

SPRING LAKES AT THE WOODLANDS
PROTECTIVE COVENANTS AND RESTRICTIONS

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Spring Lakes at the Woodlands

Declaration of Protective Covenants and Restrictions

THIS DECLARATION is made this 3rd day of May 2000 by **Woodlands Associates, L.L.C.**, a Virginia limited liability company, herein called "Declarant", "Developer" and "Company".

WHEREAS, the Company is the Owner of the real property described in Article II of this Declaration and desires to create thereon a planned development community with residential and recreational uses to be known as "Spring Lakes at the Woodlands";

WHEREAS, the Company desires to impose certain protective covenants in order to promote the preservation of values, to provide for the maintenance of common facilities and services, and to provide a vehicle for the administration and enforcement of covenants and restrictions;

WHEREAS, the Company will cause to be incorporated under the laws of the State of Virginia a non-stock corporation, Spring Lakes at the Woodlands Property Owners Association, Inc., for the purpose of exercising the said functions which are herein more fully set forth;

NOW, THEREFORE, the Company declares that the real property described in Article II, and such additions thereto as may be made pursuant to Article II, is and shall be held, transferred, sold, conveyed, given, donated, leased, occupied and used subject to the covenants, restrictions, conditions, easements, charges, assessments, affirmative obligations and liens (all herein sometimes referred to as "the Covenants") set forth herein, all of which shall run with the properties whether or not such is stated in any deed of conveyance.

ARTICLE I DEFINITIONS

The following words and terms when used in this Declaration or any supplemental declaration (unless the context shall clearly indicate otherwise) shall have the following meanings:

(A) "Affiliate" shall mean any corporation of which more than fifty percent (50%) of the voting stock is owned or controlled by the Company or the Developer, and any partnership or joint venture in which the Company or the Developer has more than a

fifty percent (50%) equity interest or an interest in fifty percent (50%) or more of the cash flow from such partnership or joint venture.

(B) "Association" shall mean and refer to Spring Lakes at the Woodlands Property Owners Association, Inc., a Virginia non-stock corporation, its successors and assigns.

(C) "Common Areas" shall mean and refer to those tracts of land with any improvements thereon which are deeded to or leased by the Association and designated in said deed or lease as "Common Areas". The term "Common Area" shall also include any personal property acquired or leased by the Association if said property is designated to and intended for the common use and enjoyment of the Members of the Association, their guests, and visiting members of the general public (to the extent permitted by the Board of Directors of the Association) subject to the fee schedule and operating rules adopted by the Association. Common Areas shall not include those tracts of land falling within the definition of "Restricted Common Areas" set forth below.

(D) "Company" or "Declarant" shall mean and refer to Woodlands Associates, L.L.C., a Virginia limited liability company, its successors and assigns and any agent or agents appointed by Woodlands Associates, L.L.C., its successors and assigns, to act on its behalf for the purpose of administering or enforcing, in whole or in part, the rights reserved unto the Company in this Declaration.

(E) "Developer" shall mean Woodlands Associates, L.L.C., a Virginia limited liability company, its successors and assigns.

(F) "Development Unit Parcel" shall mean and refer to any parcel or tract of land within the Properties, conveyed by the Company to any third party under Covenants and Restrictions permitting the division of such parcel or tract into smaller land units such as Residential Lots. For the purpose of this Declaration, a parcel of land shall not be deemed a "Development Unit Parcel" until such time as its exact metes and bounds have been surveyed and a plat thereof identifying or designating such property as a Development Unit Parcel is recorded in the Clerk's Office of the Circuit Court of Augusta County, Virginia; provided, however, that any property within said parcel of land which also qualifies as "Exempt Property" as defined in paragraph (H) of this Article shall not be deemed part of said Development Unit Parcel for the purposes of calculating Assessments or votes. A Development Unit Parcel, or portions thereof, shall remain classified as such until further subdivided and classifiable as a Residential Lot or Lots.

(G) "Spring Lakes at the Woodlands" shall mean and refer to the property described as Parcel One containing 252.476 acres in Augusta County, Virginia, acquired by Woodlands Associates, L.L.C. by deed from The Glen Burnie Company dated June

21, 1999, of record in Deed Book 1430, Page 292, and such adjoining lands as may be added thereto and which are shown as a part of Spring Lakes at the Woodlands Master Plan (formerly known as Glen Burnie) as revised from time to time.

