

CERTIFIED TRUE COPY

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This instrument prepared by Thomas E. Carr & Associates, P.C., Suite 650, 1100 Boulders Parkway, Richmond, Virginia 23225.

Property Identification Numbers: Tax Map Parcels 12-20B, 12-68, 12-D(1)-1 through D(1)-7 and 12-D(1)-9

DECLARATION

RIVERWATCH, GLOUCESTER COUNTY, VIRGINIA

THIS DECLARATION, made as of this 12 day of September, 2003 by RIVERWATCH HOMEOWNERS' ASSOCIATION, INC., a Virginia non-stock corporation (a "Grantor" and "Grantee" for indexing purposes), RIVERWATCH DEVELOPMENT COMPANY, L.L.C., a Virginia limited liability company, formerly known as RIVERWOOD DEVELOPMENT COMPANY, L.L.C., a Virginia limited liability company (a "Grantor" and "Grantee" for indexing purposes), BRANCH BANKING AND TRUST COMPANY OF VIRGINIA, a Virginia banking association ("Bank"), BB&T-VA COLLATERAL SERVICE CORPORATION, Trustee ("Bank Trustee" and a "Grantor" for indexing purposes), ALBERT SCHORNBERG, a/k/a ALBERT SCHORNBERG, JR. and CINDY SCHORNBERG ("Noteholders" and "Grantees" for indexing purposes) and JOSEPH W. RICHMOND, JR. and THOMAS E. CARR, Trustees, either of whom may act ("Schornberg Trustees").

WITNESSETH:

WHEREAS, the Company is the owner of the real property located in Gloucester County, Virginia and described in EXHIBIT "A" attached hereto and by this reference made a part hereof and desires to create thereon a residential community to be known as "Riverwatch"; and

WHEREAS, the Company wishes to declare certain covenants, restrictions and affirmative obligations affecting the portion of such lands intended by the Company to be developed for single-family residential uses; and

WHEREAS, Riverwatch Homeowners' Association, Inc. has been incorporated under the laws of the Commonwealth of Virginia to exercise the functions that are hereinafter more fully set forth; and

WHEREAS, the Company entered into that certain Credit Line Deed of Trust and Security Agreement dated as of October 21, 2002, recorded October 21, 2002 in the Clerk's Office, as Instrument Number 020007552 ("Bank Deed of Trust"), pursuant to which the Company granted a lien on the aforementioned property to the Bank Trustee for the benefit of the Bank, to secure certain obligations of the Company to the Bank more particularly described therein, and the Bank Trustee, at the direction of the Bank, wishes to join herein to subordinate the lien of the Deed of Trust to the provisions of this Declaration;

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WHEREAS, the Company entered into that certain Second Lien Deed of Trust dated October 17, 2002, recorded October 21, 2002 in the Clerk's Office, as Instrument Number 020007554 ("Schornberg Deed of Trust") pursuant to which the Company granted a lien on the aforementioned property to the Schornberg Trustees for the benefit of the Noteholders, to secure certain obligations of the Company to the Noteholders more particularly described therein, and the Schornberg Trustees, at the direction of the Noteholders, wish to join herein to subordinate the lien of the Schornberg Deed of Trust to the provisions of this Declaration;

NOW, THEREFORE, the Company declares that the Property is and shall be held, transferred, sold, conveyed, given, donated, leased, occupied and used subject to the covenants, restrictions, affirmative obligations, conditions, easements, charges, assessments and liens hereinafter set forth.

ARTICLE I: DEFINITIONS

When used in this Declaration the following words and terms shall have the following meanings:

(a) "Annual Assessment" means the annual assessments levied by the Board pursuant to Article VIII, Section 3.

(b) "ARB" means the body to be appointed by the Board pursuant to Article IX, Subsection 2(b).

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

(d) "Assessments" means Annual Assessments and Special Assessments.

(e) "Association" means the Riverwatch Homeowners' Association, Inc., a Virginia non-stock corporation, its successors and assigns.

(f) "Board" means the Board of Directors of the Association.

(g) "Bylaws" means the Bylaws adopted by the Board, as modified or amended from time to time.

(h) "Clerk's Office" means the Clerk's Office of the Circuit Court of the County.

(i) "Code" means the Code of Virginia (1950), as amended, as now in effect and modified or amended from time to time hereafter.

(j) "Company" means Riverwatch Development Company, L.L.C., a Virginia limited liability company, formerly known as Riverwood Development Company, L.L.C., a

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Virginia limited liability company, and its successors and any Person to whom or which it has expressly assigned its rights or delegated its duties hereunder (whether in whole or in part) pursuant to an instrument recorded in the Clerk's Office or to which such rights and duties have been deemed to have been assigned and delegated pursuant to Article XI, Section 16.

(k) "County" means Gloucester County, Virginia.

(l) "Declaration" means this instrument.

(m) "HUD" means the United States Department of Housing and Urban Development and any successor agency thereto.

(N) "Improvement" means any improvement duly approved pursuant to Article IV, Section 4.

(o) "Interested Party" means a Type "A" Member, Tenant, immediate family member, guest, invitee, licensee or agent of such Member or Tenant, or domestic partner, parent and/or grandchild residing with such Member or Tenant and, for so long as there is a Type "B" Member, employees and agents of the Type "B" Member.

(p) "Lot" means any portion of the Property shown on a subdivision plat recorded in the Clerk's Office on which is constructed or is intended to be constructed a single family detached home, provided that solely for the purpose of determining when there no longer is a Type "B" Member under the Articles, such term shall mean the total number of single-family homes permitted to be developed on the Property pursuant to the zoning ordinances of the County in effect as of the date of this Declaration.

(q) "Master Plan" means the drawing that represents the conceptual plan for the future development of Riverwatch, as it maybe amended from time to time.

(r) "Members" means the Type "A" Members and Type "B" Member, if any, collectively.

(s) "Open Space" means those tracts of land (including any Open Space Improvements thereupon) that are designated as "open space" or as "common area" in any conveyance by the Company to the Association or are otherwise intended by the Company to be conveyed to the Association for the use and enjoyment of its Members.

(t) "Open Space Improvements" means those improvements constructed upon the Open Space pursuant to Article III, Section 6.

(u) "Owner" means (i) the record owner(s) of fee simple title to any Lot, (ii) for so long as it owns any portion of the Property upon which, pursuant to the Master Plan, it

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is anticipated that lots will be shown on an instrument to be recorded in the Clerk's Office, the Company, and (iii) where the context so requires, the Association with respect to the Open Space, but does not mean or refer to any Person having an interest in a Lot solely by virtue of a contract or a trustee, mortgagee or holder of a deed of trust, its successors or assigns, unless it has acquired fee simple title pursuant to foreclosure or a proceeding or deed in lieu of foreclosure.

(v) "Person" means any individual or form of legal entity recognized under the laws of the Commonwealth of Virginia.

(w) "Preservation Act" means the Chesapeake Bay Preservation Act, Title 10.1-2100 of the Code, as now in effect or hereafter amended.

(x) "Property" means the property described in EXHIBIT "A" attached hereto, less any portions thereof withdrawn from the provisions of this Declaration pursuant to Article II, Section 2.

(y) "Reserve Fund" means the fund created pursuant to Article VIII, Section 9.

(z) "Review Party" means the Company, until the first to occur of the date upon which the Company is no longer an Owner or assigns its right to serve as such to the ARB, and thereafter, the ARB.

(aa) "River Surface Area" means (i) the portion of the Piankatank River extending outward from the boundary of the Property one hundred (100) yards, and (ii) the portion of French Creek extending outward from the boundary of the Property one hundred (100) feet. With respect to any Lot or Open Space adjoining the Piankatank River and/or French Creek, the portion of the River Surface Area related thereto for the purposes of this Declaration shall be deemed to be that bounded by (i) the common boundary line of such Lot or Open Space and such River or Creek, (ii) the side lines of such Lot or Open Space, extended in a straight line outward from such boundary line one hundred (100) yards or one hundred (100) feet, as the case may be, and (iii) a line running parallel to the common boundary line of such Lot or Open Space and such River or Creek and connecting the outwardmost points of the extensions of such side lines.

(bb) "Riverwatch" means the Property less any portion thereof withdrawn pursuant to Article II, Section 2.

(cc) "Rules and Regulations" means the rules and regulations adopted from time to time by the Board.

(dd) "Special Assessment" means an assessment levied pursuant to Article VIII, Section 6.

(ee) "Tenant" means the lessee of a Lot and the Improvements thereupon.

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(ff) "Type "A" Member" has the meaning given to such term in the Articles.

(gg) "Type "B" Member" has the meaning given to such term in the Articles.

ARTICLE II: PROPERTY; RESERVED EASEMENTS; SUBDIVISION

Section 1. Property. Except as set forth below, the Property shall be held, transferred, sold, conveyed, given, donated, leased, occupied, and used subject to this Declaration.

Section 2. Withdrawal of Property. The Company may in its sole and absolute discretion (but shall not be obligated to) withdraw any portion of the Property that has not been subdivided into Lots and Open Space pursuant to a subdivision plat recorded in the Clerk's Office from the provisions hereof by recording a declaration of withdrawal in the Clerk's Office describing the portion of the Property being withdrawn.

Section 3. Utilities Easement. The Company reserves a non-exclusive perpetual, alienable easement on, over and under the Property to erect, maintain, and use or to permit third parties to erect, maintain, and use electric, community antenna television, cable television, telephone and other utility poles, wires, cables, and conduits, streetlights, drainage ways, sewers and water mains, and all related equipment for the provision of electric, telephone, gas, sewer, water, drainage, or other public conveniences or utilities to the Property; provided, however, that no such utility easement shall be applicable to any portion of any Lot or the Open Space that may (a) have been used prior to the installation of such utilities on such portion of the Lot or Open Space for construction of Improvements, or (b) may be designated as the site for a single family detached home, accessory building or other structure on a site plan that has been approved by the Review Party. The foregoing easement includes the right to cut any trees, bushes, or shrubbery, make any grading of the soil, or to take any other similar action necessary to provide utility services and to maintain reasonable standards of appearance. With respect to Lots, the Company will use its reasonable efforts to locate utility services along two (2) boundary lines thereof and not more than fifteen (15) feet from any such boundary line.

Section 4. Easement for Pest and Fire Control. The Company reserves a non-exclusive perpetual, alienable easement on, over and under the Property to dispense pesticides and take other actions necessary or desirable to control insects and vermin and to control fires on any portion of the Property or any Improvements thereon.

Section 5. Subdivision. Except as set forth below, no Lot shall be subdivided or its boundary lines changed without the prior written consent of the Company. The Company may replat any Lot owned by it and take such other steps necessary to make such replatted Lot suitable and fit as a building site, including, but not limited to, relocating easements, walkways, rights of way, roads, bike trails, bridges, parks, recreational and community facilities and other amenities to conform to the new boundaries of said replatted Lot. In addition, two (2) or more contiguous Lots may be

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combined by an Owner into one (1) larger Lot, and, in such event, only the exterior boundary lines of the resulting larger Lot shall be considered in the interpretation of this Declaration.

ARTICLE III: OPEN SPACE

Section 1. Easement of Enjoyment. Subject to the provisions of this Declaration, the Rules and Regulations, and any fees or charges established by the Association, every Interested Party shall have a nonexclusive easement of enjoyment in and to the Open Space and River Surface Area related thereto, including but not limited to the right to use such Open Space Improvements as may exist from time to time. Other than with respect to Interested Parties who are employees and agents of the Type "B" Member, such easement shall not be personal, but shall be appurtenant to and pass with the title of every Lot. Except as set forth below, the granting of the foregoing easement in no way grants to anyone other than the Interested Parties the right to enter the Open Space without the prior written permission of the Type "B" Member for so long as there is such a Member, and, thereafter, of the Board, and the rights granted an Interested Party who is a Type "A" Member shall terminate as to such Member and all those, if any, claiming by, through or under such Member at such time as such Member no longer is an Owner.

As determined in the sole and absolute discretion of the Company for so long as there is a Type "B" Member and, thereafter, the Board, third parties may have access to and enjoyment of the Open Space subject to Rules and Regulations and user fees established by the Board. Notwithstanding the foregoing, no guest, invitee, licensee or agent of a Type "A" Member or Tenant may use any Common Area Improvements on Common Area adjacent to the Plankatank River or French Creek or constructed on the River Surface Area related thereto unless accompanied throughout the period of such use by such Type "A" Member or Tenant and/or an immediate family member, domestic partner, parent and/or grandchild residing with such Member or Tenant, which person in any such case is at least 18 years of age.

Section 2. Extent of Easements. The easement of enjoyment created pursuant to Section 1 above is subject to the following rights of the Association:

- (a) those contained in Article VII of the Articles;
- (b) to take such steps as are reasonably necessary to protect the Open Space against foreclosure;
- (c) to grant easements to any public or private utility; and
- (d) to give or sell all or any part of the Open Space, including leasehold interests in Open Space Improvements, to any public agency, authority, service district or utility or any private concern, in which event such easement shall terminate unless expressly assumed by such agency, authority, district, utility or concern, provided that for so long as there is a Type "B" Member, the Association may not dedicate any Open Space without the approval of HUD.

