

PRESTON LAKE

ASSOCIATION DISCLOSURE PACKET

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**PRESTON LAKE HOMEOWNERS ASSOCIATION
ASSOCIATION DISCLOSURE PACKET**

PART ONE: LOT-SPECIFIC DISCLOSURE

Note to prospective purchasers: The lot you are considering purchasing is in a development which is subject to the provisions of the Virginia Property Owners' Association Act. Living in a community association carries with it certain rights, responsibilities and benefits.

Some of the benefits include the right to use common areas, which may include swimming pools, parks, playgrounds and other recreational facilities. In order to finance the operation of the community, each owner is responsible for and obligated to pay regular assessments, and if necessary, special assessments to ensure that the financial requirements are met. Failure to pay any of these assessments may result in a lien being placed on your property.

The use of common areas, financial obligations of lot owners' and other information concerning the rights, responsibilities and benefits resulting from the purchase of a lot in this common interest community are subject to the provisions of governing documents that typically include a declaration, bylaws, articles of incorporation and rules and regulations. These documents play an important role in association living and should be reviewed carefully prior to your purchase.

Some decisions of your association will be made by the board of directors, while others will be made by a vote of all association members, made up of the other lot owners in your development. You will be bound by all decisions of the association and the board of directors. The documents cited above contain information concerning the selection of members of the board of directors, meetings, voting requirements, and other important information you should become familiar with. REMEMBER: Failure to comply with the governing documents of your association can result in legal action being taken against you.

You may wish to become active in your association, either by running for the board of directors or by serving on a committee. Your involvement is important, as you will be bound by all decisions of the association and the board of directors.

The name of your association is:
Preston Lake Homeowners Association

Lot number and address:

Assessments and/or Mandatory Fees you are responsible for:

Assessments: _____ per _____
Special assessments: _____
Other entity or facility: _____
Other fees _____

Failure to pay any of the above Assessments and/or mandatory Fees may result in nonjudicial foreclosure on your property or the following:

ALL DOCUMENTS AND INFORMATION CONTAINED IN THIS DISCLOSURE PACKET PLAY AN IMPORTANT ROLE IN LIVING WITHIN A COMMON INTEREST COMMUNITY AND SHOULD BE REVIEWED CAREFULLY PRIOR TO YOUR PURCHASE OF THE PROPERTY. A LIST OF THOSE DOCUMENTS YOU ARE ENTITLED TO RECEIVE IN ACCORDANCE WITH THE PROPERTY OWNERS' ASSOCIATION ACT IS PRINTED ON THE NEXT PAGE OF THIS NOTICE.

Recipient Name (print): _____
Recipient signature: _____
Date: _____

This form was developed by the Virginia Real Estate Board in accordance with § 54.1-2105.1 of the *Code of Virginia* and is to accompany the association disclosure packet required by § 55-512 of the *Code of Virginia*. 11/02

The following is a list of documents you are entitled to receive in accordance with the Property Owners' Association Act.

- ◆ the name of your association, and if incorporated, the state of incorporation and the name and address of the registered agent;
- ◆ a statement of any approved expenditures that shall require an additional assessment during the current year or the immediately succeeding fiscal year;
- ◆ a statement of all assessments and other mandatory fees currently imposed by the association;
- ◆ a statement whether there is any other entity or facility to which the lot owner may be liable for fees or charges;
- ◆ the current reserve study report (or a summary thereof), a statement of the status and amount of any reserve or replacement fund and any portion of the fund allocated by the board for a specified project;
- ◆ a copy of the association's current budget (or a summary thereof) and a copy of its statement of income and expenses or financial condition for the last fiscal year available;
- ◆ a statement of the nature and status of any pending suit or unpaid judgment to which the association is a party which either could or would have a material impact on the association or which relates to the lot being purchased;
- ◆ a statement setting forth what insurance coverage is provided for all lot owners by the association, including any fidelity bond maintained by the association, and what additional insurance would normally be secured by each individual lot owner;
- ◆ a statement that any improvement or alteration made to the lot, or uses made of the lot or common area assigned thereto by the prior lot owner, are not in violation of any of the instruments referred to in this disclosure notice;
- ◆ a statement setting forth any restriction, limitation, or prohibition on the right of a lot owner to place a sign on the owner's lot advertising the lot for sale;
- ◆ a statement setting forth any restriction, limitation, or prohibition on the right of a lot owner to display any flag on the owner's lot, including, but not limited to reasonable restrictions as to the size, place and manner of placement or display of such flag and the installation of any flagpole or similar structure necessary to display such flag;
- ◆ a copy of the current declaration, the association's articles of incorporation and bylaws, and any rules and regulations or architectural guidelines adopted by the association;
- ◆ a copy of notice given to the lot owner by the association of any current or pending rule or architectural violation;
- ◆ a copy of the fully completed one-page cover sheet developed by the Real Estate Board pursuant to § 54.1-2105.1; and
- ◆ certification; if applicable, that the association has filed with the Real Estate Board the annual report required by §55-516.1 of the Code of Virginia; which certification shall indicate the filing number assigned by the Real Estate Board and the expiration date of such filing.

PRESTON LAKE HOMEOWNERS ASSOCIATION
ASSOCIATION DISCLOSURE PACKET

TO: _____

FROM: Preston Lake Owners Association
State of Incorporation: Virginia
Name and Address of Registered Agent:
Robert M. Diamond, Esq.
Reed Smith LLP
3110 Fairview Park Drive, Suite 1400,
Falls Church, Virginia 22042-4503

RE: Lot No. _____, Preston Lake
Harrisonburg, Rockingham County, Virginia

DATE REQUEST RECEIVED: _____, 20____
Month *Day* *Year*

DATE ISSUED: _____, 20____
Month *Day* *Year*

In accordance with Section 55-512 of the Virginia Property Owners' Association Act, as amended, the Association hereby represents that based on its best knowledge and belief, the information set forth below is accurate as of the date hereof.

A. The status of Assessments and mandatory fees or charges with respect to the Lot is as follows:

Current Assessment due _____ \$ NONE
Due Date

Assessment in arrears _____ \$ NONE
Period Covered

Other fees or charges due _____ \$ NONE
Description

Fees or charges in arrears _____ \$ NONE
Description

TOTAL DUE \$ NONE

Known Assessments, fees and charges
for the current fiscal year not yet due \$ _____*

* The Monthly Assessment for 2007 is \$_____
Year *Amount*

The Association levies Annual Assessments (which may be payable in equal periodic installments) to pay Common Expenses. Additional Assessments may also be levied for the same purpose. A fee of \$100.00 is currently charged by the Association for the preparation of an Association Disclosure Packet (such as this one). A late charge of \$25.00 is currently applied to any Assessment or installment thereof not paid within ten days after the date it becomes due. The Association also has the power pursuant to Articles 6 and 12 of the Declaration and Section

55-513 of the Virginia Property Owners' Association Act to levy Individual Assessments against a specific Owner for failing to comply with the provisions of the Association Documents. There are no other fees or charges imposed by the Association or any other entity or facility in connection with the Property, except as stated below:

An Initial Purchase Payment in the amount of \$ 1,000.00 is collected by the Association from all new purchasers of Lots from the Declarant.

A resale fee in the amount of \$ 1,000.00 is collected by the Association from all purchasers of resale Lots.

B. There are no expenditures of funds approved by the Association or the Board of Directors which will require an Additional Assessment during the current year or the immediately succeeding fiscal year, except as follows: NONE

C. As of the date hereof, there is an outstanding balance in the reserve for replacement funds (reserve accounts) of approximately \$ NONE. Of that balance, the following amounts, if any, have been designated by the Board of Directors for the following specific projects: NONE.

D. Attached are (1) a copy or summary of the current operating budget, and (2) a copy of the income and expense statement or a statement of financial condition for the year ended NOT APPLICABLE, 20____, the most recent fiscal year for which such statement is available.

E. There are no unsatisfied judgments against the Association nor any pending suits (other than collection cases, if any) in which the Association is a party which either could or would have a material impact on the Association or which relate to the Lot referenced above, except as follows: NONE

F. The Association holds hazard, property damage and liability insurance policies covering the Common Area as required by the Declaration in the following amounts: Replacement costs for any hazard and property damage, without deduction for depreciation (such amount to be redetermined annually by the Board with the assistance of the insurance company affording such coverage); \$1,000,000.00 liability. The Association also maintains fidelity coverage equal to one-fourth the total annual assessment. Each Owner should obtain insurance covering property damage to such Owner's Lot and personal property contained therein as well as insurance covering personal liability. You are urged to review Article 10 of the Declaration and to consult with your insurance agent. Copies of the insurance policies are available for inspection or information is obtainable as follows:

Sales Office
4145 Quarles Court
Harrisonburg, Virginia 22801

The insurance agency is not an affiliate of the Declarant.

G. The Association has not given notice to the Owner of the Lot and has no knowledge of whether improvements or alterations made to the Lot or uses made of the Lot or any Common Area assigned to the Lot, if any, are in violation of the documents listed in Paragraph H except as follows: NONE

H. Attached are copies of the Declaration, Articles of Incorporation, Bylaws, Rules and Regulations and Design Standards of the Association (to the extent such documents exist), including all amendments. The Association restricts, regulates, limits or prohibits “for sale” signs placed on a Lot advertising such Lot. The Association also restricts, regulates and limits the size, place and manner of placement or display of flags and banners and regulates the installation of any free-standing flagpole or similar structure.

I. All Owners have voting rights in the Association.

1. The Class A Owners are the Owners other than the Declarant or a Builder during the Declarant Control Period. A Class A Owner has 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 is the Declarant. The Class B Owner has 860 votes less the number of votes held by all other Owners when a vote is taken. After the Declarant Control Period expires, the Declarant has one vote as a Class B Owner and the Declarant also becomes a Class A Owner and has Class A votes with respect to the Lots owned by the Declarant. The Class B membership expires at the end of the Development Period.

J. Each Owner is liable to the Association for any costs incurred by the Association and the expense of all Upkeep rendered necessary by such Owner's act or omission and the act or omission of such Owner's tenant and such Owner's (or tenant's) household, guests, employees, agents and invitees, regardless of neglect or culpability. Such liability shall include any increase in casualty insurance rates occasioned by use, misuse, occupancy or abandonment of any Lot or its appurtenances.

K. The purchaser of a Lot is jointly and severally liable with the selling Owner for all unpaid Assessments against the latter for the proportionate share of the Common Expenses up to the time of recordation of the deed transferring title, not to exceed: (i) the amount shown on a 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 against the Lot has been filed, the amount owed not to exceed six monthly installments of the Annual Assessment, 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 remains subject to a lien for the amount owed to the Association, if any.

L. The Lot is not subject to the jurisdiction of another association. (The residential condominium units in Main Street at Preston Lake Condominium are subject to both Preston Lake Homeowners Association and the condominium's unit owners association.)

M. The Declarant has reserved certain rights to enter Lots for various purposes, including without limitation to correct drainage, plant trees or shrubbery or for such other purposes as may be required to complete development, obtain bond release or have public streets accepted for dedication. The homeowner acknowledges the Declarant's rights to enter Lots as further described in the Declaration.

N. Subsection 8.2(y) of the Declaration prohibits the conversion of garage space to living space without the approval of the Covenants Committee.

The Association contact for questions regarding this Disclosure Packet is _____

Name

Address

Telephone Number

NOTE: Pursuant to Subsection 12.1(k) of the Declaration, upon acquiring title to a Lot each new Owner shall immediately give written notice to the Secretary of the Association stating the name and address of such new Owner and the number or address of the Lot. If a new Owner gives such notice within thirty days after acquiring title to a Lot, there will be no charge for adding such Owner's name to the Association records. After thirty days there will be a charge of \$ NONE assessed against such Owner to cover the administrative costs of record keeping.

THE ASSOCIATION HAS FILED WITH THE VIRGINIA REAL ESTATE BOARD THE ANNUAL REPORT REQUIRED BY SECTION 55-516.1 OF THE CODE OF VIRGINIA (1950): FILING NO. _____ EXPIRATION DATE _____

PART TWO: SUMMARY DESCRIPTION OF THE ASSOCIATION

I. INTRODUCTION

The lot which you are purchasing is part of a "planned community" known as Preston Lake ("Preston Lake"), being developed by Preston Lake Homes, LLC ("Declarant"). Although the development of Preston Lake will evolve, Preston Lake is planned to contain detached and attached homes as well as multifamily condominium homes in a mixed-use commercial/retail/residential area of the community to be known as "Main Street." This narrative is intended as a convenient and non-comprehensive summary of some of the features of the Preston Lake Homeowners Association; you should review the Association Documents discussed below in their entirety before signing a purchase contract.

A planned community consists of individually-owned lots ("Lots") and common property and facilities ("Common Area") owned and maintained by a Virginia nonstock corporation, the Preston Lake Homeowners Association ("Association"). By purchasing a Lot in Preston Lake, you will become a member of the Association and will become subject to certain covenants, which among other things govern the use of the Lots and Common Area. In addition, each owner of a Lot ("Owner") covenants to pay assessments ("Assessments") levied by the Association to pay the cost of expenses incurred by the Association in carrying out its functions such as maintaining the Common Area, enforcing architectural standards ("Design Guidelines") and providing services to the Owners, Lots and Common Area ("Common Expenses").

This Association Disclosure Packet consists of three parts: (i) a Lot-Specific Disclosure, (ii) this Summary Description of the Association ("Summary"), and (iii) Exhibits. The Lot-Specific Disclosure is mandated by Section 55-512 of the Virginia Property Owners' Association Act. This Summary is intended to summarize the significant features of the Association for your convenience. The Exhibits include the Association Documents (defined below) which are required for the creation and operation of the Association, Multi-Year Budget Projections for the Association and, once adopted, Rules and Regulations and Design Guidelines. If there is any inconsistency between the Exhibits and the Summary, the Exhibits will govern. Capitalized terms used but not defined in the Summary have the meaning set forth in the Declaration.

All of the Declarant's sales representatives are prohibited from changing any of the terms or conditions of the documents for Preston Lake or interpreting their legal effect. Purchasing a home is an important decision; you should review this Association Disclosure Packet in its entirety to be sure you have a clear understanding of what you are buying. If you have any questions about the legal effects of the Exhibits or the contract for the purchase of your home, or are unclear about how they may impact upon your plans for your Lot, you should consult with an attorney.

II. LAND SUBJECT TO DECLARATION

Development Plan. Preston Lake is currently planned to be a large scale community containing detached homes, attached rowhouses, multifamily condominium units and Common Area owned by the Association for the benefit of residents. The Common Area is planned to

include private streets and parking areas, landscaped and open space, parks, sidewalks, walking paths, one tennis court, a basketball court, a clubhouse and swimming pool, in addition to entry features, site lighting and project signage. The Declarant has the right to modify such plans and various features and amenities may change. Preston Lake is also planned to be served by approximately 210,000 square feet of an immediately adjacent nonresidential development along Main Street, as well as other nonresidential uses distributed around Main Street.

Common Area. Most of the Common Area will be for the benefit of all Owners. However, the parking areas located in the rear of the rowhouses will serve only the Owners of the rowhouses. Also, certain Common Area may be assigned for the exclusive use of less than all of the residents ("Limited Common Area"). Section 3.9 of the Declaration gives the Declarant the power to designate portions of the Common Area as Limited Common Area to serve certain Lots. In addition, pursuant to Section 3.9 of the Declaration, the Board of Directors has the power to grant revocable licenses restricting certain portions of the Common Area on a temporary basis to the use of certain Owners. For example, the Board of Directors may use this power to assign parking spaces in the rowhouse parking areas or to reserve certain open space areas for the use of a specific Owner for a limited time period. Individual Owners cannot improve or modify the Common Area.

Declarant's Development Rights. The Declarant retains the right to expand Preston Lake as described in the Declaration. Initially, however, only a portion of the Lots and associated Common Area are subject to the Declaration. In addition, the Declarant may expand Preston Lake to include land not currently designated as Additional Land. If the Declarant never submits the land designated as Additional Land to the Declaration, the Declarant may develop such land in any other manner allowable under applicable zoning and subdivision regulations as they may be amended from time to time. The Declarant may withdraw any land dedicated to governmental entities or used for nonresidential or commercial purposes in any section of the community until a Lot in such section is conveyed to an Owner other than the Declarant or a Builder. In such event, such land would not be subject to the Association. The Declarant is under no obligation to build a similar product on any Additional Land, whether or not it is submitted to the Declaration.

Article 4 of the Declaration also allows the Association to expand Preston Lake by adding land. Expanding in this manner requires the approval of the Owners by a Sixty-Seven Percent Vote at a meeting with a ten percent quorum or the written approval of Owners entitled to cast at least sixty-seven percent of the total number of votes. The Association can only withdraw property from the Declaration if the land is zoned or used for commercial purposes or dedicated or to be dedicated for public purposes. Terminating the Declaration would require the approval of Owners entitled to cast eighty percent of the total number of votes.

III. SUMMARY OF ASSOCIATION DOCUMENTS

This summary is presented as an introduction to the legal documents creating the Preston Lake Homeowners Association: the Articles of Incorporation, Declaration and Bylaws (collectively, "Association Documents"). An overview and summary of the legal framework for the Association is a helpful guide for understanding the structure, governance and operation of

the community. However, prospective purchasers should also read the Association Documents in their entirety.

Articles of Incorporation. The Articles of Incorporation establish the Association, the entity that will be responsible for the maintenance of the Common Area, architectural control and operation of the community. The Articles describe the members of the Association, the classes of members and the voting rights of each class of members, and also names the initial Board of Directors of the Association and provides for the future election of directors. The Articles of Incorporation comply with the applicable provisions of the Virginia Nonstock Corporation Act, Chapter 2 of Title 13.1 of the Code of Virginia (1950), as amended, and are filed with the Virginia State Corporation Commission.

Declaration. The Declaration is the document governing property rights and is (or will be) recorded in the land records of Rockingham County, Virginia ("Land Records"). The Declaration creates covenants running with the land, establishing the easements and rights given to the Declarant to facilitate development of the community, to the Association to enable it to carry out its duties and to the Owners for their common use and enjoyment of the Common Area. The Declaration also provides for the maintenance and repair of party walls and fences and the expansion or contraction of the community by either the Declarant or the Association. The Declaration contains various other provisions which establish or limit property rights. Finally, the Declaration provides for the following operational details: (1) the responsibilities for Upkeep of the Common Area and the Lots; (2) the basic rules and regulations governing the community; (3) the various insurance requirements; (4) the procedures to follow if portions of the Common Area or a Lot are destroyed; (5) the Association's power to levy Assessments; (6) the Association's enforcement powers; and (7) Mortgagee protections. As each section of the community is developed and submitted to the Declaration, Supplementary Declarations will be recorded in the Land Records which may contain additional easements, covenants or restrictions appropriate for that section.

Bylaws. The Bylaws comply with the applicable provisions of the Virginia Property Owners' Association Act, Chapter 26 of Title 55 of the Code of Virginia (1950), as amended, and include provisions regarding the following administrative functions of the Association: (1) meetings of the members; (2) voting procedures; (3) meetings of the Board of Directors; (4) the powers and duties of the Board of Directors; (5) which powers and duties of the Board of Directors can be delegated to a managing agent; (6) the duties, election and removal of Officers; (7) committees, in particular the architectural review committee ("Covenants Committee"); and (8) certain fiduciary issues involving the Board of Directors and the Officers. The Bylaws are adopted by the Board of Directors and are part of the Association's records.

IV. GOVERNANCE

Overview of the Association. Preston Lake Homes, LLC created Preston Lake Homeowners Association to perform two primary functions: (1) to allow for the orderly growth and development of the community in accordance with the development plan and philosophy of the Declarant; and (2) to provide an institutional framework for the efficient management and maintenance of the property within the community. The community may be governed by one or

more associations or subassociations. Owners of detached homes, rowhouses and a multifamily condominium association may become members. If adjacent properties owned by the Declarant are part of another association or developed separately with no association, common concerns will be addressed by shared maintenance and cross-easement agreements. All Owners of Lots submitted to the Declaration will be entitled to certain rights and subject to certain obligations pursuant to the terms of the Declaration. The structure of the Association allows Owners to participate in the governance and operation of the community in accordance with the procedures and requirements contained in the Association Documents. The Owners exercise their voting rights primarily to elect a Board of Directors (after the end of the Declarant Control Period as defined below). The Board of Directors is responsible for the governance and operation of the community and the development of an Association budget. The Owners will also exercise their vote to approve extraordinary actions taken by the Association (e.g., conveyance or mortgage of the Common Areas, material amendments of the Association Documents and expansion, contraction or termination of the community). After the community is fully developed, the Association continues to protect the property values in the community and enhance the quality of life of the residents.

