

**ARTICLES OF INCORPORATION OF
RIVERWATCH HOMEOWNERS' ASSOCIATION, INC.**

The undersigned hereby forms a non-stock corporation under the provisions of Chapter 10 of Title 13.1 of the Code ("Act"), and to that end adopts the following Articles of Incorporation for such corporation.

ARTICLE I: NAME

The name of the corporation is Riverwatch Homeowners' Association, Inc.

ARTICLE II: PURPOSES

The sole purposes and powers of the corporation are:

(a) To manage, maintain, and care for the Open Space in the development known as Riverwatch, located in Gloucester County, Virginia, and to assess, collect and disburse the charges due the Corporation from its Members, as hereinafter provided.

(b) To acquire (by gift, purchase or otherwise), own, hold, improve, build upon, operate, maintain, sell, lease, transfer, mortgage, encumber, dedicate for public use or otherwise dispose of real or personal property in connection with the affairs of the Corporation.

(c) To do any and all things and acts that the corporation, from time to time, in its discretion, may deem to be for the benefit of the Open Space and the Members, or advisable, proper or convenient for the promotion of the peace, health, comfort, safety or general welfare of such Members, and to conduct any and all business that a corporation organized under the Act by law may now or hereafter conduct and have or exercise all powers rights and privileges that are not required to be specifically set forth in these Articles.

Notwithstanding any other provisions of these Articles, the Corporation shall not carry on any activities not permitted to be carried on by a homeowners association exempt from federal income tax under Section 501 of the Internal Revenue Code of 1986 or the corresponding provision of any future Internal Revenue law.

ARTICLE III: MEMBERS AND VOTING

Subject to the provisions of the final two (2) sentences of this Article III, until the first to occur of (i) conveyance of seventy-five percent (75%) of the Lots by the Company to unrelated parties, or (ii) July 1, 2008, there shall be the following two (2) classes of membership in the Corporation:

TYPE "A": Type "A" Members shall be all Owners or Tenants of Owners to whom such Owners have assigned their rights as Type "A" Members.

TYPE "B": The Type "B" Member shall be the Company.

Thereafter, there shall be only one (1) class of membership in the Corporation, to wit, the Type "A" membership. Each Type "A" Member shall be entitled to one (1) vote for each Lot which he, she or it owns. The Members shall vote as classes on all matters submitted to the membership for a vote.

When a Lot is owned of record in any manner in the name of two (2) or more Persons, or if two (2) or more Persons have the same fiduciary relationship respecting a Lot, then, unless the instrument or order appointing them or creating the tenancy otherwise directs and it or a copy thereof is filed with the Secretary of the Corporation, their acts with respect to voting shall have the following effect:

- (1) if only one (1) votes his, her or its act shall bind all;
- (2) if more than one (1) vote the act of the majority so voting shall bind all;
- (3) if more than one (1) vote, but the vote is evenly split on any particular matter, each fraction shall be entitled to its proportionate share of the vote or votes; and
- (4) if the instrument or order filed with the Secretary of the Corporation shows that any such tenancy is held in unequal interest, a majority or even split under subparagraphs (2) and (3) immediately above shall be a majority or even split in interest in the Lot to which the vote is attributable.

The principles of this Article shall apply, insofar as possible, to execution of proxies, waivers, consents or objections, and for the purpose of ascertaining the presence of a quorum.

The voting rights of any Owner attributable to a Lot actually leased to a Tenant may be assigned by such Owner to his, her or its Tenant.

The Members of the Corporation shall have the right to vote for the election and removal of directors and upon such other matters with respect to which a vote of Members is required under the Declaration, these Articles or under the provisions of the Act.

Except as set forth below, where specifically approved by the Board of Directors, the Members may approve or reject actions proposed to be taken by the Association by referendum. At any time that the Type "A" Members have the ability to elect a majority of the Board of Directors, the Members may require a referendum on any action of the Board of Directors by presenting to the Secretary of the Board of Directors within thirty (30) days of the taking of such action or ratification by the Board of Directors of its intent to take such action a petition signed by not less than fifty percent (50%) of the Type "A" Members. Notwithstanding the foregoing, these Articles may only be amended with the approval of more than two-thirds (2/3rds) of the Type "A" Members present in person or by proxy at a duly called meeting and, so long as there is a Type "B" Member, the approval of HUD and of the Type "B" Member.

Solely for the purpose of determining when there no longer is a Type "B" Member, the term "Lot" shall be deemed to include those proposed lots reflected on the Master Plan from time to time but not yet shown on an instrument recorded in the Clerk's Office.

ARTICLE IV: MANAGEMENT OF CORPORATION

The affairs of the Corporation shall be managed by a Board of Directors having no fewer than three (3) and no more than five (5) members. The initial Board of Directors shall have three (3) members, and those persons identified as such in Article V below shall serve as such initial Board until the first annual meeting of the Members to be held in 2004. The Board of Directors may change the number of Directors to five (5), but the vacancies occurring by reason of such increase shall only be filled by vote of the Type "A" Members of the Corporation and/or designation by the Class "B" Member, as the case may be.

Subject to the provisions of the succeeding paragraph, commencing at the time of the first annual meeting of the Members to be held in 2004 and thereafter for so long as there is a Type "B" Member, there shall be two (2) classes of Directors. The Class "A" Directors shall serve for two-year terms, and the Class B Directors shall serve for one-year terms. At such time as there no longer is a Type "B" Member, all Directors shall be Class "A" Directors. Directors shall be elected or designated, as the case may be, at the annual meeting of the Members. Class "A" Directors shall be elected by the Type "A" Members, and Class "B" Directors shall be designated by the Type "B" Member. So long as there are Class "B" Directors, a majority of the Directors shall be Class "B" Directors.