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Section 3. Certain Rights of Company. Notwithstanding anything contained in this Article III to the contrary, for so long as it is an Owner, the Company and its express assigns shall be entitled to use and enjoy the Open Space and River Surface Area related thereto (including all Open Space Improvements and all personal property related thereto) for sales and marketing functions in connection with marketing Lots for sale to third parties.

Section 4. Damage or Destruction of Open Space by Interested Party. If any portion of the Open Space or any Open Space Improvement is damaged or destroyed by an Interested Party, the Association or Company shall repair such damage to the extent practicable in a good and workmanlike manner and in substantial conformance with the original plans and specifications of the Open Space or Open Space Improvement involved, or as such Open Space or Open Space Improvement may have been theretofore modified or altered by the Association, in the discretion of the Association or Company. In the case of such damage or destruction caused by an Interested Party that is or is claiming through a Type "A" Member, the cost of such repairs shall be a Special Assessment on the Lot of such Member. In the case of such damage or destruction caused by an Interested Party that is an employee or agent of the Type "B" Member, the cost of such repairs shall be reimbursed by the Type "B" Member.

Section 5. Right to Convey. The Company reserves the right to dedicate, transfer, sell, convey, give, donate, or lease to the Association or to any third party any portion of the Open Space or any Open Space Improvement, subject to the provisions of this Article III and all other restrictions or limitations that the Company shall elect to impose, provided that so long as there is a Type "B" Member, the Company shall not Space Open Space to any public jurisdiction or entity without the approval of HUD. As an appurtenance to any such conveyance to the Association, the Association shall have all of the powers, immunities, and privileges reserved unto the Company in this Article III with respect to the property conveyed as well as all of the Company's obligations with respect thereto, provided, however, that so long as the Company is an Owner, the Company, in addition to and jointly with the Association, shall retain all rights reserved unto it in this Article III. Without limiting the generality of the foregoing, when it duly transfers, sells, conveys, gives, donates or leases to the Association or to any third party any portion of the Open Space or any Open Space Improvement, the Company shall be entitled to reserve for its own benefit such signage easements as in its sole discretion may be necessary or desirable. All Open Space shown and described on any subdivision plat of any portion of Riverwatch recorded in the Clerk's Office shall be conveyed to the Association free and clear of all encumbrances before HUD insures the first mortgage secured by a deed of trust on a Lot shown and described on such plat.

Section 6. Improvements. Subject to the approval of the Review Party, the Open Space and River Surface Area related thereto may be improved with facilities for social, recreational and community buildings, public and private clubs, playground areas and other recreational facilities, indoor and outdoor recreational establishments. The

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procedures for consideration of any proposed improvements to the Open Space shall be analogous to those for consideration of proposed improvements to Lots contained in Article IV.

Section 7. Company's Right of Access. For so long as it is an Owner, the Company reserves the right to enter upon the Open Space and River Surface Area related thereto to construct, landscape, maintain, operate, repair and replace any Open Space Improvements located or to be located thereupon.

Section 8. Use. The Open Space, River Surface Area related thereto, and Open Space Improvements shall be used only for the furnishing of the services and facilities for which the same are reasonably suited and which are incident to the use and occupancy of the Lots. Other than pursuant to Article III, Section 3, no interested Party shall make any private, exclusive or proprietary use of the Open Space, the River Surface Area related thereto, the Open Space Improvements, or any portion thereof without the prior written approval of the Board, which shall only have the authority to approve such use on a temporary basis.

Section 9. Obstructions. No Person shall obstruct access to or egress from or impede the rightful use of the Open Space, River Surface Area related thereto or any Open Space Improvement. Other than with respect to personal property ordinarily used in connection with permitted uses of the Open Space, River Surface Area related thereto and Open Space Improvements, no Person shall place or cause or permit anything to be placed on or in the Open Space, River Surface Area related thereto or any Open Space Improvement or alter, construct or remove anything from the Open Space, River Surface Area related thereto or any Open Space Improvement without the approval of the Board.

Section 10. Watercraft: Vehicles. Except in connection with construction activities and with respect to vehicles used for transport of watercraft, no watercraft, trucks, trailers, campers, recreational vehicles, or other large vehicles, including grounds maintenance equipment, may be moored or parked on any portion of the Open Space or River Surface Area related thereto, unless expressly permitted by the Board and then only in such mooring or parking areas and for such time periods as may be designated for such purpose. All watercraft and vehicles must be moored or parked so as not to impede traffic or damage vegetation. No junk, derelict or inoperative watercraft or vehicle or watercraft or vehicle on which current registration plates and current county and state inspection, personal property tax or other required permits or stickers are not displayed shall be kept upon any portion of the Open Space or River Surface Area related thereto. Watercraft and vehicle repairs and storage of watercraft or vehicles are not permitted on the Open Space or River Surface Area related thereto other than to the extent expressly approved by the Company. No motor vehicles, including, but not limited to, trail bikes, motorcycles, dune buggies, golf carts, snowmobiles and scooters, but excluding such vehicles as are authorized by the Board in order to maintain, repair, or improve the Open Space, shall be driven upon any portion of the Open Space other than paved access driveways and parking

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lots. No watercraft moored on the River Surface Area related to the Open Space other than on a transient basis and no vehicle parked on any portion of the Open Space may be used for habitation purposes.

Section 11. Pets. Pets shall not be permitted upon the Open Space or any Open Space Improvement unless accompanied by someone who controls the pet and unless carried or leashed. Pet droppings shall be removed by the person in control of the pet.

Section 12. Subordination of Easements. No Owner may subordinate any easement granted or reserved herein to any subsequent encumbrance upon such Owner's Lot.

Section 13. Not a Bailee. The Company, the Board, the Association, and the other Members shall not be considered bailees of any personal property placed or stored on the Open Space (including personal property within vehicles or watercraft parked or moored on the Open Space or River Surface Area related thereto), whether or not exclusive possession of the particular area has been given to the affected Interested Person for parking, mooring, 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.

ARTICLE IV: ARCHITECTURAL CONTROL

Section 1. Architectural Standards, Etceteras. The Review Party shall establish and may amend from time to time architectural standards, construction specifications, sign regulations, mailbox and post lamp regulations, landscape guidelines, environmental rules and regulations, and other standards and guidelines that shall be binding on all Owners.

Section 2. Architectural Control. The Review Party shall have the right to control all architectural aspects of any proposed improvements (including any proposed improvements to the River Surface Area related to any Lot), including, but not limited to, height, site plan, set-back requirements, open space, exterior design, color schemes and finishes, landscaping, aesthetic criteria, construction schedules and coordination of drainage and utility services.

Section 3. Actions by Review Party. The Review Party may base approval or disapproval of any matter upon any ground, including but not limited to aesthetic considerations, adequacy of site dimensions, storm drainage considerations, conformity and harmony of external design with neighboring Lots and Improvements, relation of the topography, grade and finished ground elevation of the Lot proposed to be improved to that of neighboring portions of the Property, proper facing of the main elevation with respect to nearby dedicated roads, compliance or non-compliance of the plans and specifications with then-existing design criteria and standards, and

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conformity to the general plan of this Declaration, which in its sole and uncontrolled discretion shall seem sufficient and, except as set forth below, shall not be binding upon it unless in writing. Without limiting the generality of the foregoing, the Review Party shall not be obligated to approve proposed improvements on the grounds that the layout, design and other aspects of such improvements are the same or substantially the same as the layout, design and other aspects of Improvements previously approved at the request of any other Owner.

Section 4. Approval to be Obtained. No single family detached home, accessory building, fence, other structure or improvement shall be erected or placed, nor, without the prior written approval of the Review Party, shall a building permit for any such home, building, fence, other structure or improvement be applied for on any Lot unless and until final plans and specifications therefore, including exterior elevations, site plans, landscaping plans and parking plans, a schedule of exterior colors and finish materials and such other plans as the Review Party may dictate, have been approved by the Review Party. The plans and specifications to be submitted shall comply with any design criteria and standards promulgated pursuant to this Declaration, describe in detail the proposed improvements, and, with dates certain, set forth a construction schedule for construction and completion thereof. Duplicate copies of all plans shall be submitted, and one copy of each plan submitted shall become the sole property of the Review Party, provided that at such time as the Company is no longer the Review Party, it shall deliver all plans then retained by it in such capacity to the ARB. If the Review Party deems such plans and specifications insufficient, it may require the submission of additional and/or more detailed plans and specifications.

Section 5. Approval Time Frame. The Review Party shall approve or disapprove any proposed improvements within forty-five (45) days after receipt of all required plans, specifications and other materials in proper form, accompanied by payment of any amounts due in connection therewith pursuant to Section 6 of this Article IV, by written notice to the submitting Owner. If the Review Party fails to disapprove any proposed improvements within such period or to require that the plans therefor be resubmitted with designated changes incorporated, and thereafter the submitting Owner gives the Review Party notice of such failure, such proposed improvements shall be deemed to have been approved if the Review Party fails to so disapprove or require resubmission of such plans within thirty (30) days after receipt of such notice. Any conditional approval of proposed improvements by the Review Party shall be deemed a disapproval until such time as the Owner requesting such approval satisfies all conditions to approval to the satisfaction of the Review Party. If the Review Party approves, or is deemed to have approved, any proposed improvements, the submitting Owner may undertake construction of such Improvements in strict conformance with the plans, specifications and other materials submitted and approved or deemed to have been approved, subject to the obligation to comply with conditions to approval, if any, set forth by the Review Party.

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Section 6. Consultation with Architects, Etceteras; Administrative Fee. The Review Party may engage or consult with architects, engineers, planners, surveyors, attorneys and others in the performance of its responsibilities under this Article. Any Owner seeking the approval of the Review Party pursuant hereto agrees to pay all fees thus incurred and further agrees to pay an administrative fee to the Review Party in such amount as the Review Party may from time to time reasonably establish. The payment of all such fees is a condition to the approval or disapproval of any proposed improvements, and the commencement of review of any proposal may be conditioned upon the payment of the Review Party's estimate of such fees. Administrative fees established, levied and collected by the Review Party shall be in amounts reasonably calculated to defray the costs of carrying out the responsibilities of the Review Party related to consideration of proposed improvements, including, in the case of the ARB, reasonable compensation for its members other than those appointed by and associated with the Company. Subject to retention of a reasonable reserve for working capital purposes, any resulting surplus funds held by the Review Party at the end of a given calendar year shall be disbursed by it to the Association.

Section 7. Period Approval Effective; Completion of Exterior of Improvements; Occupancy. Approval of plans and specifications by the Review Party shall be valid for a period of one (1) year from the date given or deemed to have been given. If within such period, in the opinion of the Review Party, substantial commencement of construction of the Improvements has not begun, or, such construction having begun, has not been diligently prosecuted, all related approvals shall be deemed to have expired and no construction shall thereafter continue or commence without a written renewal of such approvals. The exterior of each single family detached home and permitted guest quarters and/or accessory building on a Lot must be completed within one (1) year after substantial commencement of construction of same except where such completion is impossible or would result in great hardship to the Owner or builder due to strikes, fires, inability to obtain required materials, national emergency or natural calamities, and no such home, guest quarters and/or accessory building may be occupied, whether temporarily or permanently, until such exterior is so completed and a temporary or permanent certificate of occupancy therefor has been issued by the County. Provided the Company has given such Owner notice of such Owner's failure to so complete such exterior, and such Owner has failed to complete or cause to be completed such exterior within thirty (30) days thereafter, or, if such exterior cannot be completed within such thirty (30) day period, such Owner has failed within such period to commence and diligently prosecute those actions necessary to complete such exterior, the Company shall be entitled to take any action necessary to complete such exterior or, if in the Company's opinion it is appropriate to do so, to demolish any uncompleted improvements and restore the Lot to its condition prior to the commencement of construction. All costs incurred by the Company in so doing shall be a Special Assessment on the affected Lot.

Section 8. Alterations to Completed Improvements. No alteration in the exterior appearance of any completed improvement, including but not limited to exterior elevations, site plan, landscaping plan, parking plan and exterior color or finish, shall

be made without prior written approval by the ARB. All such alterations shall be completed strictly in accordance with the approved plans therefor. The provisions of Sections 5-7 of this Article IV shall apply with respect to proposed alterations to completed Improvements with the same force and effect as such Sections apply with respect to proposed improvements.

ARTICLE V: PROVISIONS REGARDING IMPROVEMENTS

Section 1. Minimum Size Requirements. Plans required under Section 4 of Article IV shall be approved only if the proposed single family detached home will have the required minimum square footage of enclosed finished dwelling space (excluding garages, terraces, decks, open porches, screened porches, attached utility or storage areas, and similar areas), if any, specified in the sales contract and/or stipulated in each deed and/or in the architectural guidelines promulgated by the Review Party and/or mandated by the County zoning ordinances in effect at the date of this Declaration. Notwithstanding the foregoing, the Company reserves the right in its sole and absolute discretion to alter minimum size requirements for proposed improvements on Lots at anytime or from time to time by recordation of an appropriate supplemental declaration in the Clerk's Office. The Company further reserves the right in its sole and absolute discretion to determine minimum size requirements for guest quarters or accessory buildings on Lots permitted by Article V, Section 5 and any proposed improvements affecting the River Surface Area related to any Lot or portion of the Open Space.