Membership and Voting Rights. The Association Documents provide for two classes of membership and define the rights and responsibilities of each membership class.

1. Lot Owners (Class A). Class A Owners are all the Owners of Lots (other than the Declarant or a Builder during the Declarant Control Period) intended for use primarily as single family residences, which includes Lots containing rowhouses, detached homes or condominium units. A Class A Owner has one vote for each dwelling located on the Lot owned by such Owner.

2. The Declarant (Class B). The Declarant, Preston Lake Homes, LLC, is the sole Class B Owner. The Class B Owner has 860 votes less the total number of votes held by all other Owners. The Declarant's votes may increase under certain circumstances which increase the number of dwellings planned or increase the amount of Additional Land planned to be part of the community. Over time, the Class B voting power is reduced as Lots are sold and conveyed to other Owners. This voting structure is designed to give the Declarant voting control until most of the Lots are conveyed to other Owners ("Declarant Control Period"). The Declarant Control Period ends when Lots to which approximately 75% of the votes which may be appurtenant to all planned Lots have been conveyed to Owners other than the Declarant or a Builder, or within the later of: (i) ten years after recordation of the Declaration or (ii) ten years after the recordation of the most recently recorded Supplementary Declaration. After the Declarant Control Period expires, the Declarant becomes a Class A Owner with respect to Lots owned by the Declarant. The Declarant also retains one vote as a Class B Owner.

Board of Directors. The Board of Directors is the policy-making body of the Association. The authority of the Board of Directors is outlined in detail in Article 4 of the Bylaws. The Board exercises all decision-making responsibility for the Association, except for a limited number of issues where the Association Documents require a vote by the collective membership of the Association or as in the case of the Covenants Committee (described below), where decision-making is specifically delegated by the Association Documents to an entity other

than the Board. In exercising its responsibilities, the directors have a fiduciary obligation to the Owners to conduct the business and affairs of the Association in a prudent manner and in the best interests of the Owners.

The Association Documents provide that the Board shall consist of three directors initially, all of whom are selected by the Declarant as the Class B Owner. As the Class B Owner, the Declarant has the right to elect, remove and replace all of the directors at will, until the first annual meeting following the end of the Declarant Control Period. At such time, the number of directors will be increased to five and all but two of the directors elected by the Declarant will resign and be replaced by directors elected by all Owners. The Declarant continues to have the right to elect two directors for so long as the Declarant is or the Builders are engaged in development or sales ("Development Period"). After the Development Period ends, all Owners, including the Declarant, will elect each director.

Covenants Administration: A planned community requires enforceable guidelines and standards to ensure that the development and use of the property are consistent with the philosophy and objectives of the development plan. Therefore, all property within the community is subject to covenants and restrictions established in the Declaration. These restrictions are enforceable as covenants running with title to the land. The covenants contain use restrictions prohibiting or governing certain activities which are binding on all Owners, such as a prohibition against certain exterior antennas and satellite dishes and against clotheslines, etc. You should review these restrictions carefully to ensure that your plans for your home comply. The Association (and the Declarant) will also establish, administer and enforce Design Guidelines with respect to initial development and subsequent modifications to and maintenance of the homes. The provisions for architectural review are found in Article 9 of the Declaration.

Design Guidelines: The most basic and far-reaching type of covenant will be the Design Guidelines. The Design Guidelines are referenced in the Declaration and are initially developed by the Declarant or adopted by the Board of Directors to provide the specific standards for design, construction and landscaping. The Design Guidelines are architectural and land use standards which Owners must follow both for initial development of a Lot and any subsequent modifications to a Lot. Design Guidelines regulating the initial development of Lots will be established by the Declarant. Design Guidelines relating to modifications to improved Lots and maintenance standards for Lots will be developed by the Covenants Committee for approval and adoption by the Board of Directors.

Covenants Committee: The Covenants Committee is the judicial and enforcement body responsible for administering and enforcing the Design Guidelines and Rules and Regulations for the Association. The Covenants Committee is established by the Board of Directors and consists of at least three members. However, during the Development Period, the architectural review process consists of two separate procedures as outlined below. The responsibilities of the Covenants Committee are described below.

1. New Construction. The Declarant reviews all initial construction either directly or through the Initial Construction Committee (appointed by the Declarant) and establishes Design Guidelines for initial construction. While the Initial Construction Committee

exists, initial construction is not reviewed by the Covenants Committee or the Board of Directors. During the Development Period, all initial construction is reviewed by the Initial Construction Committee or the Declarant and all Design Guidelines must be approved by the Declarant.

2. Modifications and Rules Enforcement. The Covenants Committee reviews and approves or disapproves plans for any visible additions, alterations or improvements to the exterior of existing improvements made to a Lot and proposed Design Guidelines regarding modifications to the Board of Directors for adoption. Owners need the approval of the Committee before they can build any deck, fence, shed, playhouse, etc. The Committee reviews possible violations by an Owner of the Association Documents and any Rules and Regulations promulgated by the Board of Directors and recommends appropriate enforcement action in accordance with the Association's authority. The initial Rules and Regulations of the Association can be found in Article 8 of the Declaration. Rules and Regulations affecting your Lot may also be imposed by Supplementary Declarations or resolutions of the Board of Directors. The Committee does not review initial construction approved by the Declarant.

V. OPERATION

Financial Operation

Budget Adoption - Determination of Common Expenses: The Board of Directors is responsible for developing an annual operating budget for the Association. The budget includes an estimate of all funds required for the ensuing fiscal year to pay for the projected operating costs, including management and administrative services, maintenance and upkeep of the Common Area and other responsibilities assigned to the Association in the Association Documents or subdivision documents. Additionally, the budget includes provisions for major repair and replacement reserves for the Common Area, (as may be deemed appropriate by the Board), working capital, a general operating reserve and a reserve for contingencies.

Common Expense Assessments: The budgeted expenditures of the Association constitute the basis for determining the Annual Assessment against each Lot. The expenditures may be divided into two main categories: Common Expenses (applicable to all Lots), and Limited Common Expenses (applicable to some Lots), as further defined below.

1. Common Expenses. Common Expenses are operating and reserve expenditures shared by all Owners in proportion to their relative assessment obligations. The expenses are related to upkeep of the Common Area or other services which are intended for the use, enjoyment and benefit of all Owners. As permitted under the Declaration, the Declarant anticipates that the Association may enter into an agreement with a telecommunications services provider which would provide basic telephone, television and internet services to all Owners, to be paid by all Owners as a Common Expense. Owners could individually obtain optional premium services from such provider which would be charged directly to and paid by the Owner. (An Owner could also contract for similar services from any other provider but at an additional cost.) The Declarant also anticipates that the Association may enter into an arrangement with a Wellness Center to be owned and operated by an affiliate of Rockingham Memorial Hospital to

provide certain wellness and fitness services to Owners which would also be paid for by all Owners as a Common Expense.

2. Limited Common Expenses. Limited Common Expenses include expenses benefiting one or more but less than all of the Lots included in the Association. Such expenses are assessed against the Lots benefited in proportion to each such Lot's relative liability for the payment of Common Expenses or based upon the actual usage of services, as appropriate. Provisions in the Association Documents for this category of expenses recognizes that different types of developed lots will be part of the community, some of which will have operating and service requirements not common to the entire community, such as rowhouse parking areas.

Assessment Basis: The obligation of each Owner for the payment of Common Expenses is detailed below.

1. Class A (Lot Owners). The Board of Directors assesses all Lots equally (except for unoccupied Lots owned by the Declarant or Builders) for Common Expenses. However, the total Annual Assessment paid by some Owners are different. For example, the Owners of Lots containing rowhouses and the Owners of Lots containing condominium units pay different annual assessments due to the different Limited Common Expenses attributable to each type of Lot.

2. Class B (Declarant). The Declarant, or the Builder if so determined by the Declarant, shall pay a one-time Assessment of One Thousand and No/100 Dollars (\$1,000.00) per Lot. The Lot shall not be subject to further assessment until the earlier of: (i) conveyance to an Owner other than the Declarant or a Builder; or (ii) two years after payment of the one-time assessment.

Initial Assessments: During the early stages of development when there are few Owners other than the Declarant and the Declarant is constructing and maintaining the Common Area, the Declarant or the Board of Directors may determine to waive Assessments for a limited period of time. The current Assessment applicable to your Lot is included in Part One of this Association Disclosure Packet. The projected Assessments for your Lot over the next few years is set forth in the Multi-Year Budget Projections exhibited in Part Three ("Budget").

Currently, there are no specific user fees in the Association Budget; however, the Declarant or Builder collects on behalf of the Association upon conveyance of a Lot to a purchaser an Initial Capital Contribution of \$1,000.00. The Board may assess user fees in the future for use of certain recreational or other community facilities. For a more detailed description of the Association's power to levy assessments, please refer to Article 6 of the Declaration.

Individual Assessment: The Board also has the power to levy Individual Assessments against an Owner's Lot for: (i) the amount of any costs incurred by the Association in performing upkeep of the Lot that the Owner failed to perform; (ii) the amount of any charges imposed on the Owner for violation of the Association Documents or the Rules and Regulations; and (iii) any costs incurred by the Association because of negligence or other action for which

the Owner is responsible. For additional information, please refer to Subsection 6.2(c) and Section 12.1 of the Declaration. A Lot Owner may also be held responsible for the acts or omissions of such Owner's tenant or such Owner's (or tenant's) household members, guests, agents, employees or invitees. See Sections 6.2, 7.2 and 12.1 of the Declaration.

Resale Fees: Each purchaser of a resale Lot pays a resale fee initially in the amount of \$1,000.00 and subject to increasing over time for the benefit of the Association and the community.

Assessment Collection and Enforcement: If an Owner fails to pay the Assessment levied against a Lot owned by such Owner, the Board of Directors may charge the Owner a late fee as set by the Board pursuant to Section 6.5 of the Declaration. The Board of Directors may also charge interest for sums due the Association other than the Annual Assessment for Common Expenses pursuant to Section 12.1 of the Declaration. In addition, failure to pay an Assessment within sixty days could cause an Owner to lose such Owner's right to use the recreational facilities located on the Common Area and to vote on Association affairs. Most importantly, however, pursuant to Section 12.2 of the Declaration and Section 55-516 of the Virginia Property Owners' Association Act, an unpaid Assessment shall be a lien against the Lot. If an Owner fails to pay the Assessment levied against a Lot, the Board of Directors may record a memorandum of lien in the Land Records against such Lot. Such Assessment would then have to be paid before the Lot is sold, or the Association could force the sale of the Lot (foreclose on the Lot) to pay the delinquent Assessments.

The purchaser of a Lot is jointly and severally liable with the selling Owner for all unpaid Assessments against the latter for (i) the amount shown on a Statement of Common Expenses or, (ii) if no Statement of Common Expenses is obtained, the amount shown on an 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, for the amount owed by the selling Owner not to exceed six monthly installments of the Annual Assessment for Common Expenses, including Limited Common Expenses, without prejudice to the purchaser's right to recover from the selling Owner amounts paid by the purchaser therefor. The Lot also remains subject to a lien for the amount owed to the Association until paid. Any purchaser may rely on a Statement of Common Expenses obtained from the Association.

Maintenance Responsibilities.

Association: In order to assure that the community is well maintained, the Association is responsible for the maintenance and operation of the Common Area, the property, facilities and amenities owned by the Association and intended for the use, benefit and enjoyment of Owners. The Association will also perform certain grounds maintenance within rowhouse Lots at the expense of the Owners of those Lots. The Association will provide for the maintenance and Upkeep of the rights-of-way along within the community and other easement areas to the extent that such maintenance is not provided by a separate utility or governmental entity. Proper maintenance of the Common Area, including the streets in the community, will be crucial for all Owners, because it will provide an environmental and aesthetic context for the entire community. As the community develops, additional responsibilities may be established by

a Supplementary Declaration and the Owners may decide to have the Association provide additional maintenance or services.

Owners: Each Owner is responsible for maintaining such Owner's Lot in a neat and orderly condition and in conformance with any maintenance standards established by the Association unless the Association has specifically undertaken certain maintenance obligations for that Lot. If an Owner fails to provide a satisfactory level of maintenance, the Association may, in accordance with appropriate procedural requirements, perform such maintenance and assess the cost to the Owner.

Insurance Obligations: The Association purchases insurance for damage to the Common Area and liability for its actions and ownership of the Common Area. The property insurance purchased by the Association does not cover the improvements located on an Owner's Lot. Each Owner is required to purchase all-risk hazard insurance with respect to the improvements on each Owner's Lot and such Owner's personal liability. For more information, please refer to Article 10 of the Declaration.

Parking: Parking on the Common Area parking spaces is generally permitted. In addition, the Board of Directors may assign specific parking space to specific Lots. Lots containing detached houses and rowhouses with garages and driveways will have exclusive parking for the Owners of such Lots. The community meets the parking requirements of the applicable County ordinances (including the number of parking spaces located on Lots).

Management and Administration. The day-to-day operation of the Association will require administrative capabilities in order to collect assessments, disburse payments, perform maintenance responsibilities and support the activities of the Board of Directors and Covenants Committee. These functions may be performed by in-house staff, an independent professional management agent or a combination thereof. The management plan for the Association is planned to evolve gradually as the Association expands in size, resources and administrative service obligations. The Declarant may select an independent company unaffiliated with the Declarant to manage the community.

VI. DECLARANT RIGHTS AND POWERS

The Association Documents establish certain reserved rights and powers for the Declarant to ensure that the Declarant can develop the community over time in accordance with the approved development plan. Such rights and powers are briefly summarized below. The reservation of such rights and powers ensures that the community can develop in a manner consistent with the vision and objectives of the Declarant.

1. Easements. Article 3 of the Declaration grants certain easements to the Declarant across Lots and Common Area in order to facilitate development and sales and gives the Declarant a right to grant or terminate easements or make dedications required by governmental entities or utility companies across Lots and Common Area. The Declarant also reserves the right to use the Common Area and Lots owned by the Declarant or Builders for sales purposes.

2. Voting Powers. Article 4 of the Articles of Incorporation provides that the Declarant has more votes than all other Owners and will retain a majority of the votes in the Association until approximately 75% of the planned Lots are conveyed to Owners other than the Declarant or a Builder.

3. Board of Directors. Article 5 of the Articles of Incorporation provides that the Declarant has the right to elect a majority of the members of the Board of Directors until the expiration of the Declarant Control Period. After the Declarant Control Period, the Declarant retains the right to appoint two of the five directors until development of the community is completed.

4. Covenants Committee Review. The Declarant controls the architectural review process for all initial construction within the community. Initial construction by the Declarant or by a Builder, as approved by the Declarant or the Initial Construction Committee, is exempt from review by the Covenants Committee or the Board of Directors.

5. Exemptions. The Declarant is and Builders are exempt from certain requirements imposed upon other Owners. If the Declarant is performing architectural review, the Declarant and Builders are not subject to Covenants Committee review or approval of proposed construction plans. The Declarant and Builders are also excused from complying with the Association's Rules and Regulations, including those regarding building and sales activities.

6. Right to Expand the Community. Article 4 of the Declaration gives the Declarant the right to expand the community by submitting Additional Land to the Declaration for a period of ten years following recordation of the Declaration or ten years following recordation of the most recently recorded Supplemental Declaration. Furthermore, during this period the Declarant has the right to record amendments to the Declaration subjecting any Lot added to the community to such covenants and restrictions as may be necessary provided that such amendments are not materially inconsistent with the overall scheme of the Declaration.

VII. CONCLUSION

Preston Lake is planned to offer residents a variety of amenities in a community setting designed to serve the needs of its residents in the twenty-first century. The Association Documents for Preston Lake are integrated documents which provide the legal foundation for the governance and operation of this special planned community.

EXHIBIT 1 (A)

Declaration

DECLARATION
FOR
PRESTON LAKE

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SUBMITTED LAND
ADDITIONAL LAND

EXHIBIT A
EXHIBIT B

DECLARATION
FOR
PRESTON LAKE

THIS DECLARATION is made as of _____, 20____, by PRESTON LAKE HOMES, LLC, a Virginia limited liability company (“Declarant”).

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.

PART ONE

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.

(a) Standard Definitions.

(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,” “Assessment Units” 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) “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.

(14) “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.

(15) “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.

(16) “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.

(17) “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.

(18) “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.

(19) “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.

(20) “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.

(21) “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.

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

(23) “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.

(24) “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 (2) of Subsection 6.2(a).

(25) “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 condominium unit created in accordance with Chapter 4.2 of Title 55 of the Code of Virginia (1950) or any cooperative unit created in accordance with Chapter 29 of Title 55 of the Code of Virginia (1950), as amended. The common elements of any condominium or cooperative are appurtenances to such units and are part of the Lot. 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.

(26) “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.

(27) “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.

(28) “Officer” means any Person holding office pursuant to Article 6 of the Bylaws.

(29) “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.

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

(31) “Phase” means a portion of the Property designated as provided in Section 4.3.

(32) “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.

(33) “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.

(34) “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.

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

(36) “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.

(37) “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.

(38) “Subassociation” means any owners association, condominium unit owners association or cooperative association subject to this Declaration and governing some but less than all of the Property pursuant to covenants recorded among the Land Records.

(39) “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.

(40) “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.

(41) “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.

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

(43) “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 860 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 one and one-half 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 one and one-half 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 Recreational Facilities, 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 subject to the restrictions in Section 15.4.

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, subject to Section 15.4; 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 subject to Section 15.4.

(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 amenities 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 amenities, 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 an 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.

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, subject to the requirements of Section 15.4.

(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).

(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) Upon taking office, the first Board of Directors shall determine the budget, as defined in this section, for the period commencing thirty days after taking office and ending on the last day of the fiscal year in which such directors take office.

(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 the foregoing, 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. 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; or (iv) for meeting other obligations of the Association established pursuant to this Declaration, other shared maintenance agreements, subdivision documents or easements or governmental requirements, shall be assessed annually against the Lots. The Owners shall establish an Assessment Unit each fiscal year, calculated to collect the funds required to pay the estimated Common Expenses for such fiscal year, excluding Limited Common Expenses.

(2) The Assessment Unit shall be calculated by dividing the estimated Common Expenses by the sum of the (i) seventy-five percent of the number of residential condominium or cooperative units subject to assessment and (ii) the number of all other Lots subject to assessment. Each Lot shall pay an amount equal to one Assessment Unit, provided however, that any residential condominium or cooperative units shall be assessed in an amount equal to seventy-five percent of the Assessment Unit.

(3) 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 in the Upkeep or maintenance of reserves for the Upkeep of any Limited Common Area may be assessed only against the Lots to which such Limited Common Area is appurtenant.

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

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

(D) 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 Owners may determine. Such Assessment shall be a lien as set forth in Section 12.2.

(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 Owners shall, in accordance with Subsections 6.2(b) and (g), 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 Owners: (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.

Section 6.3. Assessment Against Lots Owned by the Declarant and Builders; Deficit-funding Obligation; Exemptions.

(a) The Declarant, or the Builder if so determined by the Declarant, shall pay a one-time Assessment of One Thousand Dollars per Lot. The Lot shall not be subject to further assessment until the earlier of: (i) conveyance to an Owner other than the Declarant or a Builder; or (ii) two years after payment of the one-time assessment.

The one-time Assessment shall be due no later than the date of conveyance of the Lot to an Owner other than the Declarant. At the sole discretion of the Declarant, the one-time Assessment may be increased after the first fiscal year by five percent each fiscal year thereafter.

(b) Declarant's Deficit-funding Obligation. If the Declarant or Builder pay the one-time Assessment for an unoccupied Lot, the Declarant or Builder, as applicable, must provide all necessary Upkeep for such Lot. In addition, during the Declarant Control Period, the Declarant must fund all operating budget deficits (the amount by which the operating expenses of the Association exceed the total budgeted income of the Association) excluding non-cash charges such as depreciation, including reasonable reserves (based on expected useful life of the Common Area improvements), as determined by the Board of Directors. The Declarant's deficit-funding obligation hereunder may be satisfied with in-kind payments of services or materials. The Declarant's obligation under this section does not include any expenses that the Association

is unable to meet because of nonpayment of any Owner's Assessment or because of unusual or extraordinary expenses not included in the budget. The net deficit to be paid by the Declarant shall be cumulative over the period the Declarant owns Lots exempt from full assessment, regardless of the timing of payments or cash flow of the Association. The Declarant's obligation under this section shall not exceed the amount the Declarant would be obligated to pay if all Lots owned by the Declarant were assessed in accordance with Subsection 6.2(a) less any Assessments actually paid pursuant to Subsection 6.3(a) with respect to such Lots. The obligations of the Declarant or any Builder under this section shall be a lien against the portion of the Property owned by the Declarant or such Builder as appropriate.