At the first annual meeting of the Members at which more than one (1) Class "A" Director is to be elected by the Type "A" Members, the Director who is elected with the lowest number of votes of all Directors who are elected shall be elected for a one-year term, while the remaining Directors who are elected shall be elected for two-year terms. Thereafter, all Class "A" Directors shall be elected for two-year terms.

A Class "A" Director may be removed from office, with or without cause, by the Type "A" Members at a meeting of the Members of the Corporation expressly called for such purpose, provided the notice of such meeting shall state that the purpose, or one of the purposes, of the meeting is removal of the Director. A Class "B" Director may be removed from office, with or without cause, at the election of the Type "B" Member. If a Class "A" Director is removed from office, resigns, becomes disabled or dies, a successor Director shall be elected by the Type "A" Members. If a Class "B" Director is removed from office, resigns, becomes disabled or dies, a successor Director shall be designated by the Type "B" Member.

No representative of the Type "B" Member serving as a Director shall be required to disqualify him or herself upon any vote upon any management contract, lease, or other matter between the Type "B" Member and the Association under circumstances by virtue of which the Type "B" Member may have a pecuniary or other interest. No such actual or apparent conflict of interest shall be a cause of partial or total invalidity of the matter voted upon whether or not the vote of any representative of the Type "B" Member was necessary for the adoption, ratification, or execution of the same.

ARTICLE V: INITIAL BOARD OF DIRECTORS

The names and addresses of those persons who are to constitute the initial Board of Directors are:

<u>NAME</u>	<u>ADDRESS</u>
H. Clem Carlisle III	14700 Village Square Place Midlothian, Virginia 23112
Kathryn H. Pearson	14700 Village Square Place Midlothian, Virginia 23112
Larry W. Kidd	14700 Village Square Place Midlothian, Virginia 23112

ARTICLE VI: REGISTERED OFFICE AND AGENT

The address of the initial registered office of the corporation is 1100 Boulders Parkway, Suite 650, Richmond, Virginia 23225. The name of the initial registered agent is Thomas E. Carr, whose business address is 1100 Boulders Parkway, Suite 650, Richmond, Virginia, 23225, which is located in Chesterfield County. Mr. Carr is a resident of Virginia and a member of the Virginia state bar.

ARTICLE VII: LOANS; DEEDS OF TRUST

The Board of Directors shall have the power and authority to enter into deeds of trust encumbering the property of the Corporation and to pledge the revenues of the Corporation as security for loans made to the Corporation which loans shall be used by the Corporation in performing its authorized functions; provided that any such deed of trust is with the prior consent of more than two-thirds (2/3rds) of the Type "A" Members (excluding the Company) voting in person or by proxy at a duly called meeting, the Type "B" Member, and, for so long as there is a Type "B" Member, of HUD and further provided that in the event of a default upon any such deed of trust by the Corporation, the noteholder's rights shall be limited to the right, after taking possession of the property burdened thereby, to charge reasonable admission and other fees, and, if necessary, to open enjoyment of such property to a wider public, until the note held is satisfied, whereupon possession of the property shall be restored to the Corporation. Notwithstanding anything in the Declaration to the contrary, without the express written consent of the Company, the Corporation shall not be allowed to reduce the level of the Annual Assessment at any time there are outstanding any amounts due the Company as repayment of any loans made by the Company to the Corporation.

ARTICLE VIII: MERGER; CONSOLIDATION; SALE OF ASSETS; DISPOSITION OF ASSETS IN DISSOLUTION

So long as there is a Type "B" Member, the Corporation shall not participate in a merger or consolidation or dissolve without the consent of HUD. Subject to the provisions of the preceding sentence, the Corporation may participate in such a merger or consolidation or be dissolved by the affirmative vote of more than two-thirds (2/3rds) of the Type "A" Members voting in person or by proxy at a duly called meeting and, so long as there is a Type "B" Member, of the Type "B" Member. Prior to dissolution of the Corporation, the assets of the Corporation shall be offered for dedication to Gloucester County, Virginia. If such dedication is refused, such assets shall be granted, conveyed and assigned to any nonprofit corporation, association, trust or other organization to be devoted to purposes similar to those contemplated by the Declaration. In the event of such a dissolution and transfer, the assets shall continue to be used and maintained for the purposes set out herein.

ARTICLE IX: INDEMNIFICATION

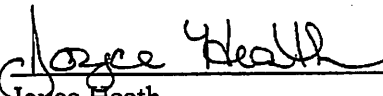
The Corporation shall have all of the powers of indemnification set forth in Article 9 of the Act as in effect on the date hereof or as hereafter modified or amended, provided that whenever pursuant to such Article (i) a determination that indemnification is permissible is to be made, (ii) indemnification is to be authorized, and/or (iii) an evaluation as to the reasonableness of expenses

against which an individual is to be indemnified is to be made, in any such case by a vote of the Members, the vote required shall be the affirmative vote of more than two-thirds (2/3rds) of the Type "A" Members voting in person or by proxy at a duly called meeting and, so long as there is a Type "B" Member, of the Type "B" Member, provided membership interests owned or voted under the control of Directors who are at the time parties to the proceeding in question may not be voted on the determination, authorization, or evaluation, as the case may be.

ARTICLE X: DEFINITIONS; CONFLICTS

All capitalized terms used in these Articles and not defined herein shall have the meaning given to them in the "Declaration Riverwatch, Gloucester County, Virginia" which will be recorded in the Clerk's Office following incorporation of the Corporation. In the event of a conflict between these Articles and the foregoing Declaration, the Declaration shall govern.

Dated: July 7, 2003


Joyce Heath
Incorporator