Section 2. Location of Improvements. Improvements shall be located and staggered so that the maximum view, privacy, sunlight, and breeze will be available to each single family detached home and so that each such home will be located with due regard to the topography of the affected Lot, taking into consideration the location of large trees and other aesthetic and environmental considerations.

Section 3. Topographical Changes. Except as expressly set forth in this Declaration, topographic and vegetation characteristics of a Lot shall not be altered by excavation, grading, removal, reduction, addition, clearing, cutting, pruning, seeding, planting, transplanting, or any other means without the prior approval of the Review Party. Topographical changes and changes in the vegetation characteristics of a Lot pursuant to a landscaping plan approved by the Review Party shall be deemed to have been approved for purposes of this Section 3.

Section 4. Removal of Trees, Etceteras. Except in accordance with guidelines, if any, promulgated by the Company, no sound trees exceeding six (6) inches in diameter measured forty-eight (48) inches above the ground shall be removed from any Lot without the prior approval of the Review Party unless necessary to construct Improvements. No live trees with a diameter in excess of six (6) inches measured forty-eight (48) inches above ground, nor trees with a diameter in excess of two (2) inches, similarly measured, which are generally known as flowering trees, such as dogwood or redbud, or broad leaf evergreens, such as holly, laurel, or rhododendron, and no live

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vegetation on slopes of greater than twenty percent (20%) gradient or marked "no cut" areas on approved site plans may be cut without the approval of the Review Party.

Section 5. Permitted Structures. No structure shall be erected, altered, placed or permitted to remain (i) on a Lot other than one (1) single family detached home, one (1) guest quarters, and one (1) small accessory building (that may include a detached private garage), or (ii) within the River Surface Area related to a Lot, one (1) dock or pier with associated improvements. Such guest quarters, accessory building or other improvements may not be constructed prior to construction of the single family detached home. No mobile home, trailer, tent, barn or other similar outbuilding or structure shall be placed either temporarily or permanently on any Lot at any time other than a shelter, temporary structure or trailer used by a contractor during construction of improvements, the design and color of which have been approved by the Review Party. Any such shelter, structure or trailer shall be removed upon completion of construction of the related improvements and no such shelter, structure or trailer shall be used for habitation. No improvement within the River Surface Area related to a Lot shall be used for habitation. The structures on a Lot other than the single family detached home shall not in the aggregate contain more enclosed floor area (excluding terraces, decks, open porches, screened porches, and similar areas, but including garages and attached utility or storage areas) than the greater of 800 square feet or 35% of the floor area of such home, provided such aggregate enclosed floor area shall in no event exceed 1,200 square feet.

Section 6. Guest Wings. A guest suite or like facility may be included as part of the single family detached home or accessory building on any Lot provided, however, that, in the opinion of the Review Party, such suite would not result in over-crowding the Lot. No such suite or facility may be rented or leased except as part of the rental or lease of all improvements on the Lot.

Section 7. Screening of Facilities. Each Owner shall provide one or more screened areas to serve as service yards and areas in which garbage receptacles, electric and gas meters, air conditioning equipment, and other unsightly objects may be placed or stored in order to conceal them from view from dedicated roads, adjacent portions of the Property and the River Surface Area. Whenever possible, fuel tanks shall be located underground at locations approved by the Review Party prior to construction. If, in the opinion of the Review Party, any fuel tank cannot be located underground at a suitable location, it shall be located above ground in a similarly screened area.

Section 8. Exterior Clotheslines; Deck and Porch Railings. No exterior clotheslines, wooden or metal racks, or other apparatus suited or intended to be used for air-drying of wet garments may be erected by any Owner if it is visible from any portion of the Property other than such Owner's Lot or if it is visible from the River Surface Area. Deck and porch railings and railings or other surfaces forming part of any improvements within the River Surface Area shall not be used for the purpose of drying any linens or garments of any kind.

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Section 9. Signage. No sign shall be erected or maintained on any Lot until the proposed sign size, color, content and location shall have been approved by the Review Party. No alteration in the appearance of any sign shall be made without like approval by the ARB. No sign shall be erected or maintained on the River Surface Area related to any Lot.

Section 10. Mailboxes and Post Lamps. No mailbox, post lamp or combination thereof shall be erected or maintained on any Lot until the proposed design, color, and location have been approved by the Review Party. No alteration in the appearance of any mailbox, post lamp or combination thereof shall be made without like approval by the ARB.

Section 11. Antennas. Except as provided below or otherwise provided by law, no antenna, radio receiver, radio sender, or similar device shall be attached to the exterior portion of any building or structure or otherwise installed on any Lot or within the River Surface Area related to a Lot. The Company may install or approve the installation of equipment necessary for a master antenna system, community antenna television, mobile radio system, or other similar system. To the extent permitted by applicable law, the Review Party shall have the right to approve the size, location and screening of any satellite receiver dish on a Lot or the Open Space or the River Surface Areas related thereto.

Section 12. Flags. No Owner may display or permit to be displayed any flag on any Lot, including but not limited to the flag of (i) the United States, (ii) the Commonwealth of Virginia, (iii) any active branch of the armed forces of the United States, or (iv) any military valor or service award of the United States, other than in accordance with the Rules and Regulations relating to such display.

Section 13. Lighting. No exterior lighting shall be directed outside the boundaries of any Lot. The forgoing shall not be interpreted to prohibit lighting within the River Surface Area related to a Lot, provided the specifications therefore have been approved by the Review Party.

Section 14. Pools. No above-ground swimming pool shall be erected or maintained on any Lot. No in-ground swimming pool shall be erected or maintained on any Lot unless approved by the Review Party and enclosed by a fence.

Section 15. Dock Permits. No dock or other structure extending into the River Surface Area related to a Lot shall be permitted unless satisfactory evidence is presented to the Review Party of the existence of all necessary consents, approvals, and permits of those governmental units or agencies with jurisdiction, if any.

ARTICLE VI: USE RESTRICTIONS

Section 1. Use of Lots and Improvements. Subject to the right of the Company to use one or more Lots for the purpose of its sales offices and models and as otherwise

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set forth below, all Lots and the River Surface Areas related thereto shall be used solely for residential purposes, recreational purposes incidental thereto, and customary accessory uses. The use of a portion of a single family detached home or guest quarters on a Lot as an office by any Person lawfully residing in such home shall be considered a residential use provided that, in the opinion of the Company, such use does not create undue customer or client traffic to and from the Lot. No improper, offensive or unlawful use shall be made of a Lot, the River Surface Area related thereto or any part thereof. All laws, orders, rules, regulations or requirements of any governmental agency having jurisdiction thereof relating to a Lot and the River Surface Area related thereto shall be complied with, by and at the sole expense of the Owner thereof.

Section 2. Leasing; Timeshares. No Improvements shall be used or occupied for transient or hotel purposes, including but not limited to being subjected to or used for any timesharing, cooperative, licensing or other arrangement that would entail weekly, monthly or any other revolving or periodic occupancy by more than two (2) multiple Owners, cooperators, licensees or timesharing participants, or, without the Company's approval, leased for an initial period of less than twelve (12) months. No portion of a Lot shall be leased for any period unless the entire Lot is being leased for such period to the same Tenant. No Owner shall lease a Lot other than on a written form of lease that (i) requires the lessee to comply with this Declaration and the Rules and Regulations; (ii) provides that failure to comply therewith constitutes a default under the lease; (iii) permits the Association or the Company to terminate said lease in the event of an Owner's failure to do so upon the occurrence of such a default, which default is not cured within thirty (30) days after notice thereof from the Owner, the Association, or the Company, as the case may be; (iv) prohibits assignment or subletting; and (v) assesses no separate rental or other charge for use and enjoyment of any habitable structure on the Lot other than the single family detached home permitted pursuant to Article V, Section 5.

Section 3. Nuisances. No nuisance shall be permitted to exist on any Lot or within the River Surface Area related thereto. Noxious, destructive, or offensive activity, or any activity constituting an unreasonable source of annoyance shall not be conducted on any Lot, the Open Space, the River Surface Areas related thereto, or any part thereof. Each Owner shall refrain and cause others to refrain from any act or use of any such area or any exercise of such owner's riparian right to use and enjoy the Plankatank River or French Creek that could reasonably cause embarrassment, discomfort, or annoyance to any Person lawfully on the Property.

Section 4. Hazardous Uses; Waste. Nothing shall be done or kept on any Lot or the River Surface Area related thereto that increases the rate of insurance applicable for permitted uses for the Open Space or any part thereof without the prior written consent of the Board, 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 any Lot that might result in the cancellation of any insurance on the Open Space or any part thereof. No vehicle of any size that transports inflammatory

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or explosive cargo may be kept or driven on the Property at any time other than commercial fuel trucks making deliveries to Owners in the ordinary course of business.

Section 5. Emissions. There shall be no emissions of dust, sweepings, dirt, cinders, odors, gases or other substances into the atmosphere (except for normal residential chimney emissions from any Lot and emissions from outdoor grills and *similar equipment) or discharges of liquid, solid wastes or other environmental contaminants into the ground or any body of water, if such any 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 any Person, provided the foregoing shall not be construed so as to prevent the installation by Owners of septic tanks and drainfields pursuant to permits from all agencies with jurisdiction.

Section 6. Noise. No Person shall cause any unreasonably loud noise (except for duly operating security devices) anywhere on a Lot or the River Surface Area, 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.

Section 7. Mining. No portion of any Lot shall be used for the purpose of boring, mining, quarrying, exploring for or removing oil or other hydrocarbons, minerals, gravel or earth without the consent of the Company, which consent the Company shall not be obligated to give.

Section 8. Vehicles; Watercraft. No vehicles shall be parked on any dedicated road within Riverwatch other than in connection with construction activities or on a temporary basis (which shall not include overnight parking). Except in connection with construction activities, vehicles used as a means of transport of watercraft, and with respect to trucks or vans not over three (3) tons in weight and used as a principal means of transportation to work and sport utility vehicles, no trucks, trailers, campers, recreational vehicles, watercraft or other large vehicles, including grounds maintenance equipment, may be parked or moored on any portion of a Lot visible from the Open Space, any other Lot or the River Surface Area, unless expressly permitted by the Board and then only in such mooring or parking areas and for such time periods (if any) as may be designated for such purpose. 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 Review Party or in areas designated in the Rules and Regulations. All vehicles or watercraft must be parked or moored so as not to impede traffic or damage vegetation. No junk, derelict or inoperative vehicle or watercraft or vehicle or watercraft on which current registration plates and current county and state inspection, personal property tax or other required permits or stickers are not displayed shall be kept upon any portion of a Lot or the River Surface Area related thereto visible from the Open Space or another Lot. Vehicle or watercraft repairs and storage of vehicles or watercraft are not permitted on any Lot,

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except in accordance with the Rules and Regulations; provided, however, that noncommercial repair of vehicles within enclosed structures and of watercraft at approved mooring locations is permitted.

Section 9. Animals. Except as set forth below, the maintenance, keeping, boarding or raising of animals, livestock, poultry or reptiles of any kind, regardless of number, is prohibited on any Lot. The keeping of guide animals and orderly domestic pets (e.g., dogs, cats or caged birds) is permitted, subject to the Rules and Regulations; provided, however, that such pets are not kept or maintained for commercial purposes or for breeding and that any such pet causing or creating a nuisance or unreasonable disturbance or noise shall be permanently removed from the Lot within ten (10) days after notice from the Board. Any Interested Party who keeps or maintains or permits to be kept or maintained any pet upon any portion of the Property agrees to indemnify and hold the Association, each other Interested Party and the Company free and harmless from any loss, claim or liability of any kind or character whatever (including reasonable attorneys' fees and costs) arising by reason of keeping or maintaining such pet within the Property. All pets shall be registered and inoculated as required by law.

ARTICLE VII: MAINTENANCE

Section 1. Upkeep. Every Owner shall take or cause to be taken such actions as maybe necessary to assure that all Improvements and the grounds on such Owner's Lot and Improvements on the River Surface Area related thereto, if any, are kept free of unclean, unsightly, unkempt, unhealthy, or unsafe conditions at all times, including during construction of Improvements. Without limiting the generality of the foregoing, each Owner shall mow, fertilize and treat for pests and weeds grassed areas and trim and prune shrubbery, trees and other landscaping on a Lot regularly and properly so as to maintain the appearance of the Lot in a manner in keeping with the standards set forth in the Rules and Regulations or otherwise comparable to the appearance of similar properties in comparable developments in the Tidewater, Virginia metropolitan area, and each Owner shall require his, her or its general contractor to provide and require the use of dumpster and potable toilet facilities during any period of construction of Improvements on a Lot or River Surface Area related thereto, unless such requirement has been waived by the Company. All repairs and replacements shall be substantially similar to the original construction and installation and shall be of comparable quality, but may be made with contemporary materials, provided any material change in the materials used shall be subject to the approval of the ARB. Provided that the Company has given an Owner of a Lot notice of action or actions required to assure compliance with the foregoing requirements, and the Owner has failed to take such action or actions within fifteen (15) days after such notice, the Company shall have the right to enter upon the Lot or River Surface Area related thereto to perform the action or actions required.