(c) 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 as long as the one-time Assessment levied pursuant to Subsection 6.3(a) is paid. A Lot shall be subject to paying the full Assessment only after the earlier of: (i) conveyance to an Owner other than the Declarant or a Builder; or (ii) two years after payment of the one-time assessment. The exemption from paying Assessments shall apply to Lots used 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.

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. 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 or the Board of Directors for deeds of correction, deeds to resolve boundary line disputes and similar corrective instruments. 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.

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. However, the provision of any such services shall be non-exclusive and the Association may permit any third party to install and provide for similar services in the Association's sole discretion and on such non-exclusive terms and conditions as the Association may determine; provided, however, that such other services shall not affect or modify any contract for such services with the Association. 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 for 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 Sections 11.4 and 15.4.

(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; provided, however, that other action may be taken if approved in accordance with Section 15.4.

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. Otherwise, any decision not to repair or restore improvements on the Common Area shall be made in accordance with Section

15.4. 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 or to take an extraordinary action, at least ten days before any action is taken pursuant to Section 15.4.

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

AMENDMENT; EXTRAORDINARY ACTIONS

Section 15.1. Amendment by the Declarant. In addition to corrective amendments made pursuant to Section 15.5, during the Development Period the Declarant may unilaterally without the approval of any Owner or Mortgagee amend any provision of this Declaration 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 15.5, and subject to Sections 15.3 and 15.4, the Association may amend this Declaration (not including a Supplementary Declaration) only 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 and the requirements of Section 15.4. 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.

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. No amendment to the Declaration shall diminish or impair the express rights of the Mortgagees under the Declaration without the prior written approval of at least Fifty-one Percent of the Mortgagees. No amendment may modify this Article or the rights of any Person hereunder without obtaining the approvals required by Subsections 15.4(c) and (f). 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.

Section 15.4. Extraordinary Actions and Material Amendments. The provisions of this section shall not be construed to reduce the vote that must be obtained from Owners where a greater vote is required by the Act or other provisions of the Association Documents nor shall it be construed to lessen the unilateral rights given to the Declarant pursuant to Articles 3, 4 and 15 to amend the Declaration or a Supplementary Declaration without the approval or joinder of the Association or any Owner or Mortgagee or Secondary Mortgage Market Agency. With respect to amendments to a Supplementary Declaration subject to this section, only the approval of the Owners owning Lots subject to such Supplementary Declaration shall be required to the extent the Supplementary Declaration so provides.

(a) Material Amendments. A material amendment to the Association Documents includes any amendment adding, deleting or amending any provisions regarding: (1) Assessment basis or Assessment liens; (2) any method of imposing or determining any charges to be levied against Owners; (3) reserves for Upkeep of the Common Area; (4) Upkeep obligations; (5) allocation of rights to use the Common Area; (6) any scheme of regulation or enforcement of standards for Upkeep, architectural design or exterior appearance of improvements; (7) reduction of insurance requirements; (8) restoration or repair of the Common Area or Lots; (9) the addition, annexation or withdrawal of real estate to or from the Property; (10) voting rights (except to reduce the Declarant's voting rights with the consent of the Declarant); (11) restrictions affecting lease or sale of a Lot; and (12) any provision which is for the express benefit of the Mortgagees.

(b) Extraordinary Actions. An extraordinary action of the Association includes: (1) determining not to require professional management after the Declarant Control Period, if professional management has been required by the Association Documents, a Majority Vote of the Owners or a Majority Vote (or approval) of the Mortgagees; (2) expanding the

Association (i) so as to increase the overall area of the Property described in Exhibit A by greater than ten percent or increase the number of planned dwellings by greater than ten percent or (ii) by including real estate which is not adjacent to or across a public right-of-way or private street from the Property; (3) abandoning, partitioning, encumbering, mortgaging, conveying, selling or otherwise transferring or relocating the boundaries of the Common Area except for: (i) granting easements for utilities or other purposes (including sharing use of the recreational amenities) to serve the Property or adjacent real estate which are not inconsistent with and which do not interfere with the intended use of such Common Area; (ii) dedicating or conveying a portion of the Common Area to a public authority or a governmental entity; (iii) making conveyances or resubdivisions as part of a boundary-line adjustment or otherwise pursuant to Section 2.2; and (4) using insurance proceeds for purposes other than repair and reconstruction of the insured improvements.

(c) Owner Approval. Any material amendment or extraordinary action listed above must be approved: (i) in writing by Owners entitled to cast at least sixty-seven percent of the total number of votes entitled to be cast by Owners, including a majority of the votes entitled to be cast by Owners other than the Declarant during the Declarant Control Period, or (ii) by at least a Sixty-seven Percent Vote of the Owners, including a Majority Vote of Owners other than the Declarant during the Declarant Control Period, entitled to be cast at a meeting for approval of material amendments or extraordinary actions provided that: (A) at least twenty-five days notice of the meeting is provided to all Owners; (B) the notice of the meeting states the purpose of the meeting and contains a copy or summary of any material amendments or extraordinary actions proposed; and (C) the notice of the meeting also contains a copy of the proxy that can be cast in lieu of attendance at the meeting.

(d) Additional Material Amendments and Extraordinary Actions. The following amendments and actions must be approved in writing by Owners entitled to cast at least sixty-seven percent of the total number of votes in the Association, including a majority of the total number of votes entitled to be cast by Owners other than the Declarant during the Declarant Control Period, and the Declarant during the Development Period: (1) amendment or addition of any provisions of the Association Documents regarding rights of first refusal or similar restrictions on the right of Owners to sell, transfer or otherwise convey a unit; (2) termination of the Declaration or of the planned unit development; (3) dissolving, merging or consolidating the Association, except pursuant to a merger or consolidation with another nonprofit entity formed for purposes similar to the purposes for which the Association was formed; or (4) conveyance of all the Common Area except to an entity formed for similar purposes pursuant to a consolidation or a merger.

(e) Mortgagee Approvals. Any material amendment or extraordinary action listed in subsections (a), (b) and (e) except paragraph (5) of subsection (b) must also be approved by Fifty-one Percent of the Mortgagees. If a Mortgagee is notified of proposed amendments or actions of the Association in writing by certified or registered United States mail, return receipt requested (or by any other means accepted as good delivery of notice under applicable law), and such Mortgagee does not deliver a negative response within thirty days, such Mortgagee shall be deemed for the purposes of this Declaration to have approved such amendment or action.

Approval by a Mortgagee also includes the issuance of any written waiver or letter stating “no objection.”

(f) Non-material Amendments. Any amendment to the Association Documents shall not be considered material if made only for the purposes of correcting technical errors or for clarification. Any amendment to the Association Documents adding provisions to or interpreting the application of provisions of the Declaration, contained in a Supplementary Declaration and applied to a specific portion of the Property, shall not be considered a material amendment.

(g) Contracts Made by the Association during the Declarant Control Period. All Association contracts made during the Declarant Control Period which extend beyond the Declarant Control Period must meet at least one of the following criteria: (i) be for a term limited to two years or less; (ii) be terminable by the Association upon ninety days written notice; (iii) be commercially reasonable and made with an entity not affiliated with the Declarant; or (iv) be approved by VA.

Section 15.5. 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 15.6. 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. Subject to Subsections 15.4 and 15.5, 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.

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 in accordance with the requirements of Section 15.4.

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.

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 or (3) any Owner of a Lot shall be resolved as set forth in this Article.

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.

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: _____

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 _____, 20____.

_____[SEAL]
Notary Public

My commission expires: _____

EXHIBIT A

[Description of Submitted Land]

EXHIBIT B

[Description of Additional Land]

CONSENT OF MORTGAGEE TO
DECLARATION FOR PRESTON LAKE

THIS CONSENT OF MORTGAGEE is made as of _____, 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 Declaration for Preston Lake (“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: _____
Name: _____
Title: _____

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

I, the undersigned, a Notary Public in and for the jurisdiction aforesaid, do hereby certify
that _____, as _____ 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 _____, 2007.

_____ [SEAL]
Notary Public

My commission expires: _____

The undersigned Trustee joins in at the request of the Mortgagee as evidenced above, without liability or obligation, for the sole purpose of consenting to the terms of the foregoing Consent of Mortgagee.

TRSTE, INC.
a Virginia corporation

By: _____
Name: _____
Title: _____

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

I, the undersigned, a Notary Public in and for the jurisdiction aforesaid, do hereby certify that _____, as _____ of TRSTE, INC., 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 _____, 2007.

_____ [SEAL]
Notary Public

My commission expires: _____

EXHIBIT 1 (B)

Articles of Incorporation

ARTICLES OF INCORPORATION
FOR
PRESTON LAKE HOMEOWNERS ASSOCIATION

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ARTICLES OF INCORPORATION
FOR
PRESTON LAKE HOMEOWNERS ASSOCIATION

ARTICLE 1

NAME

The name of this corporation is Preston Lake Homeowners Association, which is hereby incorporated as a nonstock corporation pursuant to Chapter 10 of Title 13.1 of the Code of Virginia (1950), as amended (“Act”).

ARTICLE 2

INTERPRETIVE PROVISIONS

Section 2.1. 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 or in the Bylaws shall have the meanings specified for such terms below.

(1) “Additional Land” means the land so designated in Exhibit B to the Declaration, as amended from time to time, which the Declarant may submit to the Declaration and to the jurisdiction of the Association pursuant to 4.1 of the Declaration.

(2) “Articles of Incorporation” means these Articles of Incorporation for the Association filed with the Virginia State Corporation Commission, as amended from time to time.

(3) “Assessments” means the sums levied against the Lots to pay Common Expenses as provided in Article 6 of the Declaration.

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

(5) “Association Documents” means collectively these Articles of Incorporation, the 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.

(6) “Board of Directors” or “Board” means the executive and administrative entity established by Article 5 of these Articles of Incorporation as the governing body of the Association.

(7) “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.

(8) “Bylaws” means the Bylaws of the Association, as amended from time to time.

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

(10) “Common Expenses” means all expenses incurred by or on behalf of the Association, together with all funds determined by the Board of Directors to be reasonably necessary 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.

(11) “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.

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

(13) “Declarant” means Preston Lake Homes, LLC, a Virginia limited liability company. Following recordation of an instrument assigning to another Person all or some of the rights reserved to the Declarant under the Association Documents pursuant to Section 5.2 of the Declaration, the term “Declarant” shall mean or include that assignee.

(14) “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.

(15) “Declaration” means the Declaration for Preston Lake made by the Declarant and recorded among the Land Records. The term Declaration shall include all

amendments thereto and, except when the context clearly requires otherwise, all Supplementary Declarations.

(16) “Development Period” means the period of time that the Declarant or 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” under the Association Documents. Special Declarant Rights are described in Article 5 the Declaration. 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.

(17) “Development Plan” means the general development or site plan or plans for the Property or the Additional Land as approved by resolutions of the Board of Supervisors of Rockingham County, Virginia on December 15, 2005, as amended from time to time.

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

(19) “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 condominium unit created in accordance with Chapter 4.2 of Title 55 of the Code of Virginia (1950) or any cooperative unit created in accordance with Chapter 29 of Title 55 of the Code of Virginia (1950), as amended. The common elements of any condominium or cooperative are appurtenances to such units and are part of the Lot. 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.

(20) “Limited Common Expenses” means expenses incurred by the Association and benefiting one or more but less than all of the Owners and assessed against the Lots owned by the Owners benefited pursuant to paragraph (2) of Subsection 6.2(a) of the Declaration.

(21) “Majority Vote” means a simple majority (more than fifty percent) of the votes entitled to be cast by Owners present in person or by proxy at a duly held meeting of the Owners at which a quorum is present. Any vote of a specified percentage of Owners means that

percentage with respect to the total number of votes actually cast by Owners present in person or by proxy at a duly held meeting at which a quorum 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 by directors (or committee members) present at a duly held meeting of the Board (or committee) at which a quorum is present. Any vote of or approval by a specified percentage of the Mortgagees means a vote of or approval (whether actual or presumed) by the Mortgagees calculated according to the number of votes allocated to the Lots (or the Owner of the Lot) on which each Mortgagee has a Mortgage.

(22) “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 Board of Directors of its status in writing pursuant to Section 13.2 of the Declaration and has requested all rights under the Association Documents. Only for purposes of the notice and inspection rights in Articles 13, 14 and 15 of the Declaration, 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, guaranteeing or insuring Mortgages which has notified the Board of Directors of such participation in writing (each a “Secondary Mortgage Market Agency”). Where the approval of a Mortgagee or Secondary Mortgage Market Agency is required, such approval means: (i) written approval; (ii) any written waiver of approval rights; (iii) a formal letter stating no objection; or (iv) presumptive approval if a Mortgagee or Secondary Mortgage Market Agency does not respond to a notice by certified or registered United States mail, return receipt requested, within sixty days after the date the request for approval is transmitted in accordance with the notice requirements of Article 10 of the Bylaws and Sections 13.2 and 14.4 of the Declaration.

(23) “Officer” means any Person holding office pursuant to Article 6 of the Bylaws.

(24) “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.

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

(26) “Proffers” means the proffers dated October 4, 2005, applicable to the Property or the Additional Land as approved by the Board of Supervisors of Rockingham

County, Virginia and as amended from time to time. Although the Declarant intends to develop the Submitted Land and the Additional Land substantially in accordance with the Development Plan and the Proffers, the Declarant reserves the right to modify the Development Plan and the Proffers subject to the requirements and procedures of Rockingham County.

(27) “Property” means, at any given time, the Submitted Land together with all improvements and appurtenances thereto.

(28) “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.

(29) “Subassociation” means any owners association, condominium unit owners association or cooperative association subject to the Declaration and governing some but less than all of the Property pursuant to covenants recorded among the Land Records.

(30) “Submitted Land” means the land designated as such in Exhibit A to the Declaration and all land which is from time to time submitted to the Declaration 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.

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

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

Section 2.2. Construction of Association Documents.

(a) Captions. The captions are inserted only for reference, and in no way define, limit or otherwise affect the scope, meaning or effect of any provision.

(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 lawful the provision shall be enforced.

(d) Interpretation. If there is any conflict among the Association Documents, the Declaration and thereafter the applicable Supplementary Declaration shall control, except as to matters of compliance with the Act, in which case the Articles of Incorporation shall control. Particular 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.

ARTICLE 3

PURPOSES AND LIMITATIONS

The Association does not contemplate pecuniary gain or profit to the Owners. No part of any net earnings shall be paid to any director, Officer or Owner, and as such they will have no interest in or any title to any of the property or assets of the Association except upon dissolution. Nothing shall prohibit the Association from reimbursing its directors and Officers for services performed or for all reasonable expenses incurred in performing services for the Association. The purposes for which the Association is organized are to:

- (1) provide for the Upkeep of the Common Area and, to the extent provided in the Association Documents, of the Lots;
- (2) establish and administer the architectural, landscaping and maintenance standards governing the Property;
- (3) promote and provide for the health, safety, convenience, comfort and the general welfare of the Owners of the Lots and the occupants of the Property;
- (4) impose, collect and disburse dues and Assessments in accordance with the provisions of the Declaration;
- (5) exercise all other powers and perform all duties and obligations of the Association as set forth in the Association Documents; and
- (6) exercise the powers now or hereafter conferred by law on Virginia nonstock corporations as may be necessary or desirable to accomplish the purposes set forth above.

ARTICLE 4

MEMBERSHIP AND VOTING

Section 4.1. Membership. Members of the Association shall at all times be, and be limited to, the Declarant (during the Development Period) and the Persons who constitute the Owners of the Lots or the Subassociations representing such Owners as described in Section 4.2 .

If more than one Person owns a Lot, then all of the Persons who own such Lot shall collectively constitute one Owner and be one member of the Association and the Subassociation shall be deemed to be the Owner for the purposes of voting and approval. Subassociations shall cast their votes through a representative designated by and under the direction of the board of directors or the executive body serving similar purposes of such Subassociation. The Declarant and each such Person is entitled to attend all meetings of the Association. Membership in the Association is (either directly or through a Subassociation) mandatory and automatic with ownership of a Lot.

Section 4.2. Classes of Owners; Voting Rights.

(a) Classes; Voting Rights. The Association shall have the following classes of Owners (members):

The Class A Owners shall be the Owners 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.

The Class B Owner shall be the Declarant. During the Declarant Control Period, the Class B Owner shall have 860 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 one and one-half 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 one and one-half 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.

(b) Additional Provisions Governing Voting. Additional provisions governing voting rights and procedures shall be as set forth in Article 3 of the Bylaws.

Section 4.3. Required Vote. A Majority Vote of the Owners shall be necessary for the adoption of any matter voted upon, except as otherwise provided in the Association Documents. Directors shall be elected as provided in Article 5. The Bylaws shall be amended only in

accordance with the terms thereof. The Association is also bound by the requirements set forth in the Declaration and shall not take any action in violation thereof. Voting shall not be conducted by class unless specifically stated otherwise.

Section 4.4. Cumulative Voting. There shall be no cumulative voting.

ARTICLE 5

BOARD OF DIRECTORS

Section 5.1. Initial Directors. The three initial directors of the Association are Richard J. Hine, Michael Hatcher and David P. Leve whose business address is: c/o The Hine Group, 4145 Quarles Court, Suite 8, Harrisonburg, Virginia 22801. The initial directors shall serve until their successors are elected in accordance with Section 5.2. The Class B Owner shall be entitled to remove and replace the initial directors at will.

Section 5.2. Election of Directors and Term of Office

(a) Declarant-Controlled Board of Directors. The initial Board of Directors consists of three Persons; thereafter, the number of directors may be increased to not more than five directors pursuant to this section and Section 4.4 of the Bylaws. Except as provided in this section, all directors shall be elected by the Class B Owner who shall elect, remove and replace such directors at will, and designate the terms thereof, until the meeting described in Subsection 5.2(b) at which all Owners with voting rights are entitled to elect a majority of the directors.

(b) Owner-Controlled Board of Directors. At the earlier of: (i) the first annual meeting of the Association following the end of the Declarant Control Period or (ii) a special meeting called by the Class B Owner to transfer control of the Board of Directors, the number of directors shall be increased to five and all but two of the directors elected by the Class B Owner shall resign. During the Development Period the Class B Owner shall have the right to elect, remove and replace two directors. The remaining directors shall be elected by all Owners having voting rights, including the Declarant. After the Class B membership has expired, the two Board positions previously voted upon solely by the Class B Owner shall be voted upon by all Owners having voting rights.

(c) Transition Terms. The term of office of at least one but less than three of the directors elected by the Class B Owner at the first election of directors shall expire at the third annual meeting following their election. The term of office of at least one but less than three of the directors shall expire at the second annual meeting following their election. The term of office of at least one but fewer than three of the directors shall expire at the first annual meeting following their election. The actual number of directors whose terms of office expires at each of the three annual meetings described in the preceding sentences shall be one-third (or a number as near to one-third of the total number of directors as possible) of the total number of directors. Thereafter, each director shall serve for a three-year term. If the aggregate number of directors is changed, terms shall be established so that one-third (or a number as near to one-third of the total number of directors as possible) of the total number of directors is elected each year.

(d) Staggered Terms. Persons elected shall serve for the remainder of the terms of the directors replaced, or if no resignation was required, for the terms of office necessary so that the term of office of one-third (or a number as near to one-third as possible) of the directors shall expire at the first three annual meetings after their election. The directors receiving the greatest vote shall be elected for the longest available terms. All successor directors shall be elected to serve for staggered terms of three years each, unless elected to fill a vacancy, in which case such director shall serve as provided in Section 5.6. Except for death, resignation or removal, the directors shall hold office until their respective successors shall have been elected. If an election is not held when required, the directors holding over shall have the authority and power to manage the business of the Association until their successors are duly elected.

Section 5.3. Qualifications; Election Procedures.

(a) Qualifications. No person shall be eligible for election as a director unless such person is an Owner, the Declarant (or a designee of the Declarant) or a Mortgagee in possession (or a designee of a Mortgagee in possession). No Class A Owner or representative of such Owner shall be elected as a director or continue to serve as a director if such Owner is more than sixty days delinquent in meeting financial obligations to the Association.

(b) Nominations. Persons qualified to be directors may be nominated for election only by a nominating petition submitted to the Secretary at least twenty-five days before the meeting at which the election is to be held. The nominating petition must be signed by three other Owners and either signed by the nominee or accompanied by a document signed by the nominee indicating the willingness to serve as a director; provided, however, that additional nominations may be made from the floor at the meeting at which the election is held for each vacancy on the Board of Directors for which no more than one Person has been nominated by petition. The nominee must either be present or consent to the nomination or have indicated in writing the willingness to serve.