(H) "Exempt Property" shall mean and refer to the following classifications of property within the Properties, which, for the purposes of this Declaration, shall not be deemed "Development Unit Parcels", or "Unsubdivided Land" and shall be expressly excepted from the definitions thereof:

(1) All land designated on the Master Plan for intended use, or by actual use if applicable, for indoor or outdoor recreational and community facilities owned and operated by the Company, the Company's Affiliates, the Developer, the Developer's Affiliates, the Association, and any other home owners association (herein referred to as "Home Owners Association") organized by the Company or by others with the consent of the Company if such Home Owners Association operates such facilities within the Properties for the private use of its members or the Members of the Association; nonprofit or charitable community, civil or cultural clubs and institutions; and other similar community facilities which the Board of Directors, in its sole and uncontrolled discretion, may designate as Exempt Properties;

(2) All lands and any improvements thereon designated in any way as Common Areas or Restricted Common Areas;

(3) All lands and improvements thereon committed to the Association through express, written notification by the Company to the Association of intent to convey to the Association, including, without limitation, Intended Common Areas and Intended Restricted Common Areas;

(4) All lands designated on the Master Plan or on recorded plats as "Open Space" or "Private Open Space" (herein referred to, respectively, as "Open Space Areas" and "Private Open Space Areas") as defined in any subsequent declaration, covenant or restriction applicable to Property in Spring Lakes at the Woodlands, and any improvements thereon which are defined in subparagraph (1) of this paragraph;

(5) Property which is used for the maintenance, operation and service of facilities within Common Areas, Restricted Common Areas, Intended Common Areas, and Intended Restricted Common Areas, and facilities within Open Space Areas which are defined in subparagraph (1) of this paragraph; and

(6) Property, which is used for the maintenance, operation and service of utilities within the Properties.

(I) "Family Dwelling Unit" shall mean and refer to any improved property or any property formerly classified a Residential Lot for which a building permit has been issued by the appropriate governmental authorities, which property is located within the Properties and intended for use as a Single Family Dwelling.

(J) "Intended Common Areas" shall mean and refer to those tracts of land and any improvements thereon committed to the Association through express, written notification by the Company to the Association of intent to convey said property to the Association as a Common Area.

(K) "Intended for Use" shall mean the use intended for various parcels within the Properties as shown on the Master Plan of Spring Lakes at the Woodlands prepared by the Developer as the same may be revised from time to time by the Developer, or the use to which any particular parcel of land is restricted by Covenants expressly set forth or incorporated by reference in deed by which the Company has conveyed the property.

(L) "Intended Restricted Common Area" shall mean and refer to those tracts of land and any improvements thereon committed to the Association through express, written notification by the Company to the Association of intent to convey said property to the Association as a Restricted Common Area.

(M) "Inventory List" shall mean and refer to a listing of those Residential Lots owned by the Company, the Company's affiliates, the Developer, or Developer's Affiliates which are available for sale to purchasers, and which listing is submitted to the Association. The Company reserves for itself, its Affiliates, the Developer, and the Developer's Affiliates the right to make additions and deletions from this listing.

(N) "Master Plan" shall mean and refer to the drawing, which represents the conceptual plan for the future development of Spring Lakes at the Woodlands. Since the concept of the future development of Spring Lakes at the Woodlands is subject to continuing revision and change by the Developer. Present and future references to the Master Plan shall be references to the latest revision thereof.

(O) "Member" shall mean and refer to all those Owners who are Members of the Association as defined in Section 1 of Article V.

(P) "Neighborhood Area" shall mean and refer to areas in Spring Lakes at the Woodlands designated as neighborhoods on the Master Plan deed, or subdivision plats recorded in the Clerk's Office of the Circuit Court of Augusta County, Virginia.

(Q) "Owner" shall mean and refer to the Owner as shown by the Real Estate Records in the Clerk's Office of the Circuit Court of Augusta County, Virginia, whether it be one (1) or more persons, firms, associations, corporations or other legal entities, of fee simple title to any Residential Lot, Family Dwelling Unit or Unsubdivided Land situated within or upon the Properties. Owner shall not mean or refer to the mortgagee, or holder of a deed of trust, its successors or assigns, unless and pursuant to foreclosure or a proceeding or deed in lieu of foreclosure; nor shall the term "Owner" mean or refer to any lessee of an Owner. In the event that there is recorded in the Office of the Clerk of the Circuit Court of Augusta County, Virginia, a long-term contract of sale covering any land within the Properties, the Owner of such land shall be the purchaser under said contract and not the fee simple titleholder. A long term contract of sale shall be one where the purchaser is required to make payments for the land for a period extending beyond nine (9) months from the date of the contract and where the purchaser does not receive title to the land until all such payments are made, although the purchaser is given the use of said land.