Section 2. Erosion Control. Every Owner shall take such actions as may be necessary to maintain effective erosion control on his, her or its Lot. Provided that the

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Company has given an Owner notice of action required to establish and maintain effective erosion control on such Lot, and the Owner has failed to take such action within seven (7) days after such notice, the Company shall have the right to enter upon the Lot to perform the action required. Notwithstanding the foregoing, the Company may enter upon any Lot to perform erosion control activities without notice to the Owner thereof whenever, in the Company's sole and absolute judgment, emergency circumstances dictate that it do so.

Section 3. Control of Vegetation. Every Owner shall take such actions as may be necessary to remove underbrush, weeds or other unsightly growth from his, her or its Lot that detract from the overall beauty, setting and safety of the Property. Provided the Company has given notice to an Owner of the presence of underbrush, weeds or other unsightly growth that in the Company's opinion detracts from the overall beauty, setting and safety of the Property, and the Owner has failed within fifteen (15) days after such notice to correct such condition, the Company may enter upon the Lot to mow, remove, clear, cut or prune such underbrush, weeds, or other unsightly growth.

Section 4. Garbage Pickup. Curbside pickup of recyclable materials shall be permitted subject to the Rules and Regulations. Curbside garbage pickup shall not be permitted unless it is required by the County or approved by the Company. The Company reserves the right to enter into a "master" garbage pickup contract applicable to all Lots or to authorize the Association to do so, in which event all Owners of such Lots shall be bound by the provisions thereof.

Section 5. Reconstruction and Repair. If all or any part of the Improvements on a Lot or River Surface Area related thereto are damaged or destroyed by fire or other casualty, the Owner shall either (i) arrange for and supervise the prompt repair and restoration thereof subject to the availability of insurance proceeds, or (ii) clear away the debris and restore the Lot or River Surface Area related thereto to an acceptable condition, which condition, in the event of destruction of any such Improvements on a Lot, shall be compatible with the condition of other unimproved Lots. Unless the Review Party agrees to the contrary, any such work must be commenced within six (6) months after the casualty and substantially completed within twelve (12) months after having commenced.

ARTICLE VIII: ASSESSMENTS

Section 1. Covenant to Pay Assessments. Each Owner covenants to pay Assessments pursuant to this Article. Co-Owners of a Lot shall be jointly and severally liable for Assessments.

Section 2. Purposes of Assessments. Annual Assessments shall be used to improve, maintain, repair, replace, enhance, enlarge, and operate the Open Space and Open Space Improvements and to provide services that the Association is authorized to provide. Special Assessments shall be used exclusively for the purposes set forth in Section 6 of this Article VIII.

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Section 3. Annual Assessments. The initial Annual Assessment for each Lot shall be Three Hundred Dollars (\$300.00) plus, if the Company or the Association enters into a "master" contract for garbage collection pursuant to Article VII, Section 4, such Lot's prorata share of the cost from time to time of garbage collection for Riverwatch. Commencing at the beginning of the calendar quarter following the calendar quarter in which the swim and related facilities the Company intends to construct in Riverwatch are substantially completed and made available for use by Interested Parties, the Annual Assessment for each Lot shall be increased by the amount deemed necessary by the Board in light of the projected operating expenses of such facilities, provided such Assessment shall not be increased to an amount in excess of Six Hundred Dollars (\$600.00) plus each Lot's prorata share of the cost from time to time of garbage collection for Riverwatch.

Section 4. Changes in Annual Assessment. From and after January 1, 2005, the Annual Assessment may be increased each fiscal year in the amount deemed necessary by the Board in order to fund the Association's obligations pursuant to the annual budget adopted by the Board for such year pursuant to Article IX, Subsection 2(i), provided Annual Assessments may not be increased at more than a ten percent (10%) compound cumulative rate. For so long as the Company is an Owner or any advances by the Company to the Association remain unpaid, the Annual Assessment for a fiscal year shall not be reduced below the amount thereof for the preceding fiscal year without the Company's consent, which consent the Company shall not be obligated to give. Thereafter, the Annual Assessment for a fiscal year may be reduced below the amount thereof for the preceding fiscal year at the discretion of the Board, provided the Annual Assessment shall not be reduced to a level lower than that reasonably required pursuant to the budget adopted by the Board for the fiscal year in question pursuant to Article IX, Subsection 2(i). If the Board determines that the Annual Assessment established for a given fiscal year will be insufficient to fund the obligations of the Association intended to be funded thereby, the Board may levy a Special Assessment in the amount reasonably necessary to satisfy any such insufficiency.

Section 5. Billing Dates for Annual Assessments. The Board shall bill Owners for Annual Assessments annually in advance or, in its sole discretion, on a periodic basis during a given fiscal year. Except as set forth below, payment shall be due within thirty (30) days of the date of the bill rendered. If the Board elects to utilize a third party billing service, such service shall set the date on which Assessment bills shall be due and payable, subject to the approval of the Board and, for so long as the Company is an Owner, the Company.

Section 6. Special Assessments. The Board may levy Special Assessments as necessary for construction, reconstruction, repair or replacement of, or additions to, Improvements and for any personal property related thereto located upon the Open Space or to repay any loan obligation of the Association or pursuant to the provisions of Section 4 of this Article VIII. Any amount duly payable as a Special Assessment

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pursuant to the terms of this Declaration from one (1) or more, but less than all, of the Owners shall be deemed to be a Special Assessment duly levied by the Board.

Section 7. Late Fee; Acceleration. If any Assessment or other charge or amount owed to the Association is not paid when due, the Association shall be entitled to levy a late fee in the amount of Thirty Dollars (\$30.00) and to recover interest on the amount of such Assessment not paid when due at the rate of Eighteen Percent (18%) per annum from the thirtieth (30th) day following the due date thereof until finally paid. The Board, with the consent of the Company for so long as the Company is an Owner, shall have the right to change the amount of the foregoing late fee and rate of interest in its discretion from time to time. In addition, if any Assessment is being collected in installments, upon failure to pay any installment when due, the Association may accelerate the due date of the remaining installments due, if any.

Section 8. Capitalization of Association. Upon acquisition of title to a Lot by the first Owner thereof other than the Company, such Owner shall make a contribution to the working capital of the Association equal to the greater of (i) \$250.00 or (ii) fifty percent (50%) of the amount of the then-current Annual Assessment.

Section 9. Reserve Fund. The Association shall establish a reserve fund with a portion of the proceeds of Annual Assessments to be held in an interest bearing account or investments as a reserve for major rehabilitation or repairs of Open Space Improvements, emergency and other repairs required to such Improvements as a result of storm, fire, natural disaster, or other casualty loss, or the initial costs of any new services to be performed by the Association.

Section 10. Certificates Relating to Assessments. At the request of an Owner, the Association shall furnish or shall cause any billing service engaged by it to furnish a certificate signed by an Officer of the Association or of such billing service setting forth the payment status of any Assessments for which such Owner is responsible. Such certificate shall be conclusive evidence against all but the Owner of the information set forth therein.

Section 11. Association Lien Rights; No Election of Remedies. The Association shall have a lien against each Lot to secure the payment of Assessments and all late fees and other charges, if any, due in connection therewith. The Association's lien rights shall be perfected and exercised in the manner set forth in Section 55-516 of the Code. The priority of the Association's lien for Assessments shall be as set forth in Section 55-516A of the Code. The institution of a suit at law for collection of any delinquent Assessment may be maintained by the Association without waiving the Association's lien rights. Proceeding by foreclosure to attempt to effect collection of delinquent Assessments shall not be deemed an election precluding the institution of suit at law for collection of the same. All Owners waive pleading the theory of "election of remedies" in any such proceedings.

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Section 12. Surplus and Deficit. Any amount accumulated by the Association in excess of the amount necessary to fund the actual costs for which it is responsible shall, at the discretion of the Board, (i) be placed in the reserve fund established pursuant to Section 9 of this Article VIII, (ii) be credited against the next Annual Assessments due from the Owners in equal shares until exhausted, or (iii) be distributed to the Owners who or which are not delinquent in payment of their Annual Assessment obligations in equal shares.

ARTICLE IX: ASSOCIATION

Section 1. Ownership of Properties. The Association may own and shall maintain the Open Space and all Open Space Improvements (including Open Space Improvements within the River Surface Area) and personal property related thereto for any purpose not inconsistent with this Declaration.

Section 2. Minimum List of Functions and Services. Unless the Company shall consent to the contrary in writing, so long as the Company is an Owner, the Association, acting through the Board, shall:

(a) Establish, levy and collect Assessments.

(b) Establish and operate an architectural review board, which shall be composed of three (3) members, all of whom shall be appointed by the Board. Commencing at such time as there are at least ten (10) Type "A" Members other than the Company, at least one (1) Type "A" Member other than a representative of the Company shall be appointed to the ARB at all times, provided that if no Type "A" Member other than a representative of the Company is willing to be so appointed, the foregoing requirement shall not apply. Unless the right to have a representative on the Board is waived in writing by the Company, at least one representative of the Company shall be appointed to such Board for so long as the Company is an Owner, and no Board decision shall be made without the affirmative vote of the Company's representative. The sole purpose of the ARB shall be to approve any alterations to Improvements duly constructed on the Property.

(c) Manage, control and maintain the Open Space and Open Space Improvements, including those within the River Surface Area.

(d) Should the Company appoint the Association its agent or otherwise assign its rights to the Association for such purposes, or should such rights be deemed to have been assigned to the Association pursuant to Article XI, Section 16, administer and enforce this Declaration and other covenants and restrictions of record, if any, and assume responsibility for any obligations that are incident thereto.

(e) Provide appropriate liability and hazard insurance coverage for Open Space Improvements and activities on the Open Space (including such Improvements within

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and activities on the River Surface Area related thereto) in accordance with the provisions of Section 3 of this Article IX.

(f) Endeavor to provide appropriate Director's and Officers' Legal Liability Insurance for the directors and officers of the Association.

(g) Keep complete books and records of all its acts and corporate affairs, which shall be open to inspection by appointment during normal business hours by any Owner or holder of a note secured by a first deed of trust on any Lot or portion of the Open Space.

(h) Within ninety (90) days after the close of each fiscal year of the Association, have prepared and executed by an officer under oath a balance sheet for the Association as of the close of such fiscal year and a statement of income and expense for such fiscal year. Such financial statements shall be provided to any Type "A" Member or holder of a note secured by a first deed of trust on any Lot or portion of the Open Space making a request therefore in writing within thirty (30) days after receipt of such request. In the absence of fraud or manifest error, in executing an oath with regard to such balance sheet and statement of income and expense, the officer doing so shall be entitled to rely upon the representation by the accountant, accounting firm, or management company preparing such materials as to the accuracy thereof.

(i) Commencing with fiscal 2004, at least sixty (60) days prior to the first day of each fiscal year, prepare or cause to be prepared and make available to all Type "A" Members a budget outlining anticipated receipts and expenses for the following fiscal year.

(j) Provide regular cleanup of all dedicated roads and bike and other trails throughout Riverwatch, including, but not limited to, mowing grass, landscape maintenance and pickup and disposal of trash on such areas.

(k) Maintain all directional signs, trail signs, and neighborhood and other area signs within Riverwatch, including, but not limited to, painting, repair work and replacement as needed.

(l) Do or cause to be done all things reasonably necessary to assure compliance by the Association with the provisions of the Property Owners' Association Act, Section 55-508 of the Code, including creation and maintenance of the disclosure packet required by Section 55-512 of such Code.

The failure or delay of the Association 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 Assessments, and, in the absence of any such budget, each Owner shall continue to pay Annual Assessments at the rate in effect for the fiscal year immediately preceding the fiscal year to which such budget, if prepared and adopted, would have appertained until notified of any change in the amount thereof.

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Section 3. Insurance. All insurance policies upon the Open Space and River Surface Area related thereto shall be purchased by the Association for the benefit of the Association, the Owners and holders of notes secured by deeds of trust encumbering Lots as their interests may appear. Certificates of mortgagee endorsement shall be issued upon request. All Open Space Improvements and all personal property related thereto shall be insured in an amount equal to one hundred percent (100%) of insurable replacement value as determined annually by the Board with the assistance of the insurance company providing coverage. Such coverage shall provide protection against loss or damage by fire and other hazards covered by a standard extended coverage endorsement, and such other risks as from time to time shall be customarily covered with respect to comparable improvements and property. All policies shall contain clauses providing for waiver of subrogation. Public liability insurance shall be secured with limits of liability of no less than One Million Dollars (\$1,000,000) per occurrence and an endorsement to cover liability of the Owners as a group to a single Owner. All insurance policies shall provide that all proceeds thereof shall be payable to the Association as insurance trustee under this Declaration. The sole duty of the Association as insurance trustee shall be to receive such proceeds as are paid and to hold the same in trust for the purposes stated herein.

Section 4. Reconstruction and Repair. If all or any part of the Open Space Improvements are damaged or destroyed by fire or other casualty, the Board shall either (i) arrange for and supervise the prompt repair and restoration thereof subject to the availability of insurance proceeds or reserve funds and/or duly levied Special Assessments, or (ii) clear away the debris and restore the affected area to an acceptable condition.