(c) Elections Committee. Prior to each meeting of the Association at which the directors are elected by Owners other than the Class B Owner, the Board of Directors shall appoint an Elections Committee consisting of one director whose term is not then expiring and at least two other persons who are not directors. The Elections Committee shall develop election procedures and administer such procedures as are approved by the Board providing for election of directors by ballot of the Owners at annual meetings and, where appropriate, special meetings.

(d) Declarant Control Period. Notwithstanding any other provision of this section, the Board of Directors may waive or modify any requirements under this section during the Declarant Control Period.

Section 5.4. Action by Board of Directors. At all meetings of the Board of Directors a majority of the total number of directors shall constitute a quorum for the transaction of business. A Majority Vote of the directors while a quorum is present shall constitute a decision of the Board of Directors unless otherwise provided in the Act, these Articles of Incorporation or the Bylaws. The Board of Directors may not mortgage, pledge or dedicate to the repayment of indebtedness or otherwise transfer, convey or encumber any or all of the Association's real

property without the approval of the Owners and Mortgagees as required by Section 14.4 of the Declaration.

Section 5.5. Removal or Resignation of Directors. Except with respect to initial directors, directors elected solely by the Class B Owner and replacements thereof, at any regular or special meeting of the Association duly called, any one or more of the directors may be removed with or without cause by the Owners entitled to cast a majority of the total number of votes entitled to elect such director, or as otherwise provided in the Act, and a successor may then and there be elected to fill the vacancy thus created.

Any director whose removal has been proposed by the Owners shall be given at least ten days notice of the time, place and purpose of the meeting and shall be given an opportunity to be heard at the meeting. The notice given to Owners of such meeting shall state that one of the purposes of the meeting is to remove such director. A director may resign at any time by giving notice to the Board of Directors, the President or the Secretary. Unless otherwise specified, such resignation shall take effect upon the receipt thereof and the acceptance of such resignation shall not be necessary to make it effective. Except for directors elected solely by the Class B Owner, a director shall be deemed to have resigned upon disposition by the Owner of the Lot which made such person eligible to be a director, or if such director is not in attendance at three consecutive regular meetings of the Board without approval for such absence, and the minutes reflect the director's resignation pursuant to this section. The Declarant as the Class B Owner may remove and replace at will any initial director or any director elected by the Class B Owner.

Section 5.6. Vacancies. Vacancies on the Board of Directors caused by any reason other than: (i) the removal of a director by the Owners or (ii) resignation or removal of an initial director or any director elected by the Declarant as the Class B Owner shall be filled by a Majority Vote of the remaining directors at the meeting of the Board held for such purpose promptly after the occurrence of such vacancy or, if the directors remaining in office constitute fewer than a quorum, an affirmative vote of the majority of the directors remaining in office even though the directors present at such meeting constitute less than a quorum. Each person so elected shall be a director until a successor shall be elected at the next annual meeting of the Association. Vacancies caused by removal of a director by the Owners shall be filled by a vote of the Owners, pursuant to Sections 4.2 and 5.5, and the successor director shall serve the remainder of the term of the director being replaced. The Declarant shall designate the successor to an initial director or any director elected, appointed or nominated by the Declarant. The term of the replacement directors shall expire so that the staggered terms shall remain unaffected.

ARTICLE 6

INITIAL REGISTERED OFFICE AND AGENT

The initial registered office of the Association is located in Fairfax County, Virginia, at 3110 Fairview Park Drive, Suite 1400, Falls Church, Virginia 22042, with a mailing address of 3110 Fairview Park Drive, Suite 1400, Falls Church, Virginia 22042, at which office the initial registered agent of the Association is Robert M. Diamond, who meets the requirements of Section 13.1-833 of the Act by reason of the fact that he is a resident of Virginia and a member of the Virginia State Bar whose business address is identical with that of the registered office.

ARTICLE 7

AMENDMENT

These Articles may be amended if the amendment is adopted by at least a Sixty-Seven Percent Vote of the Owners, pursuant to Section 13.1-886 of the Act. No amendment to these Articles may diminish or impair the rights of the Declarant without the prior written consent of the Declarant. The Association shall take no action to amend the Articles of Incorporation in violation of Section 15.4 of the Declaration.

ARTICLE 8

DISSOLUTION

The Association may be dissolved if the resolution to dissolve is adopted by Owners entitled to cast at least sixty-seven percent of the total number of votes of the Owners pursuant to Section 13.1-902 of the Act. Further, the Association may not be dissolved without the prior written approval of the Declarant during the Development Period. Upon termination of the Declaration and 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 governmental 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, then such Common Area and other associated assets of the Association may be distributed as agreed upon by Owners entitled to cast at least sixty-seven percent of the total number of votes of the Owners. The Association shall take no action to dissolve the Association or transfer Common Area except in accordance with Section 15.4 of the Declaration.

IN WITNESS WHEREOF, the incorporator of the Association has signed these Articles of Incorporation on January 31, 2007.

Robert M. Diamond, Incorporator

EXHIBIT 1 (C)

Bylaws

BYLAWS
FOR
PRESTON LAKE HOMEOWNERS ASSOCIATION
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PROXY
ASSOCIATION DISCLOSURE PACKAGE

EXHIBIT A
EXHIBIT B

BYLAWS
FOR
PRESTON LAKE HOMEOWNERS ASSOCIATION

ARTICLE 1

INTERPRETIVE PROVISIONS

Section 1.1 Defined Terms. Terms used herein without definition shall have the meanings specified for such terms in Section 13.1-803 of the Virginia Nonstock Corporation Act ("Act"). Definitions, terms and other interpretive provisions set forth in Article 2 of the Articles of Incorporation for Preston Lake Homeowners Association ("Articles of Incorporation") and in Section 1.1 of the Declaration for Preston Lake ("Declaration") are equally applicable to these Bylaws.

Section 1.2 Use of Technology.

(a) 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 e-mail.

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

(c) 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.

(d) 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.

(e) 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 similar communities in the area.

ARTICLE 2

MEETINGS OF OWNERS

Section 2.1. Annual Meetings. The first annual meeting of the Association shall be held, not later than the first anniversary of the incorporation of the Association which occurs after there is an Owner other than the Declarant or a Builder, at such place, date and time as may be fixed by a resolution of the Board of Directors. Subsequent annual meetings of the Association shall be held on weekdays (other than legal holidays recognized as such in Virginia) at least thirty days before the beginning of each fiscal year at such place, date and time as may be fixed from time to time by resolutions of the Board of Directors.

Section 2.2. Special Meetings. The Association shall hold a special meeting: (1) upon the call of the President; (2) if so directed by resolution of the Board of Directors; (3) upon a petition presented to the Secretary and signed by Owners entitled to cast at least **ten** percent of the total number of votes (excluding the Declarant's votes) or any Subassociation; or (4) upon request of the Declarant during the Development Period. The signatures on a petition requesting a special meeting shall be valid for a period of one hundred-eighty days after the date of the first such signature. Such resolution, petition or request must: (1) specify the time and place at which the meeting is to be held; (2) either specify a date on which the meeting is to be held which will permit the Secretary to comply with Section 2.3, or else specify that the Secretary shall designate the date of the meeting; (3) specify the purposes for which the meeting is to be held; and (4) be delivered to the Secretary. No business other than that stated in such resolution, request or petition shall be transacted at such special meeting.

Section 2.3. Notice of Meetings.

(a) Content and Timing. Written notice stating the place, date and time of each annual or regularly scheduled meeting and, in the case of a special meeting, the purposes for which the meeting is called, shall be given by the Secretary (or as directed by the Secretary) to each Owner entitled to vote at such meeting not less than fourteen days nor more than sixty days before the date of any annual or regularly scheduled meeting, and at least ten days before any other meeting, except for meetings to vote on extraordinary actions, in which case notice shall be given as provided in Subsection (b). The giving of notice in the manner provided in this section, Articles 1 and 10, the Act and the POA Act shall be considered service of notice.

(b) Extraordinary Actions. Notwithstanding the provisions of Subsection (a), notice of a meeting to act on an amendment to the Articles of Incorporation, a plan of merger or consolidation or dissolution of the Association shall be given in the manner provided above not less than twenty-five nor more than sixty days before the date of the meeting. Any such notice shall be accompanied by a copy of or a summary of the proposed amendment, plan of merger or consolidation or dissolution.

Section 2.4. Waiver of Notice of Meetings.

(a) Written Waiver. Whenever any notice is required to be given of any meeting of the Association, a waiver thereof in writing signed by an Owner entitled to such notice, whether given before or after the meeting, shall be equivalent to the giving of such notice to that Owner and such waiver shall be delivered to the Secretary for inclusion in the minutes or filing with the Association records.

(b) Waiver by Attendance. An Owner who attends a meeting shall be conclusively presumed to have had timely and proper notice of the meeting or to have duly waived notice thereof, unless such Owner attends for the express purpose of objecting to the transaction of any business on the grounds that the meeting was not lawfully called or convened and so notifies the person conducting the meeting at or prior to the commencement of the meeting or, in the case of a special meeting, at or prior to consideration of the matter subject to objection.

Section 2.5. Quorum. A quorum shall be deemed to be present throughout any meeting of the Association if Owners entitled to cast at least **ten** percent of the total number of votes are present, in person or by proxy, at the beginning of such meeting votes, if any. Once an Owner is present at a meeting such Owner is deemed present for quorum purposes for the remainder of the meeting and for any adjournment of that meeting unless a new Record Date is set for that adjourned meeting.

If at any meeting of the Association a quorum is not present, a majority of the Owners who are present at such meeting in person or by proxy may: (1) recess the meeting to such place, date and time as such Owners may agree not more than forty-eight hours after the time the original meeting was called; or (2) adjourn the meeting to a time not less than forty-eight hours or more than thirty days after the time the original meeting was called at such date and place as such Owners may agree, whereupon the Secretary shall announce the place, date and time at the meeting and make other reasonable efforts to notify all Owners of such date, time and place at which the meeting will be resumed. At any such future resumption of the meeting, a quorum shall be deemed present if Owners entitled to cast at least **ten** percent of the total number of votes are present in person or by proxy.

Section 2.6. Order of Business. Unless otherwise specified in the notice of the meeting, the order of business at all meetings of the Association shall be as follows:(1) roll call (proof of quorum); (2) proof of notice of meeting; (3) adoption of minutes of preceding meeting; (4) reports of officers; (5) report of Board of Directors; (6) reports of committees; (7) appointment of inspectors of election (when so required); (8) election of directors (when so required); (9) unfinished business; and (10) new business; provided, however, that balloting for election of directors may commence at any time at the direction of the presiding officer.

Section 2.7. Conduct of Meetings. The President shall preside over all meetings of the Association and the Secretary shall keep the minutes of the meetings and record all resolutions adopted at the meetings and proceedings occurring at such meetings. The President may appoint a parliamentarian at any meeting of the Association. The then current edition of Robert's Rules

of Order, Newly Revised, shall govern the conduct of all meetings of the Association when not in conflict with the Act or the Association Documents.

Section 2.8. Record Date to Determine Owners; List of Owners. The date for determining which Persons are Owners and therefore entitled to vote ("Record Date") shall be the close of business on the tenth business day before the effective date of the notice to the Owners of the meeting, unless the Board of Directors shall determine otherwise. The Board shall not fix a Record Date more than sixty days before the date of the meeting or other action requiring a determination of the Owners, nor shall the Board set a Record Date retroactively. At least ten days before each meeting, the Secretary shall make a complete list of Owners, with the address of each, available for review by the Owners before and during the meeting. The list shall be current as of the Record Date.

Section 2.9. Action by Owners Without Meeting. Any action required or permitted to be taken at a meeting of the Association may be taken without a meeting if written consent, setting forth the action so taken and signed by all of the Owners entitled to vote with respect to the subject matter thereof, is delivered to the Secretary for inclusion in the minutes or filing with the Association records. Such consent shall have the same force and effect as a unanimous vote of the Owners.

ARTICLE 3

VOTING

Section 3.1. Voting Rights. The voting rights of the Owners of the Association shall be as set forth in Section 4.2 of the Articles of Incorporation.

Section 3.2. Additional Provisions Governing Voting.

(a) Association Votes. If the Association is an Owner, the Association shall cast its votes with the majority with respect to any Lot it owns, and in any event such votes shall be counted for the purpose of establishing a quorum.

(b) Multiple-Person Owners. Since an Owner may be more than one Person, if only one of such Persons is present at a meeting of the Association or signs a consent, approval or proxy, that Person shall be entitled to cast the Owner's votes or give the consent, approval or proxy. If more than one of such Persons is present or otherwise gives a consent, approval or proxy, the vote, consent or approval appertaining to that Owner shall be cast only in accordance with unanimous agreement of such Persons, and such agreement shall be conclusively presumed if any of them purports to cast the vote appertaining to that Owner or to give a consent, approval or proxy without protest being made forthwith by any of the other Persons constituting such Owner to the person presiding over the meeting or objection to such consent, approval or proxy being made to the Association prior to the taking of the action in question.

(c) Voting Certificate. If an Owner is not a natural person, the vote by such Owner may be cast by any natural person authorized by such Owner. Such natural person must

be named in a certificate signed by an authorized officer, partner or trustee of such Owner and filed with the Secretary; provided, however, that any vote cast by a natural person on behalf of such Owner shall be deemed valid unless successfully challenged prior to the adjournment of the meeting at which the vote was cast or within ten days after such meeting by the Owner entitled to cast such vote. Such certificate shall be valid until revoked by a subsequent certificate similarly signed and filed. Wherever the approval or disapproval of an Owner is required by the Association Documents, such approval or disapproval may be made by any Person who would be entitled to cast the vote of such Owner at any meeting of the Association.

(d) Delinquency. No Class A Owner may vote at any meeting of the Association or be elected to serve on the Board of Directors if payment by such Owner of any financial obligation to the Association is delinquent more than sixty days and the amount necessary to bring the account current has not been paid at the time of such meeting or election.

Section 3.3. Manner of Voting.

(a) At a Meeting. Voting by Owners at a meeting shall be by voice vote (except for the election of directors which shall be by written ballot) unless the presiding officer determines otherwise or any Owner present at the meeting, in person or by proxy, requests, and by a Majority Vote the Owners consent to, a vote by written ballot indicating the name of the Owner voting, the number of votes appertaining to such Owner, and the name of the proxy of such ballot if cast by a proxy. There shall be no cumulative voting.

(b) By Referendum. In the sole discretion of the Board of Directors, elections of directors (or other matters permitted by law) requiring a vote of the Owners may be submitted to a referendum of the Owners on a ballot, by mail or at polling places. Ballots shall be returned to the Secretary by the date specified on the ballot. The Board of Directors shall determine the method of voting, the form of all ballots, the deadline for return of ballots and the number and location of polling places, if any.

Section 3.4. Proxies. A vote may be cast in person or by proxy. A proxy may be instructed (directing the proxy holder how to vote) or uninstructed (leaving how to vote to the proxy holder's discretion). If uninstructed, the proxy form or instructions shall contain a brief explanation of the effect of leaving the proxy uninstructed. Only instructed proxies may be granted by any Owner to the managing agent. No Person other than the Declarant, a Mortgagee (with respect to the Lots on which the Mortgagee holds a Mortgage), the managing agent or an Officer may cast votes as a proxy for more than five Lots not owned by such Person. Proxies shall be: (i) in writing, (ii) dated, (iii) signed by the Owner or a Person authorized by the Owner, (iv) valid for eleven months unless a longer time period is provided in the proxy and (v) filed with the Secretary. Such proxy shall be deemed revoked only upon actual receipt by the person presiding over the meeting of notice of revocation from the Owner. A sample proxy is attached as Exhibit A.

ARTICLE 4

BOARD OF DIRECTORS

Section 4.1. Powers and Duties of the Board of Directors. The business and affairs of the Association shall be managed by the Board of Directors elected in accordance with the procedures and for the terms of office set forth in Article 5 of the Articles of Incorporation. The Board of Directors shall have all of the powers and duties necessary for the administration of the affairs of the Association and may do all such acts and things as are not required by the Act or the Association Documents to be exercised and done by the Owners. The Board of Directors shall delegate to one of the directors or to a Person employed for such purpose the authority to act on behalf of the Board on such matters relating to the duties of the managing agent (as defined in Article 5), if any, which may arise between meetings of the Board as the Board deems appropriate. In addition to the duties imposed by any other provision of the Association Documents or by any resolution of the Association that may hereafter be adopted, the Board shall perform the following duties and take the following actions on behalf of the Association:

(1) Provide goods and services in accordance with the Association Documents, and provide for the Upkeep of the Common Area and, to the extent provided in the Association Documents, of the Lots.

(2) Designate, hire, dismiss and, where appropriate, compensate the personnel necessary to provide for the Upkeep of the Common Area and the general administration of the Association and, to the extent provided in the Association Documents, of the Lots, and to provide goods and services, as well as purchase equipment, supplies and materials to be used by such personnel in the performance of their duties.

(3) Collect the Assessments, deposit the proceeds thereof in depositories designated by the Board of Directors and use the proceeds to carry out the Upkeep of the Property and other real estate and facilities (to the extent the Association is so authorized by the Association Documents) and the general administration of the Association.

(4) Adopt and amend any reasonable Rules and Regulations not inconsistent with the Association Documents.

(5) Open bank accounts on behalf of the Association and designate the signatories thereon.

(6) Enforce the provisions of the Association Documents.

(7) Act with respect to all matters arising out of any eminent domain proceeding affecting the Common Area.

(8) Notify the Owners of any litigation against the Association involving a claim in excess of twenty percent of the total Annual Assessment.

(9) Obtain and carry insurance against casualties and liabilities, as provided in Article 10 of the Declaration, pay the premiums therefor and adjust and settle any claims thereunder.

(10) Pay the cost of all authorized goods and services rendered to the Association.

(11) Notify the appropriate Mortgagee of any default by an Owner in paying Assessments (which remains uncured for sixty days) or of any other default, simultaneously with the notice sent to the defaulting Owner.

(12) Provide an Association Disclosure Packet or Statement of Common Expense with respect to a Lot within fourteen days (or as otherwise required by law) after a written request and payment of the appropriate fee in accordance with Section 6.6 of the Declaration.

(13) Prepare an annual budget in accordance with Article 6 of the Declaration.

(14) Adopt an annual budget and make Assessments to defray the Common Expenses of the Association, establish the means and methods of collecting such Assessments and establish the period of the installment payment, if any, of the Annual Assessment in accordance with Article 6 of the Declaration.

(15) Borrow money on behalf of the Association, when required for any valid purpose; provided, however, that either a Majority Vote of the Owners obtained at a meeting held for such purpose or written approval by Owners entitled to cast more than fifty percent of the total number of votes shall be required to borrow any sum in excess of ten percent of the total Annual Assessment for that fiscal year or, subject to Section 15.4 of the Declaration, mortgage any of the Common Area. 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 and Additional Assessments in order to secure the repayment of any sums borrowed by the Association from time to time.

(16) Sign deeds, leases, plats of resubdivision and applications for construction permits or similar documents for the Common Area, as may be necessary or desirable in the normal course of the orderly development of the Property, at the request of the Declarant or on its own determination.

(17) Dedicate, lease or transfer any portion of the Common Area or grant or terminate easements, rights-of-way or licenses over and through all the Common Area pursuant to Section 3.2 of the Declaration and subject to the restrictions set forth in Section 15.4 of the Declaration.

(18) In its sole discretion, designate certain portions of the Common Area as Reserved Common Area, pursuant to Section 3.8 of the Declaration, and impose such restrictions and conditions on the use thereof as the Board of Directors deems appropriate.

(19) In accordance with Section 12.1 of the Declaration, suspend the right of any Owner or other occupant of a Lot, and the right of such Person's household, guests, tenants, agents and invitees to use the Common Area.

(20) Acquire, hold and dispose of Lots to enforce the collection of Assessments and mortgage the same without the prior approval of the Owners.

(21) Charge reasonable fees for the use of the Common Area, where appropriate, and for services and allow non-owners to use portions of the Common Area on a fee arrangement determined by the Board.

(22) Do anything else not inconsistent with the Act or the Association Documents.

Section 4.2. Meetings of Directors.