(R) "Property" and "Properties" shall mean and refer to any tract of land or subdivision thereof in Spring Lakes at the Woodlands which has been subjected to the provisions of this Declaration or any Supplemental Declaration as may be referenced in deeds issued by the Company or any third party with the consent of the Company, including, without limitation, all that tract or parcel of land, situated, lying and being in Augusta County, Virginia, which is more particularly described in Exhibit "A" attached hereto and by specific reference made a part hereof.

7. "Residential Lot" shall mean any subdivided parcel of land located within the Properties, which has been recorded on a plat in the Clerk's Office of the Circuit Court of Augusta County, Virginia showing such Residential Lot, for which no occupancy permit has been issued by the appropriate governmental authorities and which parcel is intended for use as a site for a single family detached dwelling.

(T) "Restricted Common Areas" shall mean and refer to those tracts of land with any improvements thereon which are deeded to the Association and designated in such deed or lease as "Restricted Common Areas". The term "Restricted Common Areas" shall also include any personal property acquired or leased by the Association if said property is designated a "Restricted Common Area". All Restricted Common Areas are to be devoted to and intended for the common use and enjoyment of designated

Owners and their guests, with all use of Restricted Common Areas to be subject to the fee schedules and operating rules adopted by the Association. Any lands or personal property, which are leased by the Association for use as Restricted Common Areas, shall lose their character as Restricted Common Areas upon the expiration of such leases.

(U) "Unsubdivided Land" shall mean and refer to all land in the Property described in Article II hereof, and in addition thereto, those lands that are subjected to this Declaration or any Supplementary Declaration under the provisions of Article II hereof, which have not been subdivided into and classified as Residential Lots or Development Unit Parcels through metes and bounds subdivision plats recorded in the Clerk's Office of the Circuit Court of Augusta County, Virginia; provided, however, that "Unsubdivided Land" shall not include any property which also qualifies as Exempt Property. Unsubdivided Land, or portions thereof, shall remain classified as such until subdivided and classifiable as a Residential Lot or Lots or Development Unit Parcel.

ARTICLE II EXISTING PROPERTY AND ADDITIONS

1. Existing Property - The real property that is subject to these Covenants is described as follows:

All that tract or parcel of land situated, lying and being in Augusta County, Virginia, containing 252.476 acres more fully described at Parcel One in deed from The Glen Burnie Company to Woodlands Associates, L.L.C. dated June 21, 1999, of record in said County Clerk's Office in Deed Book 1430, Page 292.

All of the real property herein described shall sometimes be referred to herein as the "Existing Property". The Company plans to develop the Existing Property in accordance with a Master Plan. The Company and Developer reserve the right to review and modify the Master Plan and this statement shall not bind the Company, its successors and assigns, or Developer, its successors and assigns to adhere to the Master Plan in the development of the land shown hereon. Subject to its right to modify the Master Plan as stated herein, the Company shall convey to the Association certain properties, as in the reasonable exercise of its discretion it so chooses, without regard to the relative location of such portions or sections within the overall plan. Once conveyed to the Association, these properties shall become Common Areas or Restricted Common Areas, as the case may be. The Company shall not be required to follow any predetermined sequence or order of improvements and development and it may bring within the plan of this Declaration additional land, and develop the same before completing the development of the Existing Property, subject to any necessary local governmental approvals. The Company shall have full power to add to, subtract from, or make changes in the Master

Plan regardless of the fact that such actions may affect the relative maximum potential voting strength of the various types of membership of the Association, subject to any necessary local governmental approvals.

2. Additions to Existing Property - Additional lands may become subject to, but not limited to, this Declaration in the following manner:

(A) Additions - The Company, its successors and assigns, shall have the right, without further consent of the Association, to bring within the plan and operation of this Declaration additional property. Such property may be subject to this Declaration as one parcel or as several parcels at different times. The additions of such property authorized under this paragraph may increase the cumulative maximum number of Residential Lots, Development Unit Parcels, or Family Dwelling Units authorized in the Properties and, therefore, may alter the relative maximum potential voting strength of the various types of membership of the Association.