Section 5. Failure to Obtain Insurance. The Company and the Board shall not be liable for failure to obtain the insurance coverage required by this Article IX or for any loss or damage resulting from such failure if (i) such failure is due to the unavailability of such coverage from a reputable insurance company, (ii) such coverage is available only at demonstrably unreasonable cost, or (iii) the associated insurance advisers advise that such coverage is unnecessary.

Section 6. Elimination of Encroachments, Etceteras. For so long as the Company is an Owner, at the request of the Company, the Association shall grant such easements and enter into such deeds of conveyance as may in the Company's discretion be necessary in order to eliminate such encroachments, gaps, gores, overlaps, unintended side or rear setback violations, and other boundary line problems that may arise affecting the boundary line between any portion of the Open Space and any Lot or other portion of Riverwatch.

Section 7. Company Responsibility for Deficits. For so long as the Company is the Type "B" Member of the Association, if Annual Assessments are insufficient to fund the costs incurred by the Association in carrying out its responsibilities under this Article IX, the Company may advance funds to the Association to cover the resulting deficit.

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Such advances, if any, shall be made within ten (10) days after receiving a statement from the Board setting forth the deficit amount and providing reasonable substantiation of such costs. The Company shall be reimbursed by the Association for the amounts, if any, so advanced from time to time out of cash on hand after the Association has paid its costs of operation on a current basis, with interest on the amounts so advanced at the rate of ten percent (10%) per annum from the date of any such advance until the date of repayment thereof.

ARTICLE X: PRESERVATION ACT

Section 1. Applicability. All Interested Parties acknowledge that the Property is subject to the provisions of the Preservation Act.

Section 2. Acknowledgement By Certain Owners. Each Owner of a Lot a boundary of which adjoins the Plankatank River, French Creek and/or certain other portions of the Property more particularly shown and described on the subdivision plat or plats recorded in the Clerk's Office acknowledges that a portion of such Lot lies within the Resource Protection Area mandated by the Preservation Act and defined by the County and acknowledges having received and reviewed a copy of the regulations promulgated under the Preservation Act concerning the use and enjoyment of areas designated "Resource Protection Areas".

Section 3. Agreement to Comply; Indemnification. Each Owner of a Lot a portion of which is defined as Resource Protection Area under the Preservation Act agrees to comply strictly with the provisions of such Act governing the use and enjoyment of areas designated as "Resource Protection Areas", and hereby indemnifies and holds harmless the Company, the Association, all other Owners, their members, successors and assigns from and against all claims of any kind or nature whatsoever arising out of or in connection with such Owner's noncompliance therewith or the noncompliance therewith of any Interested Party claiming by, through or under such Owner. Without limiting the generality of the foregoing, such indemnification shall include the obligation to reimburse any indemnified party for attorneys' fees and costs incurred as a result of any such noncompliance.

ARTICLE XI: GENERAL PROVISIONS

Section 1. Duration. This Declaration shall run with the land for an initial term of thirty (30) years from the its date of recordation in the Clerk's Office. Upon the expiration of said period, this Declaration shall be automatically extended for successive terms of ten (10) years, unless this Declaration is duly terminated.

Section 2. Termination of Declaration. This Declaration may be terminated at the end of the then-current term by the affirmative vote of three-fourths (3/4ths) of the votes cast by the Type "A" Members present in person or by proxy at a duly called meeting held during the final year of such term.

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Section 3. Amendments Generally. Subject to the rights granted the Company in Sections 4 and 7 of this Article XI, all proposed amendments to this Declaration shall be submitted to a vote of the Members at a duly called meeting or approved by unanimous consent of the Members in lieu of such a meeting. If submitted to a vote at a duly called meeting, any such amendment shall be deemed approved if two-thirds (2/3rds) of the Type "A" Members present at such meeting in person or by proxy (exclusive of the Company) vote in favor thereof and, while there is a Type "B" Member, such amendment has been approved by the Type "B" Member and HUD. No such amendment shall become effective earlier than sixty (60) days following the date of its adoption. Any amendment that specifically affects the rights of holders of notes secured by deeds of trust encumbering Lots or all or any portion of the Open Space shall be subject to the consent of such note holders, with the procedures relating to such consent to be those set forth in Section 55-515.1 of the Code. An action to challenge the validity of an amendment may not be brought more than one (1) year after the amendment is effective.

Section 4. Company's Unilateral Right to Amend. The Company shall have the unilateral right to amend this Declaration set forth in Section 55-515.2.F. of the Code.

Section 5. Quorum Requirements. For the purposes of any meetings held pursuant to this Article XI, the presence in person or by proxy at such meeting of ten percent (10%) of the Type "A" Members, and, while there is a Type "B" Member, the Type "B" Member, shall constitute a quorum. If the required quorum is not present, the Company, for so long as it is an Owner, may call another meeting or meetings subject to the giving of proper notice, and the required quorum at such subsequent meeting or meetings shall be one-half (1/2) of the number of Type "A" Members required in order for there to have been quorum at the preceding meeting, and, while there is a Type "B" Member, the Type "B" Member.

Section 6. Notice of Termination or Amendment. If this Declaration is terminated or amended, a certificate of termination or an addendum to this Declaration, as the case may be, shall be recorded in the Clerk's Office by the Type "B" Member, if any, and, otherwise, by the Association. Such instrument shall set forth the date of the meeting at which action was taken or of the unanimous consent in lieu of such a meeting, if such action was taken by such consent (the date thereof being the date upon which the last Member required to sign such consent did so), the nature of the action taken, the effective date of the action, the date that notice of such meeting was given (in the event of any such action taken at a meeting rather than by unanimous consent in lieu thereof), the total number of votes of Type "A" Members entitled to vote on such action, the total number of votes required to constitute a quorum, the total number of votes present in person or by proxy (in the event of any such action taken at a meeting rather than by unanimous consent in lieu thereof), the total number of votes necessary to approve such action (including, where appropriate, the vote of the Type "B" Member), the total number of votes cast in favor of such action, and the total number of votes cast against such action. In addition, any such addendum shall contain a certification by a representative

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of the Company or the Association, as the case may be, that the requisite majority of Type "A" Members have signed the amendment or ratifications thereof.

Section 7. Additional Restrictive Covenants; Annexation of Additional Properties. The Company may add additional restrictive covenants affecting the Property or any portion thereof prior to or at the time of its initial conveyance to the Association or to any other third party, or limit the application of these covenants thereto prior to or at the time of such conveyance with the approval of HUD. The provisions of this Declaration may not be extended to burden additional properties other than by amendment hereof in accordance with the provisions of Section 3 of this Article XI.

Section 8. Remedy for Monetary Breach. If an Owner defaults in any monetary obligation imposed by or pursuant to this Declaration, the Association shall have the rights set forth in Article VIII, Section 11. In addition, the Company, for so long as it is an Owner, shall independently have the right to proceed at law or in equity to compel compliance to the terms hereof and recover sums due and/or money damages, including but not limited to reasonable attorneys' fees, other costs of collection and interest at the rate of eighteen percent (18%) per annum from the due date or dates until paid. In the event of such a default and the failure of the Association and/or the Company to so proceed within thirty (30) days after notice from any Owner of a demand that it or they do so, such Owner shall independently have such right to proceed, with any sums due that are recovered and/or money damages that are awarded being for the account of the Association.

Section 9. Remedy for Non-Monetary Breach. Subject to the notice provisions set forth below and the dispute resolution provisions set forth in Section 10 of this Article XI, if an Interested Party breaches any non-monetary obligation imposed by or pursuant to this Declaration, the Company, for so long as it is an Owner, and thereafter the Association, shall have the right to enter upon the Lot and River Surface Area related thereto involved (if any) and take such actions as are necessary in the Company or Association's sole and absolute discretion, as the case may be, to remedy the same at the expense of Owner thereof. If the nature of such breach is such, in the opinion of the Company or Association, as the case may be, as to require immediate corrective action, the Company or Association, as the case may be, shall have such right to take corrective action after written notice to such Owner and such Owner's failure to take satisfactory immediate corrective action; in any other event, except as otherwise expressly set forth herein, the Company or Association, as the case may be, shall have such right if, within thirty (30) days' after notice of such violation or breach, it shall not have been corrected. Subject to the dispute resolution provisions set forth in Section 10 of this Article XI, in the event of a threatened breach by an Interested Party in performance of any non-monetary obligation imposed by or pursuant to this Declaration, the Company, and thereafter the Association, shall be entitled to bring an action against such Party in equity for injunctive and other relief provided it first gives such Party ten (10) days' notice of its intention to do so unless, in the opinion of the Company or Association, as the case may be, the nature of the threatened breach is such as to require immediate legal action. If the Company fails to exercise the rights granted in this Section 9 upon a breach by an Interested Party

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in performance of any non-monetary obligation imposed by or pursuant to this Declaration within thirty (30) days after receipt of notice from the Association of a demand that it do so, the Association shall be entitled to exercise such rights. If neither the Company nor the Association exercises such rights within forty-five (45) days after notice from any Owner of a demand that it or they do so, such Owner shall be entitled to do so.

Section 10. Alternative Dispute Resolution. If the Company, the Association or an Owner, as the case may be, asserts that a non-monetary breach or threatened breach by an Interested Party exists that is of such a nature that the Company, the Association or such Owner is obligated to give such Interested Party notice thereof pursuant to Section 9 of this Article XI before pursuing any remedy therefore, the Company the Association or such Owner on its own initiative may elect in such notice to notify such Interested Party or such Interested Party, within ten (10) days after such notice, may elect by notice to the Company, the Association or such Owner, as the case may be, to submit any matter in dispute to binding arbitration to take place in the County in accordance with the provisions of the Uniform Arbitration Act, Section 8.01-581.01 et. seq. of the Code, provided in any such event there shall only be one (1) arbitrator appointed by the court pursuant to Section 8.01-581.03 of such Act and the arbitrator shall not be entitled to award any party punitive damages recoverable from any other party. The party giving notice of its election to submit a matter in dispute to such arbitration shall apply to the Circuit Court of the County for the appointment of an arbitrator within ten (10) days after giving such notice, failing which any other party to the matter in dispute may do so.

Section 11. Certain Rights of Association. Subject to the provisions of Section 12 of this Article XI, the Association shall have the following rights hereunder:

(a) The Board may suspend the voting rights of any Type "A" Member during the period when an Assessment is delinquent, but, upon payment of such Assessment and all related costs incurred which the Association is entitled to recover from such Member, such rights shall be restored.

(b) The Board may suspend a Type "A" Member's right to use facilities or services provided directly through the Association for nonpayment of Assessments which are more than sixty (60) days delinquent, to the extent that access to such Member's Lot is not precluded and provided that such suspension shall not endanger the health, safety, or property of any Owner, Tenant or occupant. Any such suspension shall also act as a suspension of the right to use such facilities or services of any Interested Party claiming by, through or under such Member.

(c) The Board may assess charges against any Type "A" Member for any violation of this Declaration or the Rules and Regulations for which such Member is responsible. The amount of any such charges shall not be limited to the expense or damage to the Association caused by the violation, but shall not exceed the maximum amounts for a single offense or per day for any offense of a continuing nature permitted pursuant to Section 55-513 of the Code and shall be treated as a Special Assessment

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against the Member's Lot for purposes of Section 55-516 of the Code, and the charges in connection with a violation of a continuing nature shall not be assessed for a period exceeding ninety (90) days or such longer period of time as maybe permitted by Section 55-51.3 of the Code. For purposes hereof, a Member is responsible for violations of this Declaration by an Interested Party claiming by, through or under such Member.

Section 12. Due Process Rights. No suspension pursuant to Subsections 11(a) or 11(b) of this Article XI or charge pursuant to Subsection 11(c) of this Article XI shall be imposed before the affected or responsible Member is given an opportunity to be heard and to be represented by counsel before the Board. Notice of such hearing, including a statement of the charges or other sanctions that maybe imposed, shall be given to such Member at least fourteen (14) days prior to the hearing. Notice of the hearing result shall be given to such Member within three (3) days after the hearing.

Section 13. Venue; Waiver of Trial By Jury; Service of Process. Every Owner agrees that any suit or proceeding brought pursuant to the provisions of this Declaration may be brought in the General District Court or the Circuit Court of the County or any court that in the future maybe the successor to either or both of such Courts, waives the right to trial by jury and consents to a trial without a jury. Should suit be instituted against an Owner other than by the Company, and any such Owner shall not at the time be residing in the Commonwealth of Virginia or service cannot be accomplished in any other reasonable fashion, each such Owner hereby irrevocably appoints the Secretary of the Commonwealth of Virginia as his, her or its agent for the acceptance of service of process.