(a) Types of Meetings. The first (organizational) meeting of the Board of Directors following an annual meeting of the Association shall be held within thirty days thereafter at such time and place as shall be determined by a majority of the directors in order to elect Officers, appoint committee members and establish the manner of operation of the Board for the ensuing year. Regular meetings of the Board of Directors may be held at such time and place as shall be determined from time to time by a majority of the directors; provided, however, that after the Declarant Control Period, such meetings shall be held at least quarterly during each fiscal year. Special meetings of the Board of Directors may be called by the President and shall be called by the President or Secretary upon written request of at least two directors. All meetings of the Board of Directors shall be open to Owners as observers, except that the President or presiding officer may call the Board into executive session on sensitive matters such as personnel, litigation strategy or hearings with respect to violations of the Association Documents or as otherwise permitted by law. Any final action taken by the Board of Directors in executive session shall be recorded in the minutes. The Board of Directors may hold their meetings in the Commonwealth of Virginia, or during the Declarant Control Period, outside the state as the Board may from time to time determine.

(b) Notice. Notice of meetings of the Board of Directors shall be given to each director personally or by mail, telegraph, telecopy, telephone or electronic transmission, orally or in writing, at least three business days prior to the date named for such meeting. Such notice shall state the place, date and time and, in the case of special meetings, the purpose thereof. Notice of meetings shall also be posted or otherwise published in a manner reasonably expected to notify all Owners of the place, date and time of meetings of the Board of Directors and shall otherwise be provided to the Owners as required by the POA Act. No notice of the organizational meeting of the Board of Directors shall be necessary if such meeting is held immediately following the annual meeting.

(c) Waiver of Notice. Any director may at any time, in writing, waive notice of any meeting of the Board of Directors, and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a director at any meeting of the Board of Directors shall constitute a waiver of notice of the time, place and purpose of such meeting, unless the director attends for the express purpose of objecting to the transaction of any business on the grounds that the meeting was not lawfully called or convened and so notifies the person conducting the meeting at or prior to the commencement of the meeting or, in the case of a special meeting, at or prior to consideration of the matter subject to objection. Subject to the requirements of the POA Act, if all directors are present at any meeting of the Board of Directors, no notice shall be required and any business may be transacted at such meeting.

(d) Quorum of the Board of Directors. At all meetings of the Board of Directors, a majority of the total number of directors (including at least one representative of each class of Owners) shall constitute a quorum for the transaction of business, and a Majority Vote while a quorum is present shall constitute the decision of the Board of Directors, unless provided otherwise in the Act or the Association Documents. If at any meeting of the Board of Directors there is less than a quorum present, a majority of those present may recess or adjourn the meeting from time to time. When the recessed or adjourned meeting is reconvened, if a quorum is present, any business which might have been transacted at the meeting originally called may be transacted without further notice. If a meeting is conducted by telephone conference, video conference or similar electronic means, at least one of the directors (or two of the directors if required by law) shall be physically present at the meeting place included in the notice. The audio equipment shall be sufficient for any Owner in attendance to hear what is said by any director participating in the meeting who is not physically present. A director who participates in a meeting by any means of communication by which all participants may simultaneously hear each other during the meeting shall be deemed present at the meeting for all purposes to the extent permitted by the POA Act.

(e) Conduct of Meetings. The President shall preside over meetings of the Board of Directors and the Secretary shall keep the minutes of the meetings and record all resolutions adopted at the meetings and proceedings occurring at the meetings. The then current edition of Robert's Rules of Order, Newly Revised, shall govern the conduct of the meetings of the Board of Directors when not in conflict with the Act or the Association Documents.

(f) Rights of Owners. Only to the extent required by the POA Act:

(1) All meetings of the Board of Directors shall be open to all Owners of record.

(2) Notice including the time, date and place of each meeting of the Board of Directors shall be furnished to any Owner who requests such information. Requests by an Owner to be notified on a continual basis shall be made at least once a year in writing and include the owner's name, address, and zip code. Notice, reasonable under the circumstances, of

special or emergency meeting shall be given contemporaneously with the notice provided to members of the Board of Directors conducting the meeting.

(3) Unless otherwise exempt as relating to a closed session pursuant to the POA Act, at least one copy of all agenda packets and materials furnished to members of the Board of Directors for a meeting shall be made available for inspection by the Owners at the same time such documents are furnished to the Board of Directors.

(4) Any Owner may make an audio recording of any portion of a meeting required to be open. The Board of Directors conducting the meeting may adopt rules governing the placement and use of equipment necessary for recording a meeting to prevent interference with the proceedings.

(5) Voting by secret or written ballot in an open meeting is prohibited except for the election of Officers.

Section 4.3. Action by Directors Without Meeting. Any action by the Board of Directors required or permitted to be taken at any meeting may be taken without a meeting if a consent in writing setting forth the action taken shall be signed either before or after such action is taken by all of the directors. Any such written consent shall have the same force and effect as a unanimous vote and shall be filed with the minutes of the Board of Directors.

Section 4.4. Number of Directors. During the Declarant Control Period, the Board of Directors shall consist of three persons. After the Declarant Control Period, the Board shall consist of seven directors as established by the Board of Directors from time to time.

ARTICLE 5

MANAGING AGENT

Section 5.1. Compensation. The Board of Directors may employ for the purpose of administering the Property a "managing agent" at a compensation to be established by the Board.

Section 5.2. Requirements. The managing agent shall be a bona fide business enterprise or independent contractor, unaffiliated with the Declarant, which manages common interest communities. The managing agent or its principals shall have a minimum of two years' experience in community management and shall employ persons possessing a high level of competence in the technical skills necessary to proper management of the Property. The managing agent must be able to advise the Board of Directors regarding the administrative operation of the Property and shall employ personnel knowledgeable in the areas of insurance, accounting, contract negotiation, labor relations and property management. Otherwise, the managing agent may be a full-time employee of the Association who shall organize, staff, train and administer such in-house personnel as is needed to manage the Property.

Section 5.3. Duties. The managing agent shall perform such duties and services as the Board of Directors shall direct. Such duties and services may include without limitation the

duties listed in paragraphs (1), (2), (3), (6), (7), (8), (9), (10), (11), (13), (20) and (22) of Section 4.1. The Board of Directors may delegate to the managing agent all of the powers granted to the Board of Directors by these Bylaws other than the powers set forth in paragraphs (4), (5), (14), (15), (16), (17), (18), (19), (20) and (21) of Section 4.1. The managing agent shall perform the obligations, duties and services relating to the management of the Property, the rights of Mortgagees and the maintenance of reserve funds in compliance with the provisions of the Act and the Association Documents.

Section 5.4. Standards. The Board of Directors shall impose appropriate standards of performance upon the managing agent. Unless the managing agent is instructed otherwise by the Board of Directors:

(1) the accrual or modified accrual method of accounting shall be employed and expenses required by these Bylaws to be charged to one or more but less than all Owners shall be accounted for and reported separately;

(2) two or more persons shall be responsible for handling cash to maintain adequate financial control procedures;

(3) cash accounts of the Association shall not be commingled with any other entity's accounts;

(4) no remuneration shall be accepted by the managing agent from vendors, independent contractors or others providing goods or services to the Association whether in the form of commissions, finders fees, service fees or otherwise; any discounts received shall benefit the Association;

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

(6) a financial report shall be prepared for the Association at least quarterly, containing: (i) an "income statement" reflecting all income and expense activity for the preceding period on an accrual basis; (ii) an "account activity statement" reflecting all receipt and disbursement activity for the preceding period on a cash basis; (iii) an "account status report" reflecting the status of all accounts in an "actual" versus "projected" (budget) format; (iv) a "balance sheet" reflecting the financial condition of the Association on an unaudited basis; (v) a "budget report" reflecting any actual or pending obligations which are in excess of budgeted amounts by an amount exceeding the operating reserves or ten percent of a major budget category (as distinct from a specific line item in an expanded chart of accounts); and (vi) a "delinquency report" listing all Owners who are delinquent in paying Assessments and describing the status of any actions to collect such Assessments.

Section 5.5. Limitations. The Board of Directors may employ a managing agent for an initial term not to exceed two years; provided, however, that the term of any such management agreement may be renewable by mutual agreement of the parties for successive one-year terms.

Any contract with the managing agent must provide that it may be terminated, without payment of a termination fee, without cause on no more than ninety days written notice and with cause on no more than thirty days written notice.

ARTICLE 6

OFFICERS

Section 6.1. Designation and Duties of Officers. The principal officers of the Association shall be the President (who shall also serve as Chairman of the Board of Directors), the Vice President, the Secretary and the Treasurer, all of whom shall be elected by the Board of Directors. The Board of Directors may also elect an assistant treasurer, an assistant secretary and such other Officers as in its judgment may be necessary. The President and Vice President shall be Owners, except for those directors designated or elected by the Declarant, and directors. Any other Officers may, but need not, be Owners or directors. Each Officer shall perform such duties as are normally associated with such office in parliamentary organizations, except to the extent (if any) inconsistent with the Act or the Association Documents, and shall perform such other duties as may be assigned to such Officer by resolution of the Board of Directors. If any Officer is unable for any reason to perform the duties of the office, the President (or the Board of Directors if the President fails to do so) may appoint another qualified person to act in such Officer's stead on an interim basis.

Section 6.2. Election of Officers. The Officers of the Association shall be elected annually by the Board of Directors at the organizational meeting of each new Board and shall hold office at the pleasure of the Board. Any Officer may hold more than one position; provided, however, that the offices of President, Vice President and Secretary shall be held by three different individuals. Except for death, resignation or removal, the Officers shall hold office until their respective successors shall have been elected by the Board.

Section 6.3. Resignation or Removal of Officers. Any Officer may resign by delivering written notice to the Board of Directors. Unless otherwise specified in the notice, such resignation shall take effect upon the receipt thereof, and acceptance by the Board of Directors of such resignation shall not be necessary to make it effective. Upon the affirmative vote of a majority of the total number of directors, any Officer may be removed, either with or without cause, and a successor may be elected at any regular meeting of the Board or at any special meeting of the Board called for such purpose.

Section 6.4. Vacancies. A vacancy in any office may be filled by appointment by the Board of Directors. The person appointed to fill a vacancy shall serve for the remainder of the term of the Officer such person replaces.

Section 6.5. President. The President shall be the chief executive officer of the Association; preside at all meetings of the Association and of the Board of Directors; have general and active direction of the business of the Association subject to the control of the Board; see to the execution of the resolutions of the Association and the Board of Directors; see that all

orders and resolutions of the Board are carried into effect; and, in general, perform all the duties incident to the Office of President.

Section 6.6. Vice President. The Vice President shall take the place of the President and perform the duties of the President whenever the President is absent or unable to act. If neither the President nor the Vice President is able to act, the Board of Directors shall appoint some other director to act in the place of the President, on an interim basis. The Vice President shall also perform such other duties as shall from time to time be imposed by the Board of Directors or by the President.

Section 6.7. Secretary. The Secretary shall: keep the minutes of all meetings of the Association and of the Board of Directors; have charge of such books and papers as the Board may direct and as may be required by Section 3.1-932 of the POA Act and Section 55-510 of the POA Act; give or cause to be given all notices required to be given by the Association; give each Owner notice of any Assessment against such Owner's Lot as soon as practical after any such Assessment is made; give each Owner notice of and a copy of the Rules and Regulations and any amendments thereto; maintain a register setting forth the place to which all notices to Owners and Mortgagees hereunder shall be delivered; file or cause to be filed the annual reports required by Section 13.1-936 of the Act and Section 55-516.1 of the POA Act or as otherwise required by law; make it possible for any Owner or Mortgagee to inspect and copy at reasonable times and by appointment the records of the Association; and, in general, perform all the duties incident to the Office of Secretary.

Section 6.8. Treasurer. The Treasurer shall: be responsible for Association funds and securities; keep or cause to be kept full and accurate financial records and books of account showing all receipts and disbursements; prepare or cause to be prepared all required financial data, including the Statement of Common Expenses required by Section 6.6 of the Declaration; deposit all monies and other valuable effects in the name of the Board of Directors or the Association in such depositories as may from time to time be designated by the Board; and, in general, perform all the duties incident to the Office of Treasurer.

Section 6.9. Managing Agent. The managing agent may perform the duties of the Secretary or Treasurer at the direction of the Board of Directors.

ARTICLE 7

COMMITTEES

Section 7.1. Required Committees. (a) Covenants Committee. The Board of Directors shall establish a Covenants Committee as set forth in Article 9 of the Declaration.

(b) Elections Committee. The Board of Directors shall establish an Elections Committee as required in Subsection 5.3(c) of the Articles of Incorporation.

Section 7.2. Other Committees. The Board of Directors may create and abolish from time to time such other committees consisting of two or more persons as the Board may deem

appropriate to aid in the administration of the affairs of the Association. Such committees shall have the powers and duties fixed by resolution of the Board from time to time.

Section 7.3. Appointment and Removal. The Board shall appoint the chair of each committee, and may either appoint the other committee members or leave such appointment to the committee chair. The Board of Directors may immediately remove a committee member with or without cause; provided, however, that the Board of Directors may not appoint or remove any member of the Initial Construction Committee, such right being reserved to the Declarant..

Section 7.4. Committee Meetings. The procedures for committee meetings shall be the same as set forth for meetings of the Board of Directors in Section 4.2, and the chair shall serve as the presiding officer of the committee.

Section 7.5. Action by Committee Without a Meeting. Any action required or permitted to be taken at a committee meeting may be taken without a meeting if consent in writing, setting forth the action taken, shall be signed either before or after such action by all of the committee members. Any such written consent shall have the same force and effect as a unanimous vote and shall be filed with the minutes of the committee.

ARTICLE 8

FIDUCIARY DUTIES

Section 8.1. Signature Requirements. Unless otherwise provided in the resolution of the Board of Directors: (1) all agreements, contracts, deeds, leases, checks and other instruments of the Association for expenditures or obligations in excess of five percent of the total Annual Assessment for that fiscal year and all checks drawn upon reserve accounts shall be signed by any two persons designated by the Board of Directors; and (2) all such instruments for expenditures or obligations of five percent or less of the total annual assessment for that fiscal year, except from reserve accounts, may be signed by any one person designated by the Board of Directors. Notwithstanding the foregoing, instruments creating or paying obligations for less than five Thousand Dollars, except for withdrawals from the reserve funds, may be signed by only one person. The managing agent, if so designated by the Board of Directors, or any Officer of the Association may sign a Statement of Common Expenses or an Association Disclosure Packet on behalf of the Association.

Section 8.2. Conflicts of Interest.

(a) Rule and Exceptions. Each director or Officer shall exercise such director's or Officer's powers and duties in good faith and in the best interests of the Association. No contract or other transaction between the Association and any of its directors or Officers, or between the Association and any corporation, firm or association (including the Declarant) in which any of the directors or Officers of the Association are directors or officers or are pecuniarily or otherwise interested, is either void or voidable because of such relationship or because any such director or Officer is present at the meeting of the Board of Directors or any committee thereof which authorizes or approves the contract or transaction or because such

director's or Officer's vote is counted for such purpose if any of the following conditions exist: (1) the material facts of the transaction and the common directorate or interest is disclosed or known to the Board of Directors or a majority thereof, and the Board authorizes, approves or ratifies such contract or transaction in good faith by a majority of directors entitled to vote on the transaction, but in no event may such a transaction be authorized, approved or ratified by a single director; (2) the material facts of the transaction and the common directorate or interest is disclosed or known to all of the Owners entitled to vote on the matter, and the Owners who are entitled to be counted in a vote on the transaction approve or ratify the contract or transaction by a majority of the total number of votes entitled to be cast; or (3) the contract or transaction is commercially reasonable to the Association in view of all the facts known to any director or Officer at the time such contract or transaction is authorized, ratified, approved or signed. No director or officer having disclosed or made known a conflict of interest shall be liable to the Association or any Owner or creditor thereof or any other Person for any loss incurred by the Association under or by reason of any contract or transaction, nor shall any such director or Owner be accountable for any gains or profits realized therefrom.

(b) Vote Not Counted. Each director or Officer shall exercise such director's or Officer's powers and duties in good faith and in the best interests of the Association. Any common or interested director or Officer may be counted in determining the presence of a quorum of any meeting of the Board of Directors, a committee or the Owners which authorizes, approves or ratifies any contract or transaction. The voidability of a transaction involving a director or Officer with a conflict of interest shall be determined in accordance with Section 13.1-871 of the Act.

Section 8.3. Liability and Indemnification.

(a) No Personal Liability. The directors, Officers and committee members shall not be liable to the Association or any Owner for any mistake of judgment, negligence or otherwise, except for their own individual willful misconduct or bad faith. Directors and Officers shall have no personal liability with respect to any contract made by them on behalf of the Association. No Owner shall be liable for the contract or tort liability of the Association by reason of ownership or membership therein. Every agreement made by the Board of Directors, the Officers or the managing agent on behalf of the Association shall, if obtainable, provide that the directors, the Officers or the managing agent, as the case may be, are acting only as agents for the Association and shall have no personal liability thereunder.

(b) Indemnification. The Association shall indemnify the directors, Officers and committee members to the extent that it is contemplated a nonstock corporation may indemnify its directors, officers and employees pursuant to Sections 13.1-875 through 13.1-883 of the Act; provided, however, that before the Association uses association funds for indemnification, all insurance proceeds must be obtained and applied toward such indemnification. The foregoing right of indemnification shall not be exclusive of any other rights to which a person may be entitled by law, agreement, vote of the Owners or otherwise.

(c) Directors and Officers Liability Insurance. The Association shall have the power, pursuant to Article 10 of the Declaration, to purchase and maintain insurance on behalf of

any person who is or was a director, Officer or committee member against any liability asserted against such person and incurred by such person in any such capacity or arising out of such person's status as such, whether or not the Association would have the power to indemnify such person against such liability under the provisions of this section. Further, the availability of the Association's indemnity shall not relieve any insurer of any liability under an insurance policy held by the Association.

Section 8.4. Compensation of Directors and Officers. The Association may pay a recording secretary. Otherwise, no salary or other compensation shall be paid by the Association to any director or Officer of the Association for serving or acting as such, but this shall not preclude the payment of salary or other compensation for the performance by such director or Officer of other services to the Association nor shall it preclude the reimbursement of reasonable, ordinary and necessary expenses incurred in serving or acting as a director or Officer.

ARTICLE 9

BOOKS AND RECORDS

Section 9.1. Maintenance. The Association shall keep books and records as required by Section 13.1-932 of the Act and Section 55-510 of the POA Act and as otherwise required by law. The Association shall keep records of: (i) its governing documents (i.e., Association Documents, Rules and Regulations and Design Guidelines); (ii) its actions (Board resolutions, meeting minutes, etc.); and (iii) its financial condition (receipts and expenditures affecting the finances, operation and administration of the Association, budget, financial statements, etc.). All books and records shall be kept in accordance with generally accepted accounting principles, and the same shall be audited at least once a year by an accountant retained by the Board of Directors who shall not be an Owner or an occupant of a Lot or an employee of an Owner or occupant of a Lot. The books and records shall be audited (i) upon the request of any Mortgagee or any Secondary Mortgage Market Agency; (ii) upon a Majority Vote of the Owners (or the written request of Owners entitled to cast more than fifty percent of the total number of votes); or (iii) upon request by the Board of Directors. The cost of such audit shall be a Common Expense. The audit shall be available within one-hundred twenty days after the end of the fiscal year.

Section 9.2. Availability. The books and records of the Association shall be available for examination by the Owners, their attorneys, accountants, Mortgagees and authorized agents during general business hours on business days at the times and in the manner established by the Board of Directors for the general knowledge of the Owners in accordance with and subject to the limitations permitted by Section 13.1-933 of the Act and Section 55-510 of the POA Act or as otherwise required by law; provided, however, that the Association is not required to maintain or make available records over three years old unless otherwise required by law. The list of Owners required by Section 2.8 shall be available for inspection for a period of ten days prior to the meeting and at the meeting. Pursuant to Section 13.3 of the Declaration, all Mortgagees or their authorized representatives shall have the right to examine the books and records of the Association on the same terms and conditions as the Owners. The Board of Directors may fix

from time to time a reasonable charge to cover the direct and indirect costs of providing any documents.

Section 9.3. Fiscal Year. The first fiscal year of the Association shall begin on the date of the conveyance of the first Lot to an Owner other than the Declarant or a Builder and end on the last day of December, unless otherwise determined by the Board of Directors. Each subsequent fiscal year shall commence on January 1 and end on December 31, unless otherwise determined by the Board of Directors.

Section 9.4. Association Filings. The Association shall also file and maintain the annual reports required to be filed with the Virginia State Corporation Commission by Section 13.1-936 of the Act and with the Virginia Real Estate Board by Section 55-516.1 of the POA Act.