The additions authorized under this subsection shall be made by recording a Supplementary Declaration of Covenants and Restrictions with respect to the additional property that shall extend the operation and effect of the Covenants and Restrictions of this Declaration to such additional property. The Supplementary Declaration may contain such complementary additions and/or modifications of the Covenants and Restrictions contained in this Declaration as may be necessary or convenient, in the sole judgment of the Company, to reflect the different character, if any, of the added properties and as are not inconsistent with the plan of this Declaration, but such modifications shall have no effect upon the Property described in Section 1 above or upon any other additions to the Properties effected prior to the effective date of such Supplementary Declaration modifying this Declaration.

Additional lands that become subject to this Declaration under the provisions of this Article II may in the future be referred to as a part of Spring Lakes at the Woodlands. Also, the name Spring Lakes at the Woodlands may be used by the Company to refer to other nearby properties not subject to this Declaration.

(B) Mergers - Upon merger or consolidation of the Association with another association, as provided for in the By-Laws of the Association, its property rights and obligations may, by operation of law, be transferred to another surviving or consolidated association, or in the alternative, the properties, rights and obligations of another association may, by operation of law, be added to Association as a surviving corporation pursuant to a merger. The surviving or consolidated association may administer the Existing Property, together with the Covenants and Restrictions established upon any other properties, as one plan. No merger or consolidation shall affect any revocation, within the Existing Property, including, without limitation, the maximum limits on

Assessments and dues of the Association, or any other matter substantially affecting the interests of Members of the Association.

ARTICLE III COVENANTS, RESTRICTIONS AND AFFIRMATIVE OBLIGATIONS

The covenants and restrictions herein will be referred to as the Covenants and will be recorded in the Clerk's Office of the Circuit Court of Augusta County, Virginia.

The primary purpose of these covenants and restrictions and the foremost consideration in their origin has been the creation of a community that is aesthetically pleasing and functionally convenient. The establishment of certain objective standards relating to design, size and location of dwellings and other structures makes it impossible to take full advantage of the individual characteristics of each parcel of Property and of technological advances and environmental values. In order to implement the purposes of these Covenants, the Company may establish and amend from time to time objective standards and guidelines, including, but not limited to, Architectural Guideline, Uniform Sign Regulations, Uniform Mailbox Regulations and Landscape Guidelines and Site Plans, which shall be binding on Property Owners within Spring Lakes at the Woodlands.

Furthermore, the Company shall establish an Architectural Review Board (the "ARB") consisting of a minimum of two (2) members, provided, however, in its sole and uncontrolled discretion, the Company may transfer the right to appoint successor members of the ARB to the Board of Directors of the Association.

1. No building, fence, wall, swimming pool or other structure shall be erected, placed or altered, nor shall a building permit for such improvement be applied for any Property in Spring Lakes at the Woodlands including without limitation the Common Areas and Restricted Common Areas until the proposed building plans, specifications, exterior color of finish, site plan (showing the proposed location of such building or structure, drives and parking areas, grading and drainage plan), the land management plan and construction schedule shall have been approved in writing by the Architectural Review Board of the Association (the "ARB"). In addition, the ARB may, at its election, require prior written approval of a landscape plan prior to installation of landscaping. The ARB further reserves the right to promulgate and amend from time to time architectural guidelines (herein referred to as the "Architectural Guidelines") for specific neighborhoods and areas or for all Properties within Spring Lakes at the Woodlands, and such Architectural Guidelines shall establish, define and expressly limit those standards and specifications that will be approved in said neighborhoods and areas or within the Properties, including, but not limited to, architectural style, exterior color or finish, roofing material, siding material, driveway material, landscape design and construction technique. Refusal or approval of plans, location, exterior color or finish, or

specifications by the ARB may be based upon any ground, including purely aesthetic considerations, which in the sole and uncontrolled discretion of the ARB shall seem sufficient. No alteration in the exterior appearance of any building, fence or other structure, shall be made without prior written approval by the ARB. One (1) copy of all plans and related data shall be furnished the ARB for its records. In the event approval of such plans is neither granted nor denied within ninety (90) days following receipt by the ARB of written demand for approval, approval shall be deemed to have been granted.