Section 14. Costs of Corrective Action; Lien. Whenever any corrective action is taken pursuant to Section 9 of this Article XI or otherwise as permitted by this Declaration, the costs thereof shall be a personal obligation of the Owner or Owners of the Lot affected at the time such costs are incurred. The costs shall be billed at the completion of such corrective action, and all bills shall be due and payable thirty (30) days from the date of mailing of same. If the costs are not paid when due, the Company, the Association or the Owner initiating corrective action, as the case may be, may sue for a judgment. The costs of corrective action and all other amounts the Company, the Association or such Owner is entitled to recover shall constitute a Special Assessment against and lien on the Lot affected, which lien shall run with the land and shall bear interest at the rate of eighteen percent (18%) per annum from the date incurred until paid.

Section 15. Failure No Waiver. The failure by the Owners, the Association, and/or the Company to enforce any right, reservation, restriction or condition contained in this Declaration in any one or more instances, regardless of how long such failure shall continue, shall not constitute a waiver of or a bar to the right to enforce such right, reservation, restriction or condition in any other instance or to enforce any other right, reservation, restriction or condition contained herein.

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Section 16. Assignment. By written instrument recorded in the Clerk's Office, the Company may assign to the Association or any other third party in whole or in part, revocably or irrevocably, all of its rights and obligations in this Declaration, subject to any conditions, limitations, or restrictions that the Company may elect to impose. Following any such assignment, the Association or such third party shall assume all of the Company's obligations which are incident thereto (if any), and the Company shall have no further obligation or liability with respect thereto. So long as the Company is an Owner, no such assignment shall limit the rights of easement and other rights of entry reserved unto the Company in this Declaration, or the right of the Company to act to prevent a violation or breach of this Declaration as provided for herein. If (or to the extent that) the Company has not already done so prior to the time it is no longer an Owner, the Company shall be deemed to have assigned all of its remaining rights and obligations in this Declaration to the Association as its agent at such time.

Section 17. Appointment of Association as Agent. The Company may appoint the Association as its agent to administer and enforce this Declaration. Such appointment may be temporary or permanent, and shall be subject to any conditions, limitations, or restrictions that the Company may elect to impose. Upon any such appointment, the Association shall assume any obligations that are incident thereto.

Section 18. Notices. Any notice required or permitted to be sent under the provisions of this Declaration shall be given in any manner permitted by Section 13.1-810 of the Code. Notice to one (1) of two (2) or more joint Owners shall constitute notice to all such joint Owners, and notice to the Owner of a Lot shall constitute notice to any Interested Party claiming by, through or under such Owner. It shall be the obligation of every Type "A" Member to immediately notify the Secretary of the Association in writing of any change of address for notice purposes. Any Person who becomes a Type "A" Member following the first day in the calendar month in which said notice is delivered or mailed shall be deemed to have been given notice if notice was given to its, his or her predecessor in title.

Section 19. Severability. Should any Article, Section, Subsection, sentence, clause, phrase or term of this Declaration be declared to be void, invalid, illegal, or unenforceable for any reason by the adjudication of any court or other tribunal having jurisdiction over the parties hereto and the subject matter hereof, such adjudication shall in no way effect the other provisions hereof, which are hereby declared to be severable and which shall remain in full force and effect.

Section 20. Interpretation. Subject to the provisions of Section 10 of this Article XI, the Company shall have the right to determine all questions arising in connection with this Declaration and to construe and interpret its provisions, and its determination, construction, or interpretation shall be final and binding.

Section 21. Authorized Action. All actions which the Association is allowed to take under this Declaration shall be authorized actions if approved by the Board in the

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manner provided for in the Bylaws, unless the terms of this Declaration provide otherwise.

Section 22. Other Agreements. In the event of any conflict between the provisions thereof, the order of precedence of this Declaration, the Articles, the Bylaws, and the Rules and Regulations shall be the Articles, this Declaration, the Bylaws and the Rules and Regulations.

Section 23. Limited Liability. In connection with all reviews, acceptances, inspections, permissions, determinations, consents or required approvals by or from the Company, the ARB and/or the Association contemplated under this Declaration, including by the Company and ARB in the capacity of Review Party, the Company, the ARB and/or the Association shall not be liable to an Owner or to any other Person on account of any claim, liability, damage, or expense suffered or incurred by or threatened against an Owner or such other Person and arising out of or in any way relating to the subject matter of any such reviews, acceptances, inspections, permissions, consents or required approvals, whether given, granted or withheld. Without limiting the generality of the foregoing, the approval by the Review Party of any proposed improvements or by the ARB of any alterations, and/or any requirement by the Review Party or ARB, as the case may be, that the proposed improvements or alterations be modified, shall not constitute a warranty or representation by the Review Party or ARB, as the case may be, of the adequacy, technical sufficiency or safety of the proposed improvements or alterations, as the same may be modified, and the Review Party Board or ARB, as the case may be, shall have no liability whatsoever for the failure of the proposed improvements or alterations to comply with applicable building codes, laws and ordinances, or to comply with sound engineering, architectural or construction practices or for the negligence of any party involved in construction of such improvements or alterations once approved. In addition, in no event shall the Review Party or ARB, as the case may be, have any liability whatsoever to an Owner or any other party for any costs or damages (consequential or otherwise) that may be incurred or suffered on account of such Party or the ARB's approval, disapproval or conditional approval of any proposed improvements or alterations. Any Owner, contractor or other party asserting a claim against the Review Party and/or the ARB in contravention of the provisions of this Section 23 shall reimburse such Party and/or the ARB for all costs and expenses, including reasonable attorneys' fees and court costs, incurred by it or them in connection therewith. Such costs and expenses shall be a Special Assessment upon the Lot owned by the Owner asserting a claim or, in the event of a claim asserted by a contractor or third party, upon the Lot owned by the Owner engaging such contractor or third party, in order to secure payment thereof. No entry by the Company or the Association upon the Property or any portion thereof pursuant to this Declaration shall be deemed a trespass. No reservation of rights by the Company in this Declaration shall be construed to impose on the Company a burden of affirmative action of any kind or nature whatsoever.

Section 24. Exceptions. The Company may issue variances exempting a particular Lot, portion of the Open Space or portion of the River Surface Area from any

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of the provisions of this Declaration, provided no such variance shall materially adversely affect an adjoining Owner's use or enjoyment of his Lot and any River Surface Area related thereto or the use and enjoyment of such Lot and Area by any Interested Party claiming by, through or under such Owner, the use and enjoyment of the Open Space, or development of Riverwatch in a manner intended by this Declaration.

Section 25. Management and Contract Rights of Association. The Board may enter into a contract with a management company or manager for the purposes of providing any or all elements of the operation, care, supervision, maintenance, and management of the Open Space. Any such contract entered into while there is a Type "B" Member shall contain or be deemed to contain a provision allowing the Association to terminate such contract without justification or penalty at such time as their no longer is such a Member.

Section 26. Rights of Note Holders. Any holder of a note secured by a first deed of trust on a Lot or portion of the Open Space shall be entitled, upon written request therefore, to receive written notice of (a) all meetings of the Association, (b) any condemnation or casualty loss that affects either a material portion of the Lot or portion of the Open Space securing its deed or trust, (c) any delinquency in the payment of any Assessment levied against such Lot, (d) a lapse, cancellation, or material modification of any insurance policy or fidelity bond maintained by the Association, and (e) any proposed action that requires the consent of a specified percentage of holders of notes secured by such deeds of trust. In addition, such note holder shall be entitled to attend any meeting of the Association and to be furnished upon written request with a copy of any insurance policies maintained by the Association pursuant to this Declaration.

Section 27. Property Owners' Association Act. In the event of any conflict between the provisions hereof and those in the Property Owners' Association Act, Section 55-508 et. seq. of the Code, as now in effect and hereafter modified or amended from time to time, the provisions of such Act shall govern except in those cases where such Act expressly allows deviations from such provisions in a declaration such as this Declaration. Any obligation imposed upon or right granted to any Owner, the Board, the Association or the Company pursuant to such Act not fully set forth herein shall, except to the extent permitted to be limited hereby and in fact expressly limited hereby, nevertheless be binding upon and inure to the benefit of each Owner, the Board, the Association or the Company, as the case may be.

Section 28. Master Plan. The existence of the Master Plan used by the Company in developing and/or selling portions of the Property shall not be deemed to constitute a representation by the Company that Riverwatch will be developed as depicted on such Plan. Such Plan may be modified or amended from time to time in the sole and absolute discretion of the Company.

Section 29. HUD Approval. Notwithstanding anything herein contained to the contrary, any requirement for HUD approval set forth herein shall not be applicable

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unless one or more Owners has or have given the Company and the Association notice that this, her, its or their Lot or Lots is or are encumbered by the lien or liens of a deed of trust or deeds of trust securing a note or notes repayment of which has been guaranteed by the Farmers Home Administration or Veterans Administration.

Section 30. Subordination of Bank Deed of Trust. The Bank Deed of Trust shall be inferior in dignity and priority to the provisions of this Declaration, but not with respect to (i) any lien created by or under this Declaration, (ii) any matter as to which the Bank or the holder of a first deed of trust lien on the Property is entitled to notice under this Declaration or applicable law, in either case in the event such notice is not duly given, and/or (iii) any other matter that would change the priority of the lien of the Bank Deed of Trust. Bank Trustee, at the direction of the Bank, joins herein for the sole purpose of consenting to and confirming such subordination. The Company agrees that its rights and privileges under this Declaration are appurtenant to the Property and are therefore property subject to the lien of the Bank Deed of Trust.

Section 31. Subordination of Schornberg Deed of Trust. The Schornberg Deed of Trust shall be inferior in dignity and priority to the provisions of this Declaration but not with respect to (i) any lien created by or under this Declaration, (ii) any matter as to which the Noteholders or the holder of a second deed of trust lien on the Property is entitled to notice under this Declaration or applicable law, in either case in the event such notice is not duly given, and/or (iii) any matter that would change the priority of the lien of the Schornberg Deed of Trust. Schornberg Trustees, acting by and through sole acting Schornberg Trustee, at the direction of the Noteholders, join herein for the sole purpose of consenting to and confirming such subordination. The Company agrees that its rights and privileges under this Declaration are appurtenant to the Property and are therefore property subject to the lien of the Schornberg Deed of Trust.

Section 32. Use of Name "Riverwatch". No Owner shall use or cause or permit the use of the word "Riverwatch" or any variation thereof in connection with any retail, commercial or professional activity (however or wherever conducted or undertaken and expressly including any such activity occurring in whole or in part in Internet commerce) or use or cause or permit the use of the word "Riverwatch" or any variation thereof in the name of an Internet website, whether for personal use or otherwise, without the prior consent of the Company, which consent the Company may grant or withhold in its sole and absolute discretion.

Section 33. References. All references to Articles, Sections and Subsections herein are references to the articles, sections and subsections contained in this Declaration unless otherwise expressly noted to the contrary.

WITNESS the following signatures pursuant to due authority.

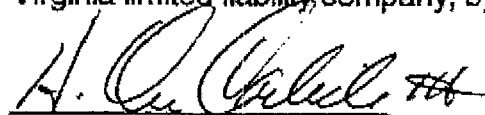
[Signature pages follow.]

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[Signature page to Riverwatch Declaration.]

ASSOCIATIONRIVERWATCH HOMEOWNERS' ASSOCIATION,
INC., a Virginia non-stock corporation

By:

H. Clem Carlisle III
PresidentCOMPANYRIVERWATCH DEVELOPMENT COMPANY, L.L.C., a
Virginia limited liability company, by its Manager

H. Clem Carlisle III

COMMONWEALTH OF VIRGINIA

CITY/COUNTY OF Chesapeake, to-wit:

The foregoing instrument was acknowledged before me October 20th, 2003, in my jurisdiction aforesaid, by H. Clem Carlisle III, as President of Riverwatch Homeowners' Association, Inc., a Virginia non-stock corporation, on behalf of such corporation, and as Manager of Riverwatch Development Company, L.L.C., a Virginia limited liability company, on behalf of such company. Mr. Carlisle is personally known to me.

My commission expires: 7/31/04

Notary Public



[Signature page to Riverwatch Declaration.] OCT 27 2003 PG 060

BANK

BRANCH BANKING AND TRUST COMPANY OF VIRGINIA,
a Virginia banking corporation

By: 

Name: Dan S. Dattoli
Title: Vice President

BANK TRUSTEE

BB&T-VA Collateral Service Corporation

By: 

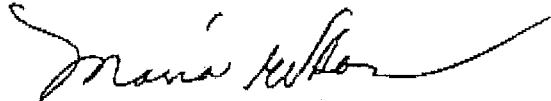
Name: Samuel G. Scott
Title: Vice President

COMMONWEALTH OF VIRGINIA

COUNTY/CITY OF Norfolk, to-wit:

The foregoing instrument was acknowledged before me ^{October}~~September~~ 2, 2003, in my jurisdiction aforesaid, by Samuel G. Scott, Vice President of BB&T-VA Collateral Service Corporation, Bank Trustee, who is personally known to me.

My commission expires: 9/30/06.



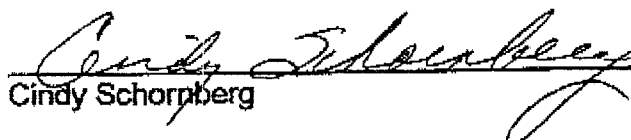
Notary Public

[Signature page to Riverwatch Declaration.]