ARTICLE 10

NOTICES

Except as specifically provided otherwise in the Act, the POA Act or the Association Documents, all notices, demands, bills, statements or other communications under the Association Documents shall be in writing and shall be deemed to have been duly given if hand delivered personally to the Owner or the Owner's address of record or delivered by telegraph, teletype or other form of wire, wireless or electronic communication or by private carrier or sent United States mail, postage prepaid pursuant to Section 13.1-810 of the Act, or if notification is of a default, hearing or lien, sent by registered or certified United States mail, return receipt requested, postage prepaid: (1) if to an Owner, at the address which the Owner shall designate in writing and file with the Secretary or, if no such address is designated for an Owner, at the address of a Lot owned by such Owner; (2) if to the Association, the Board of Directors or to the managing agent, at the principal office of the managing agent or at such other address as shall be designated by notice in writing to the Owners pursuant to this section; or (3) if to a Mortgagee, at the address indicated by the Mortgagee in a written notice to the Association. If mailed, such notice shall be deemed to be given when deposited in the United States mail addressed to the address shown in the Association records. Notice of meetings may be included as part of the Association's newsletter, if the newsletter is delivered to every Lot and sent to non-resident Owners, or published in a newspaper of general circulation as permitted by Section 13.1-810 B of the Act. If a Lot is owned by more than one Person, notice to one of the Persons comprising the Owner is sufficient notice to the Owner.

ARTICLE 11

AMENDMENTS

These Bylaws may be amended by a Majority Vote of the Owners if a copy of the proposed amendment or a summary thereof has been inserted in the notice of meeting or all of the Owners are present in person or by proxy. Except for Articles 4 and 11 and Sections 2.3, 2.5 and 8.3, these Bylaws may also be amended by a Majority Vote of the Board of Directors; provided, however, that the proposed amendment has been inserted in the meeting notice; and

provided, further, that at least two-thirds of the total number of directors are present at such meeting. No amendment to these Bylaws may diminish or impair the rights of the Declarant under the Bylaws without the prior written consent of the Declarant. No amendment to these Bylaws may diminish or impair the rights of the Mortgagees under the Bylaws.

WE, THE INITIAL DIRECTORS OF THE ASSOCIATION, HAVE ADOPTED THESE BYLAWS ON _____, 20____, AS EVIDENCED BY OUR SIGNATURES BELOW.

_____, 20____
Date

Director
Printed Name: _____

_____, 20____
Date

Director
Printed Name: _____

_____, 20____
Date

Director
Printed Name: _____

CERTIFICATION

I, the undersigned, do hereby certify:

THAT I am the duly elected and acting secretary of PRESTON LAKE HOMEOWNERS ASSOCIATION, a Virginia nonstock corporation; and

THAT the foregoing Bylaws constitute the original Bylaws of the Association, as duly adopted by the Board of Directors pursuant to the Organizational Minutes dated _____, 20____.

IN WITNESS WHEREOF, I have hereunto subscribed my name on _____, 20____.

SECRETARY

PRESTON LAKE HOMEOWNERS ASSOCIATION
INSTRUCTIONS FOR PROXIES

1. USE THE PROXY ONLY IF YOU DO NOT WISH TO VOTE IN PERSON.
2. A PROXY SHOULD BE SIGNED BY ALL OWNERS OF RECORD OF THE LOT OR LOTS, BUT SIGNATURE BY ONE OWNER IS SUFFICIENT. IF THE VOTER IS A SUBASSOCIATION OR ENTITY, THEN THE PROXY MUST BE SIGNED BY AN OFFICER OF THE SUBASSOCIATION OR ENTITY.
3. THE PROXY MAY BE REVOKED ONLY BY ACTUAL NOTICE TO THE PRESIDENT OF THE ASSOCIATION (OR OTHER PERSON PRESIDING OVER THE MEETING IF NOT THE PRESIDENT).
4. Print your name, address and Lot number(s).
5. Print the name of the person you wish to designate as your proxy.
6. If you wish to have someone else vote on your behalf (Uninstructed Proxy): Check the appropriate box. If you are granting an uninstructed proxy, the proxy holder may decide how to cast your vote on any issues raised at the meeting.
7. If you wish to indicate your vote (Instructed Proxy): Check the appropriate box and fill in the names of the candidates for the Board of Directors for whom you wish to vote or your vote for or against each question to be decided.
8. Give the proxy form to the person you have designated as your proxy.
9. File a copy of the proxy with the Secretary at the meeting. If possible, please mail or deliver a copy of the proxy in advance to PRESTON LAKE HOMEOWNERS ASSOCIATION

c/o _____, Secretary, _____

PRESTON LAKE HOMEOWNERS ASSOCIATION

PROXY FORM

Address _____ Lot No(s). _____

No. of Votes _____ Class _____,

(I) (WE) _____ AND _____,
Print Name *Print Name*

under the provisions of Section 3.4 of the Bylaws, hereby grant(s) this proxy to _____
_____ * for the sole purpose of casting votes at
the meeting on _____, 20__ or any subsequent meeting called due to a
failure to obtain a quorum at the first attempt to hold the meeting.

*IF NO OTHER NAME IS FILLED IN, THE PROXY SHALL BE AUTOMATICALLY
GRANTED TO THE THEN PRESIDENT OF THE ASSOCIATION.

Check the appropriate box:

The person named in this proxy may cast the votes appurtenant to the Lot(s) referenced
above for any _____ candidates for the Board of Directors he or she chooses.

The person named in this proxy must cast the votes appurtenant to the Lot(s) referenced
above for the following candidates for the Board of Directors:

The person named in this proxy must cast my votes [check one box]:

For Against As he/she sees fit

_____ *question to be decided*

The person named in this proxy **may**/ **may not** cast the votes appurtenant to the Lots(s)
referenced above on any other matter that may arise at the meeting as he or she sees fit.

Owner's Signature

Owner's Signature

Date: _____

Date: _____

NOTE: A COPY OF THE PROXY MUST BE FILED WITH THE SECRETARY AT THE MEETING.

PRESTON LAKE HOMEOWNERS ASSOCIATION
ASSOCIATION DISCLOSURE PACKET

TO: _____

FROM: Preston Lake Owners Association
State of Incorporation: Virginia
Name and Address of Registered Agent:

RE: Lot No. _____, Preston Lake
Harrisonburg, Rockingham County, Virginia

DATE REQUEST RECEIVED: _____, 20____
Month Day Year

DATE ISSUED: _____, 20____
Month Day Year

In accordance with Section 55-512 of the Virginia Property Owners' Association Act, as amended, the Association hereby represents that based on its best knowledge and belief, the information set forth below is accurate as of the date hereof.

A. The status of Assessments and mandatory fees or charges with respect to the Lot is as follows:

Current Assessment due _____ \$ _____
Due Date

Assessment in arrears _____ \$ _____
Period Covered

Other fees or charges due _____ \$ _____
Description

Fees or charges in arrears _____ \$ _____
Description

TOTAL DUE \$ _____

Known Assessments, fees and charges
for the current fiscal year not yet due \$ _____*

* The Monthly Assessment for 20____ is \$ _____.
Year Amount

The Association levies Annual Assessments (which may be payable in equal periodic installments) to pay Common Expenses. Additional Assessments may also be levied for the

same purpose. A fee of \$____ is currently charged by the Association for the preparation of an Association Disclosure Packet (such as this one). A late charge of \$____0 is currently applied to any Assessment or installment thereof not paid within ten days after the date it becomes due. The Association also has the power pursuant to Articles 6 and 12 of the Declaration and Section 55-513 of the Virginia Property Owners' Association Act to levy Individual Assessments against a specific Owner for failing to comply with the provisions of the Association Documents. There are no other fees or charges imposed by the Association or any other entity or facility in connection with the Property, except as stated below:

An Initial Purchase Payment in the amount of \$_____ is collected by the Association from all new purchasers of Lots from the Declarant.

A resale fee in the amount of \$_____ collected by the Association from all purchasers of resale Lots.

B. There are no expenditures of funds approved by the Association or the Board of Directors which will require an Additional Assessment during the current year or the immediately succeeding fiscal year, except as follows:

C. As of the date hereof, there is an outstanding balance in the reserve for replacement funds (reserve accounts) of approximately \$_____. Of that balance, the following amounts, if any, have been designated by the Board of Directors for the following specific projects:

D. Attached are (1) a copy or summary of the current operating budget, and (2) a copy of the income and expense statement or a statement of financial condition for the year ended_____, 20___, the most recent fiscal year for which such statement is available.

E. There are no unsatisfied judgments against the Association nor any pending suits (other than collection cases, if any) in which the Association is a party which either could or would have a material impact on the Association or which relate to the Lot referenced above, except as follows:

F. The Association holds hazard, property damage and liability insurance policies covering the Common Area as required by the Declaration in the following amounts: Replacement costs for any hazard and property damage, without deduction for depreciation (such amount to be redetermined annually by the Board with the assistance of the insurance company affording such coverage); \$1,000,000.00 liability. The Association also maintains fidelity coverage equal to one-fourth the total annual assessment. Each Owner should obtain insurance covering property damage to such Owner's Lot and personal property contained therein as well as insurance covering personal liability. You are urged to review Article 10 of the Declaration and to consult with your insurance agent. Copies of the insurance policies are available for inspection or information is obtainable as follows:

Insert Name address of Insurance Agency

The insurance agency is not an affiliate of the Declarant.

G. The Association has not given notice to the Owner of the Lot and has no knowledge of whether improvements or alterations made to the Lot or uses made of the Lot or any Common Area assigned to the Lot, if any, are in violation of the documents listed in Paragraph H except as follows:

H. Attached are copies of the Declaration, Articles of Incorporation, Bylaws, Rules and Regulations and Design Standards of the Association (to the extent such documents exist), including all amendments. The Association restricts, regulates, limits or prohibits "for sale" signs placed on a Lot advertising such Lot. The Association also restricts, regulates and limits the size, place and manner of placement or display of flags and banners and regulates the installation of any free-standing flagpole or similar structure.

I. All Owners have voting rights in the Association.

1. The Class A Owners are the Owners other than the Declarant or a Builder during the Declarant Control Period. A Class A Owner has 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 is the Declarant. The Class B Owner has 860 votes less the number of votes held by all other Owners when a vote is taken. After the Declarant Control Period expires, the Declarant has one vote as a Class B Owner and the Declarant also becomes a Class A Owner and has Class A votes with respect to the Lots owned by the Declarant. The Class B membership expires at the end of the Development Period.

J. Each Owner is liable to the Association for any costs incurred by the Association and the expense of all Upkeep rendered necessary by such Owner's act or omission and the act or omission of such Owner's tenant and such Owner's (or tenant's) household, guests, employees, agents and invitees, regardless of neglect or culpability. Such liability shall include any increase in casualty insurance rates occasioned by use, misuse, occupancy or abandonment of any Lot or its appurtenances.

K. The purchaser of a Lot is jointly and severally liable with the selling Owner for all unpaid Assessments against the latter for the proportionate share of the Common Expenses up to the time of recordation of the deed transferring title, not to exceed: (i) the amount shown on a 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 against the Lot has been filed, the amount owed not to exceed six monthly installments of the Annual Assessment, 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 remains subject to a lien for the amount owed to the Association, if any.

L. The Lot is not subject to the jurisdiction of another association.

M. The Declarant has reserved certain rights to enter Lots for various purposes, including without limitation to correct drainage, plant trees or shrubbery or for such other purposes as may be required to complete development, obtain bond release or have public streets accepted for dedication. The homeowner acknowledges the Declarant's rights to enter Lots as further described in the Declaration.

N. Subsection 8.2(y) of the Declaration prohibits the conversion of garage space to living space without the approval of the Covenants Committee.

The Association contact for questions regarding this Disclosure Packet is _____
Name

Address *Telephone Number*

NOTE: Pursuant to Subsection 12.1(k) of the Declaration, upon acquiring title to a Lot each new Owner shall immediately give written notice to the Secretary of the Association stating the name and address of such new Owner and the number or address of the Lot. If a new Owner gives such notice within thirty days after acquiring title to a Lot, there will be no charge for adding such Owner's name to the Association records. After thirty days there will be a charge of \$_____ assessed against such Owner to cover the administrative costs of record keeping.

THE ASSOCIATION HAS FILED WITH THE VIRGINIA REAL ESTATE BOARD THE ANNUAL REPORT REQUIRED BY SECTION 55-516.1 OF THE CODE OF VIRGINIA (1950): FILING NO. _____ EXPIRATION DATE _____

EXHIBIT 1 (D)

Sample Supplementary Declaration

SAMPLE
SUPPLEMENTARY DECLARATION
FOR
PRESTON LAKE

Section _____

THIS SUPPLEMENTARY DECLARATION FOR PRESTON LAKE is made as of _____, 20__ by Preston Lake Homes, LLC ("Declarant"), a Virginia limited liability company.

RECITALS:

R-1. The Declarant executed the Declaration for Preston Lake ("Declaration") dated _____, 20__ and recorded on _____, 20__ in Deed Book _____ at Page _____ among the land records of Rockingham County, Virginia ("Land Records"), submitting certain real estate as further described in the Declaration to the covenants, charges, restrictions, easements and liens contained in the Declaration.

R-2. Section 4.1 of the Declaration reserves to the Declarant the unilateral right to sign and record Supplementary Declarations submitting certain land, designated as Additional Land and described in Exhibit B thereto, to the Declaration and the jurisdiction of the Association until the twenty-fifth anniversary of the date of recordation of the Declaration.

R-3. Section 4.1 of the Declaration also reserves to the Declarant the unilateral right to sign and record Supplementary Declarations subjecting any portion of the Property to such additional covenants and restrictions as may be necessary to reflect the different characteristics of such portion of the Property and as are not inconsistent with the overall scheme of the Declaration; provided, however, that the Declarant shall not have such right with respect to a Lot after conveyance of such Lot to such Owner other than the Declarant without the written consent of such Owner.

R-4. The Declarant is the owner in fee simple absolute of certain real estate described in Exhibit A hereto and constituting a portion of the Additional Land and has consented to submit such land to the Declaration as evidenced by its signature hereon.

R-5. The Declarant has complied with the provisions of Article 4 of the Declaration and wishes to submit the real estate described in Exhibit A hereto to the Declaration and this Supplementary Declaration.

NOW, THEREFORE, the Declarant hereby covenants and declares on behalf of itself and its successors and assigns that all of the real estate described in Exhibit A hereto, together with such additions as may hereafter be made thereto as provided in Article 2 hereof, shall from the date this Supplementary Declaration is recorded, be held, conveyed, acquired and encumbered subject to the covenants, charges, restrictions, easements, liens and other provisions of the Declaration as the same may be amended from time to time in accordance with the provisions for amendment contained

therein, and subject to the covenants, charges, restrictions, easements, liens and other provisions set forth herein.

ARTICLE 1
SECTION DESIGNATION

The land described on Exhibit A hereto shall be known by the designation set forth in the title hereof.

ARTICLE 2
ADDITIONAL LAND

All or any part of the land designated as Additional Land in Exhibit B to the Declaration may be added to this Section and submitted to the Declaration and this Supplementary Declaration, without the consent of the Association, the Members, the Owners (except for the owner of the real estate being submitted to this Supplementary Declaration) or the Mortgagees, for so long as the Declarant retains the right to add Additional Land pursuant to Section 4.1 of the Declaration. The Declarant may submit such real estate by recording an amendment to this Supplementary Declaration or recording a separate Supplementary Declaration signed by the Declarant which designates such Additional Land as part of this Section.

ARTICLE 3
COMMON AREA

The real estate described in Exhibit B hereto will be Common Area effective upon conveyance to the Preston Lake Homeowners Association.

ARTICLE 4
ASSESSMENTS

The Lots in this shall be assessed in accordance with Article 6 of the Declaration.

ARTICLE 5
RESUBDIVISION

The property subject to this Supplementary Declaration shall not be further subdivided without the prior written consent of the Declarant, during the Development Period, or the Board of Directors thereafter. Additional covenants concerning Limited Common Expense assessments and maintenance and other matters generally included in the covenants of similar areas within the Property shall be imposed if necessary.

ARTICLE 6
GENERAL PROVISIONS

Section 6.1 Amendment/Termination. Subject to the Declarant's right to add Additional Land to this Section pursuant to Article 2 hereof and to designate Common Area and unilaterally to amend a Supplementary Declaration in accordance with Section 15.1 of the Declaration, the provisions of this Supplementary Declaration may be amended only by an instrument signed or ratified by: (1) the Declarant, during the Development Period; (2) Owners entitled to cast at least sixty-seven percent of the total number of votes appurtenant to Lots in this Section (including the Declarant based on a pro rata allocation of Class B votes or Class A votes entitled to be cast by the Declarant); and (3) an Officer of the Association as authorized by the Board of Directors. All amendments shall be made in accordance with the provisions of Section 15.4 of the Declaration by obtaining the approval of Owners of Lots in this Section and Mortgagees holding Mortgages on Lots in this Section, if necessary. Any amendment which conflicts with the provisions of the Declaration shall be void. No amendment shall have the effect of terminating the Supplementary Declaration or withdrawing the real estate described on Exhibit A hereto from the Supplementary Declaration or Declaration, except in accordance with the provisions for termination or withdrawal in the Declaration. Upon withdrawal of any portion of land described in Exhibit A hereto from the provisions of the Declaration in accordance with the requirements of Section 4.4 thereof, such land shall also be deemed to be withdrawn from the provision of this Supplementary Declaration. An amendment or termination shall not be effective until recorded among the Land Records.

Section 6.2. Enforcement. The Association, the Declarant or any Owner or Mortgagee of Lots in this Section shall have the right, by any proceeding at law or in equity, to enforce all covenants, charges, restrictions, easements and liens now or hereafter imposed by the provisions of this Supplementary Declaration. Failure to enforce any provision herein contained shall in no event be deemed a waiver of the right to do so thereafter.

Section 6.3. Severability. Invalidation of any one of the provisions of this Supplementary Declaration by judgment or court order shall in no way affect any other provisions, which shall remain in full force and effect.

Section 6.4. Terms and Definitions. The terms used herein shall have the same meaning and definition as set forth in the Declaration, except as otherwise specifically stated.

Section 6.5. Counterparts. This Supplementary Declaration may be signed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

EXHIBIT A

[Description of Submitted Land]

EXHIBIT B

[Description of Common Area]

EXHIBIT 2
Multi-Year Budget Projections

**PRESTON LAKE
HOMEOWNERS ASSOCIATION**

MULTI-YEAR BUDGET PROJECTIONS

REVISED: OCTOBER 30, 2006

**Community Management Corporation
12701 Fair Lakes Circle, Suite 400
Fairfax, Virginia 22033**

(703) 631-7200

**PRESTON LAKE
HOMEOWNERS ASSOCIATION
MULTI-YEAR BUDGET PROJECTIONS
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PRESTON LAKE HOMEOWNERS ASSOCIATION

MULTI-YEAR BUDGET PROJECTIONS

INTRODUCTION

Community Management Corporation (CMC) has prepared these budget projections for Preston Lake Homeowners Association, a residential planned community being developed by Preston Lake Homes, LLC and Main Street at Preston Lake, LLC near Harrisonburg, Virginia. The community is planned to include 547 single-family homes, townhomes and multi-family condominiums at completion. (120 detached, 351 town homes and 76 condominiums). Planned Association amenities include a club house, an outdoor swimming pool, a tennis court, one multi-purpose/basketball court, tot lots, a three acre lake with a gazebo in front of the community center, a soccer field and walking trails.

The Association plans to provide telecommunications services to all home owners through a bulk services contract with a telecommunications firm. The services would include basic cable television service, basic telephone service and high speed internet service (or central station monitoring or medical alert service) . The cost of the contracted service package would be included in the Association general assessment. Homeowners would be able to purchase upgraded services from the telecommunications provider.

It is anticipated that ownership of a home at Preston Lake would also include automatic membership in the Wellness Center which is planned for construction in the Preston Lake commercial area by Rockingham Memorial Hospital. The Wellness Center is planned to include a fitness facility, racquetball courts, indoor track, a lap pool, a fitness pool a locker room with sauna, steam and whirlpool , as well as day care services . As a comprehensive wellness center programs, wellness classes, personal training and fitness assessments are available to homeowners.

CMC has prepared this budget for the Association based on information and assumptions provided by the Declarant, data and judgments generated internally, and the operating experience of other similar associations. Income and expenses reflected throughout this budget document are projections only, and neither CMC nor the Declarant makes any assurances as to actual income and expenses that may be incurred in the future. The assumptions, plans and projections herein are subject to change without notice.