2. In order to assure that buildings and other structures will be located and staggered so that the maximum view, privacy, sunlight and breeze will be available to each building or structure within the confines of each Property, and to assure that structures will be located with regard to the topography of each Property, the ARB reserves the right to control absolutely and to decide solely (subject to the provisions of the Zoning Ordinance of the County of Augusta) the precise site and location (including density of buildings) of any building or structure on any Property in Spring at the Woodlands for reasons which may in the sole and uncontrolled discretion and judgment of the ARB seem sufficient. Such location shall be determined only after reasonable opportunity is afforded the Property Owner to recommend a specific site. The provisions of this paragraph shall in no way be construed as a guarantee that the view, privacy, sunlight or breeze available to a building or structure on a given Property shall not be affected by the location of a building or structure of a building on an adjacent Property.

3. Each Property Owner shall provide space for the parking of automobiles off public streets prior to the occupancy of any building or structure constructed on said property in accordance with reasonable standards established by the Company.

4. Except as may be required by legal proceedings, no sign shall be erected or maintained on any Property by anyone including, but not limited to, a Property Owner, a Realtor, a contractor or a subcontractor, until the proposed sign size, color, content, number of signs and location of sign(s) shall have been approved in writing by the ARB. Refusal or approval of size, color, content, number of signs or location of sign(s) may be based by the ARB upon any ground, including purely aesthetic consideration, which in the sole and uncontrolled discretion of the ARB seems sufficient. The ARB further reserves the right to promulgate and amend from time to time uniform sign regulations (the "Uniform Sign Regulations") which shall establish standard design criteria for all signs, including, but not limited to, real estate sales signs, erected upon any Property in Spring Lakes at the Woodlands.

The ARB and its agent shall have the right, whenever there shall have been placed or constructed on any Property in Spring Lakes at the Woodlands any sign that is in violation of these restrictions, to enter immediately upon such Property where such violation exists and summarily remove the same at the expense of the Property Owner.

5. It shall be the responsibility of each Property Owner, contractor or subcontractor to prevent the development of any unclean, unsightly, unkempt, unhealthy or unsafe conditions of buildings or grounds on any Property which shall tend to substantially decrease the beauty or safety of Spring Lakes at the Woodlands, the neighborhood as a whole, or the specific area. The ARB and its agents shall have the right to enter upon any Property for the purpose of correcting such conditions including, but not limited to, the removal of trash, and the cost of such corrective action shall be paid by the Property Owner. Such entry shall not be made until thirty (30) days after the Owner of the Property has been notified in writing of the need to take corrective action and unless such Owner fails to perform the corrective action within said thirty (30) day period; provided, however, that should such condition pose a health or safety hazard, such entry may be made (without waiting for such thirty (30) day period) after the Owner has been notified in writing of the need to take immediate corrective action and if such Owner fails to perform the corrective action immediately. The provisions of this paragraph shall not create any obligation on the part of the Company, the Association or the ARB, to take any corrective action.

6. All mailboxes shall be erected and maintained on any Property per the specifications issued by the ARB. No alteration in the exterior appearance of any mailbox shall be made without prior written approval by the ARB. The ARB has established uniform mailbox regulations (the "Uniform Mailbox Regulations") that define standard design criteria for all mailboxes erected upon any Property in Spring Lakes at the Woodlands.

7. Prior to the occupancy of a building or structure on any Property, proper and suitable provisions shall be made for the disposal of sewage by connection with the sewer mains of the Augusta County Service Authority which is the only system presently approved by Augusta County for use in Spring Lakes at the Woodlands, or such other means of sewage disposal as may be approved by Augusta County for use in Spring Lakes at the Woodlands.

8. Prior to the occupancy of a building or structure on any Property, proper and suitable provisions for water shall be made by connection with the water lines of the Augusta County Service Authority water system which is the only system presently approved by Augusta County for use in Spring Lakes at the Woodlands, or such other water system as may be approved by Augusta County for use in Spring Lakes at the Woodlands.