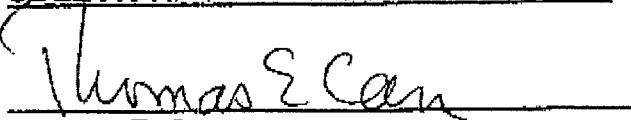
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NOTEHOLDERS


Albert Schornberg a/k/a Albert Schornberg, Jr.


Cindy Schornberg

SOLE ACTING SCHORNBERG TRUSTEE


Thomas E. Carr

COMMONWEALTH OF VIRGINIA

COUNTY/CITY OF Albemarle to-wit:

The foregoing instrument was acknowledged before me September 12th 2003, in my jurisdiction aforesaid by Thomas E. Carr, Sole Acting Schornberg Trustee, who is personally known to me.

My commission expires: 6/30/06.

Notary Public

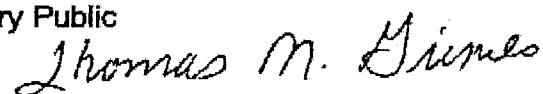


EXHIBIT "A"

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PROPERTY OWNED BY COMPANY

ALL that certain piece or parcel of land lying and being in Petsworth District of Gloucester County, Virginia, containing 374.19 acres, more or less, as shown on plat of survey made by James R. Gray, C.L.S., dated August 1, 2002, entitled "Plat of 374.19 Acres of Land Located in Petsworth District of Gloucester County, Virginia", a copy of which was attached to and recorded with the deed referred to below, and reference to which plat is hereby made for a more complete description.

BEING the same property conveyed to Riverwood Development Company, L.L.C. a Virginia limited liability company, by deed from Albert Schornberg, a/k/a Albert Schornberg, Jr., and Cindy Schornberg, husband and wife, dated October 10, 2002, and recorded October 21, 2002 in the aforesaid Clerk's Office as Instrument No. 02-7551. Riverwood Development Company, L.L.C. changed its name to Riverwatch Development Company, L.L.C. by Certificate of Amendment to its Articles of Organization issued by the State Corporation Commission of the Commonwealth of Virginia on January 28, 2003. An Affidavit of Counsel to Riverwatch Development Company, L.L.C. with a copy of such Certificate of Amendment attached was recorded in the aforesaid Clerk's Office on April 10, 2003 as Instrument No. 03-3106.

INSTRUMENT #030009700
RECORDED IN THE CLERK'S OFFICE OF
GLOUCESTER COUNTY ON
OCTOBER 27, 2003 AT 11:02AM
C. ANN GENTRY, CLERK

BY: *C. Ann Gentry* (DC)

BYLAWS

RIVERWATCH HOMEOWNERS' ASSOCIATION, INC.

1. Office. The office of the ASSOCIATION shall be located at such place or places as the BOARD may determine from time to time.

2. Fiscal Year. The first fiscal year of the ASSOCIATION shall be from the date of its incorporation until December 31, 2003. Thereafter, the fiscal year of the ASSOCIATION shall be the calendar year.

3. Seal. The seal of the ASSOCIATION shall have inscribed thereon the name of the ASSOCIATION. The seal may be used by causing it, or a facsimile thereof, to be impressed, affixed, or otherwise reproduced upon any instrument or document executed in the name of the ASSOCIATION.

4. Definitions. Unless the context otherwise requires, all capitalized terms used in these BYLAWS shall have the definitions given to them in the ARTICLES or in the "DECLARATION RIVERWATCH, GLOUCESTER COUNTY, VIRGINIA" recorded in the Clerk's Office after formation of the ASSOCIATION.

5. Annual Meeting. The annual meeting of the MEMBERS for the election of Directors and transaction of such other business as may come before the meeting shall be held in the month of March of each year commencing March, 2004, at such time and place as shall be designated by the BOARD.

6. Special Meetings. Special meetings of the MEMBERS may be requested at any time by written notice to the Secretary by a majority of the BOARD, TYPE "A" MEMBERS having at least twenty-five percent (25%) of the votes which may be cast by all of the TYPE "A" MEMBERS, or the President.

7. Place of Meetings. All meetings shall be held at the office of the ASSOCIATION or at such other location as is determined by the BOARD and, unless another time is fixed in the notice of meeting, at 7:30 p.m.

8. Quorum; Action by the MEMBERS. The presence in person or by proxy at a meeting of 10% of the TYPE "A" MEMBERS, and, while there is a TYPE "B" MEMBER, the TYPE "B" MEMBER, shall constitute a quorum. If a quorum is not present, the COMPANY, for so long as it is an OWNER, may call another meeting or meetings subject to the giving of proper notice, and the required quorum at such subsequent meeting or meetings shall be one-half of the number of TYPE "A" MEMBERS required in order for there to have been a quorum at the preceding meeting, and, while there is a TYPE "B" MEMBER, the TYPE "B" MEMBER. After a quorum has been established at a meeting, the subsequent withdrawal of TYPE "A" MEMBERS

or proxies, so as to reduce the number of TYPE "A" MEMBERS present in person or proxy and entitled to vote at the meeting below the number required for a quorum, shall not affect the validity of any action taken at the meeting or any adjournment thereof, whether such action is taken before or after such withdrawal.

9. Organization. At each meeting of the MEMBERS the President, or, in the absence of the President, the Vice-President (if any), or, in the absence of the President and Vice President (if any); any PERSON chosen by a majority of the TYPE "A" MEMBERS present and, so long as there is a TYPE "B" MEMBER, with the approval of the TYPE "B" MEMBER, shall preside. The Secretary, or in his or her absence or inability to act, any PERSON appointed by the chairman of the meeting shall act as secretary of the meeting.

10. MEMBER Register. The Secretary of the ASSOCIATION shall maintain a register in the ASSOCIATION office of the names and addresses of the MEMBERS. It shall be the obligation of each MEMBER to advise the Secretary of any change of address of such MEMBER or change of ownership of any LOT owned in whole or in part by such MEMBER. The ASSOCIATION shall not be responsible for reflecting any change of address and/or ownership for purpose of notification until notified of any such change in writing. If any LOT is owned by more than one (1) PERSON, the OWNERS shall advise the Secretary of the name and address of the PERSON to whom notice shall be directed, notice to whom shall be deemed to be sufficient notice to such OWNERS. In the absence of any such designation, notice may be sent to any one of such OWNERS, which notice shall be deemed to be sufficient notice to such OWNERS. Notice to an OWNER that is an entity shall be sent to the address provided by such entity to the Secretary, or, in the absence of any such address, to the registered office of such entity in the Commonwealth of Virginia.

11. Directors. The following provisions shall apply to Directors of the ASSOCIATION and meetings of the BOARD:

- a. All Directors shall be of legal age, but need not be MEMBERS.
- b. While there is a TYPE "B" MEMBER, meetings of the BOARD may be held at such place within the Commonwealth of Virginia as the BOARD may from time to time determine or as shall be specified in the notice or waiver of notice of such meeting. Thereafter, such meetings shall be held at a location in Gloucester County, Virginia.
- c. The BOARD shall meet for the purpose of organization, the election of Officers and the transaction of other business as soon as practicable after each annual meeting of the MEMBERS. Notice of such meeting need not be given if such meeting is to occur on the same day and at the same place where the annual meeting is to be held. If all of the Directors are not present after the annual meeting of the MEMBERS, or if the Directors determine not to have

the organizational meeting on the same day as the annual meeting of the MEMBERS, such organizational meetings shall be held as soon as practicable thereafter, at a time and place which shall be specified in a notice given as hereinafter provided.

- d. While there is a TYPE "B" MEMBER, regular meetings of the BOARD need not be held. Thereafter, such meetings shall be held at such time and place as the BOARD may from time to time determine, provided such meetings shall be held not less than twice each fiscal year. Notice of regular meetings of the BOARD need not be given, except as otherwise required by statute or these BYLAWS.
- e. While there is a TYPE "B" MEMBER, special meetings of the BOARD may be called solely by such MEMBER. Thereafter, such meetings may be called by any member of the BOARD or the President.
- f. The President or, in his or her absence, a Director designated by those Directors present, shall preside at meetings of the BOARD.
- g. A Director may resign at any time by giving written notice of his or her resignation to the President or the Secretary. Any such resignation shall take effect at the time specified therein or, if the time when such resignation is to become effective is not specified therein, then immediately upon its receipt. Acceptance of such resignation shall not be necessary to make it effective.
- h. Directors designated by the TYPE "B" MEMBER shall not be entitled to any compensation. Directors elected by the TYPE "A" MEMBERS shall not be entitled to any compensation unless the TYPE "A" MEMBERS elect to pay them compensation and, while there is a TYPE "B" MEMBER, the TYPE "B" MEMBER consents to such compensation, and the TYPE "A" MEMBERS set and, while there is a TYPE "B" MEMBER, the TYPE "B" MEMBER approves the amount of such compensation, at any meeting of the TYPE "A" MEMBERS.

12. Officers. The following provisions shall apply to Officers of the ASSOCIATION:

- a. The President shall be the chief executive officer of the ASSOCIATION. He or she shall have all of the powers and duties usually vested in the office of president of an association comparable to the ASSOCIATION.
- b. The Vice-President (if any) shall, in the absence or disability of the President, exercise the powers and perform the duties of the President. He or she shall also assist the President generally and exercise such other powers and perform such other duties as shall be prescribed by the BOARD.

- c. The Secretary shall keep the minutes of all proceedings of the BOARD and the MEMBERS. He or she shall attend to the giving and serving of all notices to the MEMBERS and Directors and other notices required by law. He or she shall have custody of the seal of the ASSOCIATION and affix the same to instruments requiring a seal when duly executed. He or she shall keep the records of the ASSOCIATION, except those of the Treasurer (if any), and shall perform all other duties incident to the office of secretary of an association and as may be required by the BOARD or the President. Until such time as the BOARD elects a Treasurer, the SECRETARY shall also serve as and perform the functions of the TREASURER.
- d. The Treasurer shall have custody of all property of the ASSOCIATION, including funds, securities, and evidences of indebtedness. He or she shall keep books of account for the ASSOCIATION in accordance with good accounting practices, which, together with substantiating papers, shall be made available to the BOARD for examination at reasonable times. He or she shall submit a Treasurer's report to the BOARD at reasonable intervals and shall perform all other duties incident to the office of treasurer.
- e. The Officers shall not be entitled to compensation unless the BOARD specifically votes to compensate them. However, neither this provision, nor the provision that Directors elected by the TYPE "A" MEMBERS will not be compensated unless otherwise determined pursuant to Subsection 11(h) above, shall preclude the BOARD from employing a Director or an Officer as an employee of the ASSOCIATION, contracting with a Director or Officer for the management of the OPEN SPACE, or engaging a Director or Officer to provide other services to the ASSOCIATION, and in any such event compensating such Director or Officer in a reasonable manner.

13. Budget. Prior to each fiscal year commencing with fiscal 2004, the BOARD shall adopt a budget for such fiscal year, which shall include the estimated funds required to defray the cost of carrying out the ASSOCIATION'S responsibilities, including maintaining replacement, improvement, and maintenance reserves. Commencing with fiscal 2005, if the budget for any fiscal year is not adopted before the beginning of the fiscal year, the existing budget shall remain in effect until the budget for the fiscal year is adopted. Once adopted, the budget may be amended or revised by the BOARD in its discretion. All budgets and amendments and revisions thereof shall be made available for inspection by the TYPE "A" MEMBERS and holders of notes secured by liens encumbering LOTS upon reasonable request. Notwithstanding the foregoing, the adoption of a budget shall not be a condition precedent to the effectiveness of any ASSESSMENTS or SPECIAL ASSESSMENTS, and nothing contained herein shall be construed as restricting the right of the BOARD, at any time in its sole discretion, to levy additional ASSESSMENTS or SPECIAL ASSESSMENTS.

14. Amendments. These BYLAWS may be amended by the Directors from time to time, provided no amendment to these BYLAWS while there is a TYPE "B" MEMBER shall become effective unless consented to by the TYPE "B" MEMBER and HUD.

15. Parliamentary Rules. Commencing at such time as all Directors are elected by the TYPE "A" MEMBERS, Roberts' Rules of Order (latest edition) shall govern the conduct of ASSOCIATION meetings when in conflict with the ARTICLES or these BYLAWS.

16. Order of Precedence. In the event of any conflict between the ARTICLES, BYLAWS, RULES AND REGULATIONS and/or the DECLARATION, the order of precedence of such instruments shall be the DECLARATION, the ARTICLES, the BYLAWS, and the RULES AND REGULATIONS.

17. Applicability of the ACT. Except to the extent duly modified herein, in the ARTICLES, or in the DECLARATION, the provisions of the Virginia Property Owners' Association Act, Chapter 26, Title 55 of the CODE as in effect on the date hereof or hereafter modified or amended shall apply to governance of the affairs of the ASSOCIATION.

* * * * *

The foregoing BYLAWS of Riverwatch Homeowners' Association, Inc. were adopted by the Incorporator on July 7, 2003.