ASSUMPTIONS

Assessment Structure

- General Assessment – All homeowners will pay a monthly general assessment for operating expenses and services which are deemed to be beneficial to all community owners and residents. The expenses will include, but will not be limited to the following: all operating and

maintenance expenses for recreation amenities and other common facilities; telecommunications services; Wellness Center membership fees; professional management fees; fees for audit and legal services; payroll expenses for the staff employed by the Association; insurance policies; landscape maintenance of general common areas, snow removal from private streets and parking areas which are Association common area and replacement reserve contributions for the common facilities and equipment owned by the Association. The general assessment fee for the owners of condominium units will be seventy-five percent of the general assessment fee paid by the owners of single-family detached homes and town homes due to fact that the location in the commercial center results in lesser direct benefit of the common area in the residential areas, as well as the fact that the smaller household size results in lower usage of common amenities.

- Homeowner One-Time Assessment – All homeowners will be required to pay a one-time assessment at settlement. The one-time assessment is \$1,000 for the first fiscal year of the association and will increase by five percent for successive fiscal years for the initial purchasers of a home.
- Builder One-Time Assessment – The Declarant has elected to have the builders of homes pay a one-time assessment in the amount of \$1,000 to help capitalize the Association.
- Re-sale Assessment – All purchasers of a previously owned home will be required to pay a one time assessment of \$1,000. (The budget assumes that annual re-sales will be three percent of the total units settled at the end of the prior year, commencing in the third year).
- Town Home Limited Common Yard Maintenance Assessment– All town home owners will receive maintenance of their private yards, including mowing, edging, fertilization and weed control.
- Limited Common Assessment for Trash Service - All single –family detached and town home owners will receive trash service through the Association. The budget assumes that trash service for the multi-family condominium units will be provided through the condominium unit owners association.

Expenses are estimated in current (2006) dollars and increased by an inflation factor at an assumed annual inflation rate of 2.5 percent cumulative per year. In addition to the 2.5 per cent inflation factor the Wellness Center dues are inflated by five percent every other year, commencing after the first three years of service availability.

Settlement Assumptions

- Single-Family Detached Homes— The budget assumes that initial settlements will occur in fall, 2007 and that there will be an average of two settlements per month through settlement of all 120 detached homes.
- Town Homes — The budget assumes that initial settlements will occur in fall, 2007 and that there will be an average of six settlements per month.
- Condominium Units — The budget assumes that initial settlements will occur in the 21st month and that there will be an average of ten settlements per month.

Amenities

- Clubhouse — The budget assumes that the clubhouse and lake will be completed by the beginning of the fourth year of operation.
- Swimming Pool — The budget assumes that the pool will be completed and available for use in the fourth year.
- Wellness Center — The budget assumes that the facility will be available for use in the third year.

Preston Lakes Homeowners Association

October 30, 2006

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
INCOME										
ASSESSMENTS										
	\$90.00	\$100.00	\$194.00	\$321.00	\$317.00	\$328.00	\$358.00	\$370.00	\$383.00	\$397.00
4001 Single Family/Townhome Assessments	14,040	91,200	400,416	1,028,484	1,369,440	1,742,008	2,023,416	2,091,240	2,164,716	2,243,844
4002 One Time Homeowner Assessment	24,000	151,200	136,400	105,800	115,200	83,750	0	0	0	0
4006 One Time Builder Assessment	24,000	144,000	124,000	92,000	96,000	67,000	0	0	0	0
4017 Resale Assessment	0	0	6,000	9,000	12,000	15,000	17,000	17,000	17,000	17,000
4016 Condominium Assessments	0	9,000	129,786	219,564	216,828	224,352	244,872	253,080	261,972	271,548
Limited Common Assessment Townhome Lawn Care Rate/Month	\$45.00	\$46.20	\$47.30	\$48.40	\$49.50	\$50.70	\$51.80	\$52.90	\$54.00	\$55.20
4016 Townhome Private Yard Care LCA	0	21,622	63,004	105,706	149,094	196,260	218,182	222,815	227,448	232,502
Limited Common Assessment Trash Assessment Rate/Month	\$19.00	\$19.50	\$20.00	\$20.50	\$20.90	\$21.40	\$21.90	\$22.40	\$22.80	\$23.30
4015 LCA Trash Service	2,964	17,784	41,280	65,682	90,288	113,655	123,779	126,605	128,866	131,692
Total Assessments	65,004	434,806	900,886	1,626,236	2,048,850	2,442,025	2,627,248	2,710,740	2,800,002	2,896,586
OTHER INCOME										
4101 Interest Income	0	675	2,250	4,950	8,550	13,260	17,969	22,679	27,389	32,099
4217 Clubhouse Rental Income	0	0	0	4,000	6,000	8,000	10,000	10,000	10,000	10,000
4301 Late Fees	125	775	2,225	3,075	3,925	4,675	4,925	4,925	4,925	4,925
4304 Newsletter/Television Advertising Income	0	1,000	2,000	2,500	3,000	3,000	3,000	3,000	3,000	3,000
4322 Snack Bar Income	0	0	0	2,000	2,500	2,500	2,500	2,500	2,500	2,500
4332 Miscellaneous Income	0	150	300	450	600	700	700	700	700	700
Total Other Income	125	2,600	6,775	16,975	24,575	32,135	39,094	43,804	48,514	53,224
TOTAL INCOME	65,129	437,406	907,661	1,643,211	2,073,425	2,474,160	2,666,343	2,754,544	2,848,515	2,949,810
COMMON EXPENSES										
ADMINISTRATIVE - GENERAL										
5001 Office Supplies and Expenses	0	0	0	7,800	8,100	8,400	8,700	8,700	8,700	8,700
5006 Office Equipment	0	0	0	13,000	250	250	250	250	250	250
5010 Postage	190	1,195	2,270	2,838	3,523	4,002	3,938	3,938	3,938	3,938
5015 Printing/Copying	7,244	619	1,774	2,470	3,139	3,734	3,938	3,938	3,938	3,938
5033 Web Site Maintenance	0	1,400	900	900	900	900	900	900	900	900
5040 Bank Service Fees	180	180	300	300	300	300	300	300	300	300
5065 Miscellaneous Expense	150	250	400	450	500	500	500	500	500	500
5201 Income Taxes	0	203	675	1,485	2,565	3,978	5,391	6,804	8,217	9,630
5220 Insurance	3,000	4,000	5,000	10,500	11,000	11,500	11,500	11,500	11,500	11,500
Total Administrative - General	10,763	7,847	11,318	39,742	30,277	33,564	35,418	38,831	38,243	39,656
PROFESSIONAL SERVICES EXPENSES										
5101 Legal Fees	900	1,200	1,500	1,800	2,100	2,400	2,400	2,400	2,400	2,400
5110 Audit/Tax Preparation	0	1,800	2,400	3,000	3,200	3,400	3,400	3,400	3,400	3,400
5115 Management Fees	18,000	18,180	29,560	41,160	52,320	62,230	65,640	65,640	65,640	65,640
5120 Management Reimbursements	1,035	5,055	9,695	10,008	11,153	11,285	9,844	9,844	9,844	9,844
5125 Engineering/Consulting	0	0	0	0	3,000	3,000	3,000	3,000	3,000	3,000
5135 Site Staff Payroll	0	0	0	168,360	168,360	168,360	168,360	168,360	168,360	168,360
Total Professional Services	19,935	26,235	43,155	224,328	240,133	250,675	252,644	252,644	252,644	252,644

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
MAINTENANCE & SERVICE EXPENSES										
5915 Common Electricity	1,000	2,500	4,000	4,500	5,000	5,000	5,000	5,000	5,000	5,000
6001 Landscape Maintenance	25,000	40,000	65,000	100,000	125,000	145,000	145,000	145,000	145,000	145,000
6003 Snow Removal	0	5,000	15,000	25,000	35,000	40,000	40,000	40,000	40,000	40,000
6101 Floral Rotations	0	6,000	6,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000
6102 Landscape Enhancements/Replacements	0	500	1,500	2,500	3,500	4,500	5,000	5,000	5,000	5,000
6103 Tree Maintenance	0	1,000	2,500	3,500	4,500	5,500	6,500	7,000	7,500	7,500
6201 Irrigation Maintenance	1,000	1,000	1,000	2,500	2,500	2,500	2,500	2,500	2,500	2,500
6202 Irrigation Water	800	800	800	2,000	2,000	2,000	2,000	2,000	2,000	2,000
6360 General Repairs and Maintenance	500	1,500	2,500	4,000	5,000	5,500	6,000	6,000	6,000	6,000
5970 Telecommunications Services	17,940	118,680	339,940	473,340	601,680	715,645	754,860	754,860	754,860	754,860
6023 Wellness Center Dues	0	0	206,920	288,120	384,552	480,260	531,906	558,501	586,426	615,747
Total Maintenance & Service Expenses	46,240	176,980	645,160	917,460	1,180,732	1,417,905	1,510,766	1,537,861	1,566,286	1,595,607
NEWSLETTER EXPENSES										
5701 Newsletter	0	3,344	4,336	5,072	5,840	6,376	6,376	6,376	6,376	6,376
Total Newsletter Expenses	0	3,344	4,336	5,072	5,840	6,376	6,376	6,376	6,376	6,376
RESERVES										
5301 Operating Reserves		140,000								
5310 Replacement Reserves	15,000	35,000	60,000	80,000	104,660	104,660	104,660	104,660	104,660	104,660
Total Reserves	15,000	175,000	60,000	80,000	104,660	104,660	104,660	104,660	104,660	104,660
RECREATION EXPENSES										
5601 Social Activities	0	0	0	2,500	3,000	3,500	3,500	3,500	3,500	3,500
6018 Pool Management Contract	0	0	0	36,000	40,000	40,000	40,000	40,000	40,000	40,000
7202 Pool Repair and Maintenance	0	0	0	1,500	2,000	2,500	2,500	2,500	2,500	2,500
7204 Pool Supplies	0	0	0	1,000	1,000	1,000	1,000	1,000	1,000	1,000
7260 Clubhouse/Bathroom Repair and Maintenance	0	0	0	2,000	3,000	3,500	3,500	3,500	3,500	3,500
7261 Clubhouse Janitorial Service	0	0	0	12,500	12,500	12,500	12,500	12,500	12,500	12,500
7263 Clubhouse Access Control/Monitoring	0	0	0	2,400	2,400	2,400	2,400	2,400	2,400	2,400
7268 Clubhouse/Pool Utilities	0	0	0	36,000	36,000	36,000	36,000	36,000	36,000	36,000
7269 Clubhouse HVAC Maintenance	0	0	0	3,000	3,000	3,000	3,000	3,000	3,000	3,000
7270 Clubhouse Trash Service	0	0	0	2,400	2,400	2,400	2,400	2,400	2,400	2,400
Total Recreation Expenses	0	0	0	99,300	105,300	106,800	106,800	106,800	106,800	106,800
Subtotal Operating Expenses	91,938	389,406	763,969	1,365,902	1,666,942	1,919,980	2,016,663	2,045,171	2,075,009	2,105,743
2.5% Inflation on Operating Expenses	0	9,735	38,198	102,443	166,694	239,997	302,499	357,905	415,002	473,792
TOTAL COMMON EXPENSES	91,938	399,141	802,168	1,468,344	1,833,636	2,159,977	2,319,162	2,403,076	2,490,011	2,579,535
NET SURPLUS/(DEFICIT)	(29,773)	(1,141)	1,209	3,479	407	4,268	5,220	2,048	2,191	6,080
LIMITED COMMON EXPENSES										
7616 Townhome Yard Care (includes inflation)	0	21,622	63,004	105,706	149,094	196,260	218,182	222,815	227,448	232,502
7615 LCA Trash Expenses (Single Family and Townhome)/(includes inflation)	2,964	17,784	41,280	65,682	90,288	113,655	123,779	126,605	128,866	131,692
Total Limited Common Expenses	2,964	39,406	104,284	171,388	239,382	309,915	341,960	349,420	356,314	364,194

NOTES TO THE BUDGET
INCOME

	Account Title	First Year Amount
GENERAL ASSESSMENTS:		
	<i>Single-Family/Town Home General Assessment Rate per Month</i>	\$ 90.00
	This is the amount each detached and town home unit will be assessed each month in order to meet the general common expenses shown below.	
4001	<u><i>Accrued Single-Family/Town Home General Assessments</i></u>	\$ 14,040
	Projected amount of accrued assessment income attributable to all settled detached and town home units. (No town home settlements in the first year.	
	<u><i>Condominium General Assessment Rate per Month</i></u>	\$67.50
4016	<u><i>Accrued Condominium General Assessments</i></u>	-0-
	Projected amount of accrued general assessment income attributable to all settled condominium units, commencing in the second year.	
	TOTAL GENERAL ASSESSMENTS	\$ 14,040
LIMITED COMMON ASSESSMENTS:		
	<u><i>Townhome Limited Common Rate Per Month</i></u>	\$ 45.00
	This is the amount all town home homeowners would be assessed each month for maintenance of the town home yards.	
4014	<u><i>Accrued Townhome Limited Common Assessments</i></u>	-0-
	Projected amount of accrued assessment income attributable to all settled town home units, commencing in year two.	
	<u><i>Trash Limited Common Rate Per Month</i></u>	\$19.00

NOTES TO THE BUDGET
INCOME

	Account Title	First Year Amount
LIMITED COMMON ASSESSMENTS:		
4015	<u>Accrued Limited Common Trash Assessments</u>	\$2,964
	Projected amount of accrued assessment income attributable to all settled detached and town home units.	
	TOTAL LIMITED COMMON ASSESSMENTS	\$2,964
ONE TIME ASSESSMENTS:		
4002	<u>Accrued One-Time Homeowner Assessments</u>	\$24,000
	Projected income attributable to all settled units, based on a fee of \$1,000 per unit and 24 settlements.	
4006	<u>Accrued One-Time Builder Assessments</u>	24,000
	Projected income attributable to all settled units, based on a fee of \$1,000 per settled lot and 24 settlements.	
4017	<u>Resale Assessment</u>	-0-
	Projected income attributable to re-sale units, based on a fee of \$1,000.	
	TOTAL ONE-TIME ASSESSMENTS	\$48,000
	TOTAL ASSESSMENT INCOME	\$65,004
OTHER INCOME:		
4101	<u>Interest Income</u>	-0-
	Interest income earned on reserve funds, commencing in the second year and assuming a 3.5% yield.	
4217	<u>Clubhouse Rental Income</u>	-0-
	Income from rental of the clubhouse, commencing in year four.	

NOTES TO THE BUDGET
INCOME

	Account Title	First Year Amount
OTHER INCOME:		
4301	<u>Late Fees</u> Late fees are estimated based on a three percent delinquency rate and a \$25 late fee.	125
4304	<u>Newsletter/Television Advertising Income</u> Income from advertisements in the Association newsletter and community television channel, commencing in year two.	-0-
4322	<u>Snack Bar Income</u> Net Income from the food/beverage sales at the pool snack bar, commencing in year four.	-0-
4332	<u>Miscellaneous Income</u> Income from guest fees, vending machines and other miscellaneous sources.	-0-
TOTAL OTHER INCOME		\$125
TOTAL INCOME		\$ 65,129

NOTES TO THE BUDGET
EXPENSES

Account Title	First Year Amount
ADMINISTRATIVE EXPENSES:	
5001 <u>Office Supplies and Expenses</u>	-0-
Provision for office expenses, exclusive of any capital equipment purchases, for office supplies, courier service, memberships and publications and other misc. expenses. Expenses begin in year four at \$7,800 increasing to \$8,700 by year seven.	
5006 <u>Office Equipment</u>	-0-
Allowance of \$13,000 in year four and allowance of \$250 annually thereafter for the purchase of equipment for the Association offices.	
5010 <u>Postage</u>	190
Budgeted allowance of \$0.50 per settled unit for postage expenses, including reimbursable services provided by the managing agent. An additional \$4.00 per settled home is provided for the mailing of homeowner manuals to initial purchasers.	
5015 <u>Printing and Copying</u>	7,244
Budgeted allowance of \$0.60 per settled home per month for professional reproduction of mass mailings, forms, letterhead, etc and reimbursable copying expenses of the management agent. An additional \$7,150 budgeted in year one for the printing of homeowner manuals.	
5033 <u>Web Site Maintenance</u>	-0-
Budgeted expense of \$500 in year two for development of a web site by the managing agent and \$75 monthly maintenance expense.	
5040 <u>Bank Service Fees</u>	180
Allowance for miscellaneous fees for a commercial checking account and petty cash account.	

NOTES TO THE BUDGET
EXPENSES

	Account Title	First Year Amount
ADMINISTRATIVE EXPENSES:		
5201	<u>Income Taxes</u> Federal and state income taxes budgeted at 30% of projected interest income, commencing in the second year.	-0-
5220	<u>Insurance</u> Estimated expense for first year insurance policies: \$1,000,000 per occurrence general liability; \$5,000,000 per occurrence umbrella liability; \$1,000,000 per occurrence Directors and Officers liability and \$250,000 fidelity/crime. Commencing in year four additional expense budgeted for \$2,000,000 replacement value of the clubhouse and addition of workers compensation.	3,000
TOTAL ADMINISTRATIVE EXPENSES		\$ 10,763
PROFESSIONAL SERVICES EXPENSES:		
5101	<u>Legal Fees</u> Allowance of \$900 in year one, increasing to \$2,400 by year six, for legal services.	\$ 900
5110	<u>Audit Fees</u> An annual audit and preparation of the Association's income tax returns is estimated at \$1,800 in the second year and increasing to \$2,400 by year six.	-0-
5115	<u>Management Fees</u> Provision of \$10.00 per settled unit per month, with a monthly minimum of \$1,500, for professional management services.	18,000

NOTES TO THE BUDGET
EXPENSES

Account Title	First Year Amount
PROFESSIONAL SERVICES EXPENSES :	
5120 <u>Management Reimbursements</u> Estimated expense for reimbursable management services, including delinquency processing, new account setup, certified notices, on-site maintenance of managing agent's management information system, processing of architectural change applications, assessment coupons and miscellaneous services.	1,035
5125 <u>Engineering/Consulting services</u> Budgeted annual expense of \$3,000, commencing in year four, for a property inspection and update of the replacement reserve schedule.	-0-
5135 <u>Payroll Expenses</u> Budgeted expenses for Association staff, based on the positions and annualized wages below and an additional 20% allowance for taxes and benefits, commencing in year four. *General Manager-\$54,000 annual salary; *Assistant manager-\$36,000 annual salary; *Maintenance Technician-\$35,400 annual salary.	-0-
TOTAL PROFESSIONAL SERVICES EXPENSES	\$ 19,935
RESERVE CONTRIBUTIONS:	
5301 <u>Operating Reserve</u> \$140,000 budgeted in year two as a contingency to compensate for unbudgeted expenses during the initial years of operation.	-0-

NOTES TO THE BUDGET
EXPENSES

Account Title	First Year Amount
RESERVE CONTRIBUTIONS:	
5310 <u>Repair and Replacement Reserves</u>	15,000
An annual contribution of \$104,660 is recommended by a replacement reserve table prepared by a certified Replacement Reserve Specialist using available site and amenities plans. This amount is phased-in over the five years of operation. A comprehensive evaluation of the annual contribution is recommended following the completion of development.	
TOTAL RESERVE CONTRIBUTIONS	\$ 15,000
MAINTENANCE AND SERVICES EXPENSES:	
5915 <u>Common Electricity</u>	\$1,000
Budgeted allowance for entrance lighting, irrigation electricity, pond fountains, street lights and miscellaneous site lights, increasing to \$5,000 by year five.	
6001 <u>Landscape Maintenance</u>	\$ 25,000
Estimated annual expense of \$145,000 at completion, assuming approximately 36 acres at an average maintenance cost of \$4,000 per acre. The expense is phased-in over the first five years.	
6003 <u>Snow Removal</u>	-0-
Budgeted expense allocation for snow removal from the clubhouse parking lot and sidewalks and private streets. Assumes that the Declarant is responsible until the parking lot and streets are final-paved. The budgeted expense is phased-in over years two-six and budgeted at \$40,000 in year six.	