9. The Company reserves unto itself, its successors and assigns, and its agent, a perpetual, alienable and releasable easement and right on, over and under the Properties to erect, maintain and use electric, community antenna television, cable television and

telephone poles, wires, cables, conduits, drainage ways, sewers, water mains and other suitable equipment for the conveyance and use of electricity, telephone equipment, gas, sewer, water, drainage or other public conveniences or utilities on, in or over those portions of such Property as may be reasonably required for utility line purposes and to provide for adequate sight distances from driveway entrances; provided, however, that no such utility easement shall be applicable to any portion of such Property as may (a) have been used prior to the installation of such utilities for construction of a building whose plans were approved pursuant to these covenants by the Company, or (b) be designated as the site for a building on a plot plan for erection of a building which has been filed with the Company and which has been approved in writing by said Company. These easements and rights expressly include the right to cut any trees, bushes or shrubbery, make any grading of the soil, or to take any other similar action reasonably necessary to provide economical and safe utility installation and to maintain reasonable standards of health, safety and appearance. The Company further reserves the right to locate wells, pumping stations, siltation basins and tanks in Spring Lakes at the Woodlands in any Open Space Area of any Property designated for such use on the applicable plat of said Property, or to locate same upon any Property with the permission of the Owner of such Property. Any licensee of the Company may exercise such rights, but this reservation shall not create any obligation on the part of the Company to provide or maintain any such utility or service.

10. The General Property Covenants - Pursuant to the provisions of this Declaration, the Company reserves unto itself, its successors and assigns, the right to appoint the Association its agent for the purpose of administering and enforcing in whole or in part, the rights, duties and obligations reserved unto the Company, including, but not limited to, the rights to approve (or disapprove) plans, specifications, color, finish, plot, plan, land management plan and construction scheduled for any or all buildings or structures to be erected within any or all of the Properties. Such appointments may be temporary or permanent, and shall be subject to any conditions, limitations or restrictions that the Company, in its sole and uncontrolled discretion, may elect to impose. Upon any such appointment of the Association as agent by the Company, the Association shall assume any obligations that are incident thereto.

In addition to the foregoing, the Company reserves unto itself, its successors and assigns, the right to assign in whole or in part to the Association its rights reserved herein to grant approvals (or disapprovals), to establish rules and regulations, to administer and enforce the provisions hereof, and any or all other rights reserved by the Company. The assignment of such rights shall be subject to any conditions, limitations or restrictions that the Company, in its sole and uncontrolled discretion may elect to impose at the time of assignment. Following the assignment of such rights, the Association may 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. The assignment of such right

or rights by the Company to the Association shall be made by written instrument that shall be recorded in the Clerk's Office of the Circuit Court of Augusta County, Virginia.

Notwithstanding any of the foregoing to the contrary, so long as the Company, its successors and assigns, is the owner of property subject to the provisions of the Covenants, the Company, in addition to and jointly with the Association, shall retain all rights of easement reserved unto it herein, and shall, furthermore, retain all rights of entry granted unto it for the purposes of correcting, repairing, enhancing, improving, cleaning, preserving, clearing out, removing, or taking any action to prevent a violation of these Covenants, and the retention of said rights of easement and entry by the Company shall in no way create any obligation on the part of the Company to perform any affirmative action.

11. Declarant acknowledges that it has retained the right to exercise its sole and uncontrolled discretion in connection with the rights, duties and obligations set forth herein. The Declarant hereby covenants and agrees to exercise such discretion in a fair, consistent and uniform manner with respect to any guideline provided for in this Article. The Declarant further covenants and agrees not to exercise such discretion so as to render any residential lot unbuildable, taking into account local governmental requirements for building setback lines and other applicable regulations.

12. (A) All Properties shall be used for residential purposes, recreational purposes incidental thereto, and for customary accessory uses. The use of a portion of a dwelling unit on a Residential Property as an office by the Owner thereof shall be considered a residential use if such use does not create undue customer or client traffic, as determined by the Company in its sole and uncontrolled discretion, to and from the unit or the Property.

(B) No structure, except as herein provided, shall be erected, altered, placed or permitted to remain on a Single Family Lot as designated by the Master Plan other than one (1) detached single family dwelling and one (1) small one-story accessory building which may include a detached private garage, provided the use of such accessory building does not overcrowd the Property, as determined by the Company in its sole and uncontrolled discretion, and provided, further, that such building is not used for any activity normally considered as a business. Such accessory building may not be constructed prior to the construction of the main building. Notwithstanding the above, the Company in its sole and uncontrolled discretion, reserves the right to approve additional improvements provided that such improvements shall not be used for occupancy.

(C) A guest suite or like facility without a kitchen may be included as part of the main dwelling or accessory building on any Single Family Lot, but such suite

may not be rented or leased except as part of the entire premises including the main dwelling, provided that such suite would not result in overcrowding the Property, as determined by the Company in its sole and uncontrolled discretion.