RIVERWATCH

ARCHITECTURAL GUIDELINES

The Architectural Review Committee may, in its sole discretion, approve plans purely on aesthetic grounds to maintain the desired character of the community or individual neighborhoods. Such approval shall be limited only to the specific restrictions of zoning and the recorded Covenants and Restrictions for River Watch Subdivision. The guidelines, as listed herein, are the general guidelines for the design, construction and landscaping of all homes in River Watch. Final approval of all plans must be made by the Architectural Review Committee prior to commencement of construction. Prospective homeowners and speculative builders are asked to incorporate the elements listed here in their plans before submitting them to the Architectural Review Committee for approval.

1. All waterfront homes must have a minimum of 3,000 square feet finished heated area excluding garages, porches and basements and interior homes must have a minimum of 2,500 square feet.

Exterior Elevations

1. Exterior elevations will be reviewed for architectural design, materials and aesthetic appearance in terms of the overall dwelling and its relationship to other homes within the community or individual neighborhoods.
2. Plans submitted for approval must be architectural plans that include front, rear and side elevations and architecturally complete details such as trim, windows, doors, openings, vertical and horizontal lines and roof pitches. Plans and elevations shall be in 1/8" scale and plot plans shall be at 1" equals 30' scale.
3. Exterior materials must be comprised of brick, stone, stucco, composition siding (Hardiplank), premium vinyl siding (as approved on a case by case basis), wood or combinations thereof. The following materials are not approved for construction: metal siding, concrete block, fiberglass or asphalt siding. Vinyl and aluminum may be used for trim and or accent materials. Other materials shall be considered on a case by case basis.
4. Visible portions on all sides of foundations shall be stone, brick or polymer reinforced exterior finished systems such as dryvit, finestone or similar materials as approved.
5. Any free standing structure, including, but not limited to storage sheds, workshops, garages, dog houses, playhouses, gazebos, guest houses, etc. must be designed and located as an integral part of the house and landscape design. Structures should be incorporated into the overall design of the house and should be of the same style, finish materials and color theme as the house. Landscaping, walkways, fencing, etc. shall be approved on a case by case basis but should not

consume the entire rear yard so as to define lot lines. Fencing shall not be allowed forward of the front plane of the main body of the house.

6. All steps with street exposure must be brick, stone or wood with closed risers.
7. All exterior chimney materials must be brick or stone and contain two breaks for washes if visible from the street. Exposed prefabricated wood chimneys will not be allowed. Direct vent gas chimneys will be allowed, but must vent from the rear or side of the house and must be on brick or stone foundations.
8. Deck supports visible from the street must be 12" x 12" brick piers or larger and All other deck supports must be minimum 6"x6" or larger. Open areas under decks and porches must be concealed with pre-finished lattice or other approved screening.
9. All foundation vents with street exposure must be wood or pre-finished louvered.
10. No "burglar bars", steel or wrought iron bars or similar fixtures, whether designed for decoration, security or other purposes, shall be installed on any windows or doors.
11. Exterior architectural details shall be consistent with the overall design theme of the house. Consideration should be given to details as windows and door trim, eaves and fascia, gable ends, vents and porch columns, railings and steps. Eaves and gable ends must have a minimum of 12" overhangs.
12. Awnings, canopies and shutters shall not be permitted without prior approval of materials, colors and designs by the Architectural Review Committee.

House Siting

1. In general, all houses shall face the street. Houses in cul de sacs shall generally face towards the center of the cul de sac. Where site conditions make this unnecessarily difficult (in the opinion of the Architectural Review Committee) the Committee may approve alternative site orientation.
2. Houses shall not face the side or rear of neighboring houses. Where designs dictate conditions that would create direct views onto the living areas of adjoining property, the Committee reserves the right to require screening of this view or revisions to the design or siting.
3. House siting must be approved by the Architectural Committee.

ROOFS

1. The minimum roof pitch for any traditional style house shall be 10/12 on all front elevations. On transitional gable fronts or contemporary style houses 8/12 may be allowed at the discretion of the Committee.
2. All vent and plumbing stacks shall be painted or pre-finished to match the roof Colors and shall be on the rear slopes of the house so as not to be visible from a perspective 10' in front of the house.
3. Approved roofing materials include, slate, tile and a minimum 30 year architectural dimensional composite shingles specifically approved by the Committee.
4. Skylights are discouraged on front elevations of houses and may be denied Based on size, location, quality or aesthetic reasons.
5. All exposed flashing to be copper or colored materials to match the color of the roofing and to be specifically approved by the Committee.

GARAGES, DRIVEWAYS AND WALKWAYS

1. All garages must be side or rear entry.
2. Once the lot has been cleared, stone needs to be put down immediately to stabilize the driveway and reduce mud on streets etc.
3. Driveways are required to be installed and must be paved with exposed aggregate concrete, smooth concrete, brick or asphalt or an approved stone.
4. Driveways shall, as much as possible, be away from side property lines to provide room for landscape screening if it should be required.
5. Driveways shall provide sufficient space for backing and turning around.
6. Driveway siting must be approved by the Architectural Review Committee.
7. Driveways are to be installed in such a manner so as not to give a view straight down the driveway to the dwelling.
8. Driveway culverts are to be installed so as to meet the VDOT requirements as to size and location and are to be 20' wide plus have a 2' flared section on each

end for a total length of 24'.

9. Driveway culverts are to be concrete.
10. No structure embellishments will be allowed on the VDOT right-of-way without commitment of or the issuance of a VDOT Land Use Permit. Within the 10' clear zone (measured from the edge of the roadway's pavement out 10'), no structure embellishment will be permitted that is closer than 2' from the edge of the pavement of the public street or higher than 6" above the surface of the driveway.
11. Walkways must be exposed aggregate concrete, smooth concrete, brick, stone, slate set in concrete or other materials approved by the Architectural Review Committee.

EXTERIOR COLORS

1. All exterior colors must be approved by the Architectural Review Committee prior to being painted or installed. Color coordination of houses within the neighborhood will be taken into consideration in order to ensure the protection of the investment of all homeowners. The Committee has the authority to require the repainting of a house at applicant's expense if approval was not obtained in advance or if final; colors vary from those originally specified.
2. Exterior colors shall not be permitted, if, in the opinion of the Committee, they are considered inharmonious, discordant, incongruous or aesthetically displeasing.
3. All exterior wood siding on houses must be stained or painted. Natural wood siding or semi-transparent stains will not be allowed.

LANDSCAPING and IRRIGATION

1. A landscaping plan must be submitted to the Architectural Review Committee for approval before any landscaping work begins.
2. Landscaping plans be professionally drawn and include a schedule of plant materials to be used.
3. All houses must incorporate a minimum landscape allowance for plantings of at least \$2,500.
 - a. Treeless home sites may require extensive landscape, plantings to be approved by the Architectural Review Committee.

4. No artificial vegetation shall be permitted on the exterior of any house or lot. No exterior sculptures, foundations, birdhouses, birdbaths or other decorative embellishments or similar items shall be permitted unless approved by the Architectural Review Committee.
5. No trees larger than 6" in diameter at a height of 48" above the ground shall be removed, except for diseased or dead trees, unless approved by the Architectural Review Committee.
6. Maintenance of lots and landscaping by builders shall conform to the following requirements.
 - a. Builders shall maintain all vacant lots owned or under contract, including protection of existing trees and leaves, removal of debris and trash, prevention of soil erosion and mowing grass. The grass between the lot line and the VDOT right of way will be maintained by the lot owner following closing.
 - b. Builders of for sale housing shall mow lawns, edge beds, prune, control weeds, pests and diseases, remove dead trees/plants/trash, water, replace mulch and, in general, sustain the landscape in a neat, orderly, healthy condition until transfer of property to owner. All diseased trees shall be removed prior to closing.
7. Where lots back up to roads, sufficient vegetative screening shall be preserved, or, if none exist, the Architectural Review Committee may require the addition of screening shrubbery or trees as part of the required landscape package to buffer the view from the lot.
8. Landscaping, walkways, fencing, etc. should not consume the entire rear yard so as to define property lines.

EXTERIOR

1. All proposed exterior lighting shall be detailed on landscaping plans.
2. No exterior antennas, aerials, or other apparatus shall be installed unless completely contained within the dwelling or site so as not to be visible from the street.
3. No clothesline shall be allowed on the exterior of the house unless screened from view.

4. All garbage containers, HVAC equipment and pool pump equipment shall be screened or walled from front or side streets and adjoining property.
5. No builder, owner, or occupant shall dump grass clipping, leaves or other debris, petroleum-based products, fertilizers or other potentially hazardous or toxic material on any lot or drainage ditch in the River Watch Community.
6. No solar collector panels or attendant hardware or other conservation equipment shall be constructed or installed on any house unless it is an integral and harmonious part of the architectural design of a structure as determined in the sole discretion of the Architectural Review Committee.
7. The ditch lines (even though in the right of way) will be considered part of your lot and maintenance of grass, landscaping, etc. will be the owner's responsibility.
8. Builder and /or owner will be responsible for all Homeowner Association dues commencing on the date of transfer of title to said party (non-payment of such dues could result in a property lien).
9. No builder, owner, or occupant shall place any sign on a site without first having received written approval from the Architectural Review Committee. Builders and/or Realtors may place only one sign per property, sub-contractors and lending institutions may not place any signs on the properties.

RIVERWATCH HOMEOWNERS' ASSOCIATION, INC.

DISPLAY OF FLAGS

The Board of Directors encourages displays of patriotism by residents through flag display. At the same time, the Board must establish and thereafter be able to modify, supplement or amend from time to time (or grant waivers with respect to) rules and regulations identifying the flags that may be flown, the manner in which they may be flown, and the number that may be flown at any one residence in order to maintain the high standards that characterize Riverwatch generally. In light of the above, on April 1, 2003, by unanimous vote, the Board adopted the following initial rules and regulations concerning the display of flags:

1. Without the consent of the Board, but subject to the rules and regulations governing display of flags set forth below, residents may fly the flags of:
 - the United States of America,
 - the Commonwealth of Virginia,
 - any active branch of the armed forces of the United States (e.g., army, navy, air force or marines), and/or
 - a military valor or service award of the United States.
2. No other flag may be flown without the prior consent of the Board, acting in its reasonable discretion with respect to any request to display a flag of a nautical character and otherwise acting in its sole and absolute discretion.
3. No flag may be placed within any residence at Riverwatch so as to cover a door or window in whole or in part with the objective of making the flag visible from the exterior of the residence. In the event of any dispute about the application of this rule, the Board's decision is final.
4. Flags may only be flown on a house mounted flag pole not more than six (6) feet in length or a free standing flag pole not more than fifteen (15) feet tall.
5. No free standing flag pole other than one approved for installation on an approved dock or pier appurtenant to a Lot or the Common Area may be located closer than twenty (20) feet to any property line.
6. No more than one (1) house mounted pole, one (1) free standing flag pole installed directly into the ground and one (1) free standing flag pole installed on an approved dock or pier appurtenant to a Lot may be installed on any Lot.
7. Residents must exercise due care to assure that flags being flown remain in good condition. The Board may require the removal of any flag being flown that it finds to be torn, frayed or tattered, stained, or otherwise if a resident fails to replace such flag with a suitable replacement within ten (10) days after receiving a request to do so from the Board.
8. If the flag of the United States of America is flown, it must be flown in compliance with the provisions of the American Flag Code. The Board may require the removal of any flag not being flown in compliance with such Code if the resident fails to remedy any

violation(s) of such Code within ten (10) days after receiving a request to do so from the Board.

9. The Board may modify, alter or amend the rules and regulations governing display of flags at Riverwatch at any time or from time to time in its sole and absolute discretion.

**Property Modification Form – Post Construction
Riverwatch Homeowners Association**

The Declaration of Covenants, Conditions and Restrictions require that a property owner obtain the written approval from the Property Modification Committee for any and all post construction exterior alterations or additions to the property within Riverwatch as stated in the Declaration of Covenants, Conditions and Restrictions.

To comply with the Declaration of Covenants, Conditions and Restrictions please complete the form below. Attach a detailed drawing or blueprint of the proposed alteration or addition. The drawing should specify dimensions, materials to be used and colors. This application and the drawings will be retained for the committee records. Non-returnable paint samples are required for all exterior colors to be used including stain for decks or fences. For any building or storage shed, exterior walls, trim and roof shingle colors will be required to match as close as possible to the exterior color of the existing structure and samples will also be retained for the committee records.

The committee has forty-five (45) days from receipt of this form to reply to your request. Please be sure to include all information and a phone number so that you may be contacted should additional information be required.

If the requested change is approved, the homeowner agrees to complete the alterations or additions within one (1) year from the date of approval. The homeowner agrees to comply with all applicable County and State building codes and laws, and to obtain all necessary building permits required.

Name(s) of Homeowner: _____

Address: _____

Home Phone: _____ Daytime Phone: _____

Desired Alteration or Addition: _____

Signature of Homeowner(s): _____

Date Submitted: _____ Projected Start Date: _____

Return this form, plans and samples to:

Stellar Community Management
Attn: Riverwatch HOA
5396 Twin Hickory Road
Glen Allen, VA 23059

ASSOCIATION USE ONLY:

APPROVED: ☐ DENIED: ☐ DATE: _____

SIGNATURE: _____

SIGNATURE: _____