NOTES TO THE BUDGET
EXPENSES

	Account Title	First Year Amount
MAINTENANCE AND SERVICES EXPENSES:		
6101	<u>Floral Rotations</u> Budgeted expense of \$6,000 in year two for two annual floral rotations at the main community entrance, increasing to \$12,000 in year four for two additional rotations at the clubhouse.	-0-
6102	<u>Landscape Enhancements/Replacements</u> Budgeted expense of \$500 in year two, increasing to an annual amount of \$5,000 by year seven for the replacement of dead or non-viable landscape materials and landscape enhancements.	-0-
6103	<u>Tree Maintenance</u> Budgeted expense of \$1,000 in year two, increasing to an annual amount of \$7,500 by year nine, primarily for the removal of dead trees, structural pruning and fertilization.	-0-
6201	<u>Irrigation Repairs and Maintenance</u> Budgeted allowance of \$1,000 in year one, increasing to \$2,500 in year four for preventive maintenance and repairs for irrigation systems at the community entrance and clubhouse.	1,000
6202	<u>Irrigation Water</u> Allowance of \$800 in year one, increasing to \$2,000 in year four, for Irrigation systems at the community entrance and clubhouse.	800

NOTES TO THE BUDGET
EXPENSES

	Account Title	First Year Amount
MAINTENANCE AND SERVICES EXPENSES:		
6360	<u>General Repairs and Maintenance</u> Budgeted allowance for routine repairs and maintenance to community facilities not otherwise budgeted, including minor repairs to tot lots, tennis court, signage, gazebos, pond fountains, etc. Budgeted to increase to \$6,000 by year seven. Major repairs would be funded from replacement reserves.	500
5970	<u>Telecommunications Services</u> Budgeted initial expense of \$115.00 per settled unit for cable television, telephone and internet service.	17,940
6023	<u>Wellness Center Dues</u> Budgeted expense of \$70.00 per month per settled home, commencing in year three. The fee is constant for two years and inflated by 5% every other year thereafter.	-0-
TOTAL MAINTENANCE AND SERVICES EXPENSES		\$ 46,240
NEWSLETTER EXPENSES:		
5701	<u>Newsletter</u> Budgeted expenses for a quarterly newsletter, commencing in year two. Assumes a cost of \$500 per issue for layout and \$2.00 per copy for printing and postage.	-0-
TOTAL NEWSLETTER EXPENSES:		\$ -0-

NOTES TO THE BUDGET
EXPENSES

	Account Title	First Year Amount
RECREATION EXPENSES:		
5601	<u><i>Social Activities</i></u> Budgeted expense of \$2,000 in year four, increasing to \$3,500 in year six, for social and recreation programs sponsored by the Association.	
6018	<u><i>Pool Management</i></u> Budgeted expense of \$36,000 in year four, increasing to \$40,000 in year five. Assumes operation 9 hours per day from Memorial Day to Labor Day with two full-time guards at all times and two part-time guards on week-ends and holidays.	-0-
7202	<u><i>Pool Repair and Maintenance</i></u> Allowance of \$1,500 in year four, increasing to \$2,500 by year six for minor repairs to the pool. Major repairs would be funded through replacement reserve contributions.	-0-
7204	<u><i>Pool Supplies</i></u> Budgeted annual expense of \$1,000, commencing in year four, for chemicals not included in pool contract, paper products, signage, emergency equipment, test kits, etc.	-0-
7260	<u><i>Clubhouse/Bathhouse Maintenance and Repairs</i></u> Initial allowance of \$1,500 in year four for minor repairs and maintenance to the clubhouse which are not otherwise covered by other expense accounts. Budgeted to increase to \$3,500 in year six to include repairs to the clubhouse and pool bathhouse. Major repairs would be funded through replacement reserve contributions.	-0-

NOTES TO THE BUDGET
EXPENSES

	Account Title	First Year Amount
<u>RECREATION EXPENSES:</u>		
7261	<u>Clubhouse Janitorial Service</u> Budgeted expense of \$12,500, commencing in year four, for twice weekly janitorial service for the clubhouse. Does not include additional janitorial service required for private, reserved uses of the clubhouse.	-0-
7263	<u>Clubhouse Access Control/Monitoring</u> Allowance of \$200 per month, commencing in year four, for maintenance and monitoring of an electronic access control system for the clubhouse. Assumes that the clubhouse is not staffed after office hours and that residents will be issued proximity cards or fob keys for access to the facility.	-0-
7260	<u>Clubhouse/Pool Utilities</u> Budgeted annual expense of \$36,000, commencing in year four for utilities for the clubhouse and pool.	-0-
6008	<u>Clubhouse HVAC Maintenance</u> Budgeted annual allowance of \$3,000, commencing in year four, for a preventive maintenance contract for the clubhouse HVAC equipment.	-0-
7271	<u>Clubhouse Trash Service</u> Budgeted expense of \$2,400, commencing in year four, for trash removal service	-0-
	TOTAL RECREATION EXPENSES:	-0-
	TOTAL GENERAL COMMON EXPENSES	\$91,938

NOTES TO THE BUDGET
EXPENSES

Account Title	First Year Amount
 LIMITED COMMON EXPENSES:	
7615 <u>Trash Service</u> Budgeted expense for trash service for detached and town home units. Based on a monthly fee of \$19.00 per settled unit for the first year.	\$2,964
7016 <u>Town Home Yard Maintenance</u> Budgeted expense for maintenance of the town home private yards, commencing in year two at a monthly cost of \$46.20 per settled unit.	-0-
TOTAL LIMITED COMMON EXPENSES	\$2,964
TOTAL EXPENSES	\$94,902
SURPLUS OR LOSS ()	(\$29,773)

REPAIR AND REPLACEMENT RESERVE CALCULATIONS

PROPERTY COMPONENTS	QUANTITY		USEFUL LIFE (YRS.)		REPLACEMENT COST	DISTRIBUTION OF AMOUNT ON HAND	BALANCE TO FUND	RECOMMENDED CONTRIBUTION
	SIZE	UNITS	AVERAGE	REMAINING				
CLUBHOUSE								
ROOFING SHINGLES	9,000	SF	25	28	27,000	0	27,000	1,130
GUTTERS & DOWNSPOUTS		LF	30	33	6,480	0	6,480	230
WINDOWS	30	EA	35	38	16,500	0	16,500	510
ENTRANCE DOORS/GLASS		LS	30	33	6,000	0	6,000	210
TREX DECK	2,000	SF	30	33	50,000	0	50,000	1,770
EXTERIOR PAINTING		LS	4	7	7,500	0	7,500	1,250
WATERPROOFING ALLOW.		AN	1	6	1,500	0	1,500	290
REDECORATIONS		LS	7	10	35,000	0	35,000	4,080
KITCHEN	1	EA	15	18	15,000	0	15,000	970
OFFICE EQUIP. & FURNISHINGS		AN	1	4	2,500	0	2,500	730
MECHANICAL EQUIPMENT								
ELEVATORS - HYDRAULIC	1	EA	25	28	65,000	0	65,000	2,710
HVAC	50	TN	15	18	100,000	0	100,000	6,480
WATER HEATERS		LS	15	18	1,500	0	1,500	100
PLUMBING/ELECT. ALLOW.		AN	1	4	1,500	0	1,500	440
PAVEMENTS & SIDEWALKS								
PAVEMENT OVERLAY (PHASE 1)	15,733	SY	15	17	196,670	0	196,670	13,500
SEAL COATING (PHASE 1)	15,733	SY	4	8	19,670	0	19,670	2,870
PAVEMENT OVERLAY (PHASE 2)	14,400	SY	15	18	180,000	0	180,000	11,670
SEAL COATING (PHASE 2)	14,400	SY	4	9	18,000	0	18,000	2,330
PAVEMENT OVERLAY (PHASE 3)	9,800	SY	15	19	122,500	0	122,500	7,520
SEAL COATING (PHASE 3)	9,800	SY	4	10	12,250	0	12,250	1,430
PAVEMENT OVERLAY (PHASE 4)	11,333	SY	15	20	141,670	0	141,670	8,260
SEAL COATING (PHASE 4)	11,333	SY	4	11	14,170	0	14,170	1,500
PAVEMENT OVERLAY (PHASE 5)	11,600	SY	15	21	145,000	0	145,000	8,060
SEAL COATING (PHASE 5)	11,600	SY	4	12	14,500	0	14,500	1,410
SIDEWALKS & CURBS		AN	1	4	7,500	0	7,500	2,190
RECREATION AREAS								
BATHHOUSE								
ROOFING SHINGLES	1,120	SF	25	27	3,360	0	3,360	150
GUTTERS & DOWNSPOUTS		LF	30	32	1,800	0	1,800	70
WINDOWS	6	EA	35	37	3,300	0	3,300	100
EXTERIOR DOORS		LS	25	27	7,200	0	7,200	310
EXTERIOR PAINTING		LS	4	6	2,500	0	2,500	490
INTERIOR PAINTING		LS	6	8	2,500	0	2,500	360
PLUMBING/ELECT. ALLOW.		AN	1	3	800	0	800	310
WATERPROOFING ALLOW.		AN	1	5	800	0	800	190
SWIMMING POOL								

REPAIR AND REPLACEMENT RESERVE CALCULATIONS

PROPERTY COMPONENTS	QUANTITY		USEFUL LIFE (YRS.)		REPLACEMENT COST	DISTRIBUTION OF AMOUNT ON HAND	BALANCE TO FUND	RECOMMENDED CONTRIBUTION
	SIZE	UNITS	AVERAGE	REMAINING				
WHITE COAT	3,500	SF	5	7	14,000	0	14,000	2,330
FILTERS/PUMPS		LS	15	17	9,000	0	9,000	620
WATER HEATERS	1	EA	15	17	1,500	0	1,500	100
METAL FENCING	400	LF	35	37	18,000	0	18,000	570
DECK & TILE ALLOW.		AN	1	5	1,500	0	1,500	350
FURNITURE ALLOW.		AN	1	3	1,500	0	1,500	580
TENNIS COURTS								
RESURFACING	1	EA	7	10	4,000	0	4,000	470
FENCING	360	LF	30	33	8,640	0	8,640	310
BASKETBALL COURTS								
RESURFACING - FULL COURT	1	EA	7	9	3,000	0	3,000	390
RESURFACING - 1/2 COURT	1	EA	7	11	2,000	0	2,000	210
TOT LOT								
TOT LOT EQUIPMENT	2	EA	20	21	30,000	0	30,000	1,670
MULCH/MISC. REPAIRS ALLOW.		AN	1	4	500	0	500	150
TOT LOT EQUIPMENT	2	EA	20	23	30,000	0	30,000	1,520
MULCH/MISC. REPAIRS ALLOW.		AN	1	6	500	0	500	100
TOT LOT EQUIPMENT	1	EA	20	24	15,000	0	15,000	730
MULCH/MISC. REPAIRS ALLOW.		AN	1	7	250	0	250	40
GAZEBOS								
GAZEBO	1	LS	20	21	3,500	0	3,500	190
GAZEBO w/BOARDWALK	1	LS	20	22	10,000	0	10,000	530
GAZEBO	1	LS	20	23	3,500	0	3,500	180
GAZEBO	1	LS	20	24	3,500	0	3,500	170
GAZEBO MAINTENANCE ALLOW.		AN	1	5	500	0	500	120
SITE ITEMS								
SWM PONDS	1	LS	15	17	65,000	0	65,000	4,460
FOUNTAIN MAINTENANCE ALLOW.		AN	1	1	2,000	0	2,000	2,330
MISC. SITE ITEMS		AN	1	4	10,000	0	10,000	2,920
ENTRANCE FEATURES, SIGNS, DRAINAGE, FOUNTAINS, MINOR LANDSCAPING, PUTTING GREEN, IRRIGATION, WALKING TRAILS, PICNIC TABLES/BENCHES, TRASH RECEPTICLES, ETC.								
					\$1,467,060	\$0	\$1,467,060	\$104,660

PROJECTED ANNUAL EXPENSES

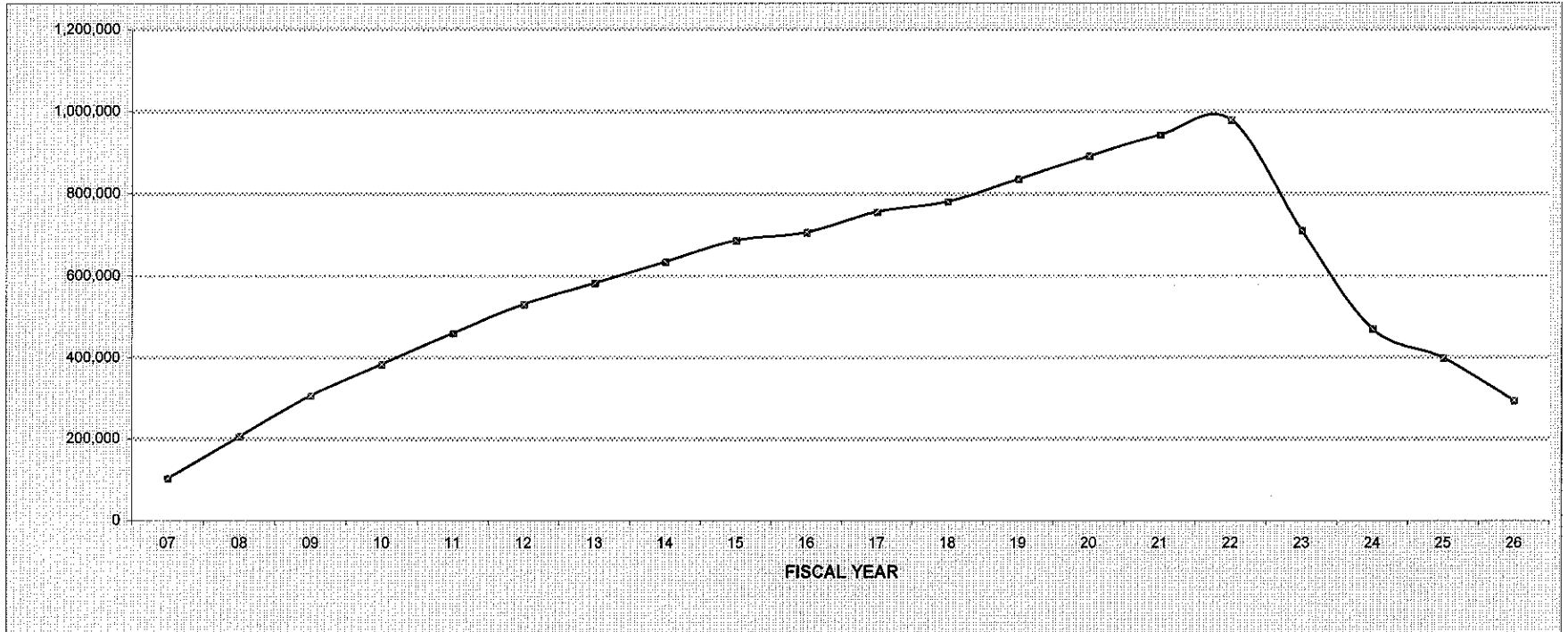
FISCAL YEAR	07	08	09	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26
CLUBHOUSE																				
ROOFING SHINGLES	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GUTTERS & DOWNSPOUTS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
WINDOWS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
ENTRANCE DOORS/GLASS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TREX DECK	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
EXTERIOR PAINTING	0	0	0	0	0	0	7,500	0	0	0	7,500	0	0	0	7,500	0	0	0	7,500	0
WATERPROOFING ALLOW.	0	0	0	0	0	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
REDECORATIONS	0	0	0	0	0	0	0	0	0	35,000	0	0	0	0	0	0	35,000	0	0	0
KITCHEN	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	15,000	0	0
OFFICE EQUIP. & FURNISHING	0	0	0	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
MECHANICAL EQUIPMENT																				
ELEVATORS - HYDRAULIC	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
HVAC	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	100,000	0	0
WATER HEATERS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,500	0	0
PLUMBING/ELECT. ALLOW.	0	0	0	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
PAVEMENTS & SIDEWALKS																				
PAVEMENT OVERLAY (PHASE	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	196,670	0	0	0
SEAL COATING (PHASE 1)	0	0	0	0	0	0	0	19,670	0	0	0	19,670	0	0	0	19,670	0	0	0	19,670
PAVEMENT OVERLAY (PHASE	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	180,000	0	0
SEAL COATING (PHASE 2)	0	0	0	0	0	0	0	0	18,000	0	0	0	18,000	0	0	0	18,000	0	0	0
PAVEMENT OVERLAY (PHASE	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	122,500	0
SEAL COATING (PHASE 3)	0	0	0	0	0	0	0	0	0	12,250	0	0	0	12,250	0	0	0	12,250	0	0
PAVEMENT OVERLAY (PHASE	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	141,670
SEAL COATING (PHASE 4)	0	0	0	0	0	0	0	0	0	0	14,170	0	0	0	14,170	0	0	0	0	14,170
PAVEMENT OVERLAY (PHASE	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SEAL COATING (PHASE 5)	0	0	0	0	0	0	0	0	0	0	0	14,500	0	0	0	14,500	0	0	0	14,500
SIDEWALKS & CURBS	0	0	0	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500
BATHHOUSE																				
ROOFING SHINGLES	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GUTTERS & DOWNSPOUTS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
WINDOWS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
EXTERIOR DOORS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
EXTERIOR PAINTING	0	0	0	0	0	2,500	0	0	0	2,500	0	0	0	2,500	0	0	0	2,500	0	0
INTERIOR PAINTING	0	0	0	0	0	0	0	2,500	0	0	0	0	0	2,500	0	0	0	0	0	2,500
PLUMBING/ELECT. ALLOW.	0	0	800	800	800	800	800	800	800	800	800	800	800	800	800	800	800	800	800	800
WATERPROOFING ALLOW.	0	0	0	0	800	800	800	800	800	800	800	800	800	800	800	800	800	800	800	800
SWIMMING POOL																				
WHITE COAT	0	0	0	0	0	0	14,000	0	0	0	0	14,000	0	0	0	0	14,000	0	0	0
FILTERS/PUMPS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	9,000	0	0	0
WATER HEATERS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,500	0	0	0
METAL FENCING	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
DECK & TILE ALLOW.	0	0	0	0	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
FURNITURE ALLOW.	0	0	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
TENNIS COURTS																				
RESURFACING	0	0	0	0	0	0	0	0	0	4,000	0	0	0	0	0	0	4,000	0	0	0
FENCING	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

PROJECTED ANNUAL EXPENSES

FISCAL YEAR	07	08	09	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26
BASKETBALL COURTS																				
RESURFACING - FULL COURT	0	0	0	0	0	0	0	0	3,000	0	0	0	0	0	0	3,000	0	0	0	0
RESURFACING - 1/2 COURT	0	0	0	0	0	0	0	0	0	0	2,000	0	0	0	0	0	0	2,000	0	0
TOT LOT																				
TOT LOT EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
MULCH/MISC. REPAIRS ALLOW	0	0	0	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500
TOT LOT EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
MULCH/MISC. REPAIRS ALLOW	0	0	0	0	0	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500
TOT LOT EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
MULCH/MISC. REPAIRS ALLOW	0	0	0	0	0	0	250	250	250	250	250	250	250	250	250	250	250	250	250	250
GAZEBOS																				
GAZEBO	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GAZEBO w/BOARDWALK	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GAZEBO	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GAZEBO	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GAZEBO MAINTENANCE ALLO	0	0	0	0	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500
SITE ITEMS																				
SWM PONDS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	65,000	0	0	0
FOUNTAIN MAINTENANCE ALL	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
MISC. SITE ITEMS	0	0	0	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
ENTRANCE FEATURES, SIGNS, DRAINAGE, FOUNTAINS, MINOR LANDSCAPING, PUTTING GREEN, IRRIGATION, WALKING TRAILS, PICNIC TABLES/BENCHES, TRASH RECEPTICLES, ETC.																				
Totals	\$2,000	\$2,000	\$4,300	\$26,300	\$29,100	\$33,600	\$52,850	\$53,520	\$52,350	\$85,100	\$55,020	\$79,520	\$49,350	\$48,600	\$53,020	\$68,520	\$374,520	\$344,600	\$175,520	\$209,690

20 YEAR CASH FLOW CHART

BEGINNING BALANCE \$0 INTEREST 0.0%
 PERCENT FUNDED 0% INFLATION 0.0%



FISCAL YEAR	07	08	09	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26
ANNUAL EXPENSE	2,000	2,000	4,300	26,300	29,100	33,600	52,850	53,520	52,950	85,100	55,020	79,520	49,350	48,600	53,020	68,520	374,520	344,600	175,520	209,690
CONTRIBUTION	104,660	104,660	104,660	104,660	104,660	104,660	104,660	104,660	104,660	104,660	104,660	104,660	104,660	104,660	104,660	104,660	104,660	104,660	104,660	104,660
YEAR END BALANCE	102,660	205,320	305,680	384,040	459,600	530,660	582,470	633,610	685,920	705,480	755,120	780,260	835,570	891,630	943,270	979,410	709,550	469,610	398,750	293,720

EXHIBIT 3
Rules and Regulations

RULES AND REGULATIONS
OF
PRESTON LAKE HOMEOWNERS ASSOCIATION

GENERAL

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

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

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

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

RESTRICTIONS ON USE

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PET RULES

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

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

PARKING AND STORAGE

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

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

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

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

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

RECREATIONAL AND COMMON FACILITIES

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

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

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

SUSPENSION OF RIGHT TO USE RECREATIONAL FACILITIES

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

ASSOCIATION

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

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

EXHIBIT 4
Design Guidelines