONSENT OF MORTGAGEE is made as of July 16, 2007, by WACHOVIA BANK, NATIONAL ASSOCIATION, a national banking association, whose address is 1021 East Cary Street, 8th Floor, VA 9618, Richmond, Virginia 23219 ("Mortgagee"), and TRSTE, INC., a Virginia corporation, whose address is 201 S. Jefferson Street, Roanoke, Virginia 24011 ("Trustee").

WITNESSETH THAT:

The undersigned Mortgagee, as beneficiary under a certain Deed of Trust, Assignment of Rents and Security Agreement made on July 10, 2006 and recorded on July 10, 2006 in Deed Book 2898 at Page 707 among the land records of Rockingham County, Virginia, as amended or supplemented from time to time ("Deed of Trust") hereby consents to (1) the execution and recordation of the foregoing Amended and Restated Declaration for Preston Lake (the "Declaration"); (2) the submission of the real estate described in Exhibits A and B thereto to the Declaration; and (3) the subordination of the Deed of Trust to the Declaration, and for such purposes hereby directs the Trustee to join in the execution and delivery hereof.

IN WITNESS WHEREOF, the undersigned has caused this Consent of Mortgagee to be executed pursuant to due and proper authority.

MORTGAGEE:

WACHOVIA BANK, NATIONAL ASSOCIATION
a national banking association

By: Richard B. Carriker
Name: RICHARD B. CARRIKER
Title: VICE PRESIDENT

COMMONWEALTH OF VIRGINIA)
) ss:
COUNTY/CITY OF Richmond)

I, the undersigned, a Notary Public in and for the jurisdiction aforesaid, do hereby certify that Richard Carriker, as Vice President of WACHOVIA BANK, NATIONAL ASSOCIATION, whose name is signed to the foregoing Consent of Mortgagee, has acknowledged the same before me in the aforesaid jurisdiction as an authorized officer of the corporation.

GIVEN under my hand and seal on July 16th, 2007.

Matthew Martin [SEAL]
Notary Public

My commission expires: March 31, 2009