(D) The provisions of this paragraph shall not prohibit the Company or its agents and assigns from using any house, other dwelling units, or accessory buildings as a model or sales office.

(E) The exterior of each house, dwelling unit, and all other structures must be completed (i) within one (1) year after the construction of same shall have commenced except where such completion is impossible or would result in great hardship to the Owner or builder due to strikes, fires, national emergency or natural calamities. Without the express written approval of the Company, houses and other dwelling structures may not be temporarily or permanently occupied until the exteriors thereof, including installation of landscaping, have been completed to the satisfaction of the Company; provided, however, that in the event that weather precludes the completion of landscaping and Property Owner shall fund such escrow to be held and administered by the Company. Company shall determine an appropriate cost to complete said landscaping and Property during the continuance of construction, the Owner of the Lot or Tract shall require the contractor to maintain the Property in a reasonably clean and uncluttered condition.

(F) The failure to complete the exterior of any house, dwelling unit, or other structure within the time limit set forth in paragraph 12(E) above shall constitute a violation and breach of these covenants. The Company hereby reserves unto itself, its successors and assigns, a right on, over and under all Residential Properties for the purpose of taking any action necessary to effect compliance with paragraph 12(E) above, including, but not limited to, the right to enter upon any Property for the purpose of completing the exterior of such house, dwelling unit or any other structure which is in violation of paragraph 12(E). Such entry shall not be made until thirty (30) days after the Owner of the Property has been notified in writing of the violation of these Covenants, and unless such Owner has failed to complete said exterior with said thirty (30) day period. The Owner of the Property on which the corrective action is performed shall pay the cost of such corrective action, when performed by the Company or its agents. The provisions of this paragraph shall not create any obligation on the part of the Company to take any action to effect compliance with paragraph 12(E).

13. (A) Each Property Owner of Residential Lots or Properties shall provide a screened area to serve as a service yard and an area in which garbage receptacles, electric and gas meters, air conditioning equipment, and other unsightly objects must be placed or stored in order to conceal from view from the road and adjacent Properties. Plans for such screened area delineating the size, design, specifications, exterior color

and finish, and location must be approved by the Company prior to construction. No alteration in the exterior appearance of any screened area shall be made without prior written approval by the Company.

Garbage receptacles may be located outside of screened area only if located underground, and such underground garbage receptacles and fuel tanks and the Company prior to construction must likewise approve their location.

Fuel tanks shall be located underground.

(B) Garbage pickup shall take place at such locations as are approved or designated by the Company. If curbside pickup occurs, no Owner shall place the receptacles at the curb earlier than twelve (12) hours before pickup and shall remove the same within ten (10) hours after pickup. Garbage and trash pickup shall be only by such company, companies or individuals as are designated and approved in advance by the Association. The Association, in its sole discretion, may designate from time to time one or more companies and/or individuals for this purpose.

(C) No clothing, laundry or wash shall be aired or dried on the exterior portion of any Residential Lot or Property.

(D) All toys, bicycles, tricycles, motorcycles, mopeds and other such similar items located on Residential Property or adjacent streets shall be removed each evening to an area not exposed to view from any other property or street. No animals, livestock or poultry of any kind shall be raised, bred or kept on any of the property, except that dogs, cats or other household pets may be kept subject to rules and regulations adopted by the Company, its successors or assigns. All pets not on the property of the Owner shall be under leash or totally controlled in a similar manner at all times by the Owner.

14. No mobile home, trailer, barn or other similar outbuilding or structure shall be placed on any Residential Property at any time, either temporarily or permanently.

15. No structure of a temporary character shall be placed upon any Residential Property at any time, provided, however, that this prohibition shall not apply to trailers, shelters or temporary structures used by the contractor during the construction of the main dwelling unit, it being clearly understood that these latter temporary shelters may not, at any time, be used as residences or permitted to remain on the Property after completion of construction. The Company must approve the design, location and color of structures temporarily placed on a Residential Property by a contractor in advance in writing.

16. No television antenna, satellite dish greater than 24 inches in diameter, (the location of satellite dishes 24 inches in diameter or smaller shall be regulated by the ARB) radio receiver, radio sender or other similar device shall be attached to or installed on any Residential Property or on the exterior portion of any building or structure on any Residential Property except as follows:

(A) The provisions of this paragraph shall not prohibit the Company from installing or approving the installation of equipment necessary for a master antenna system, Community Antenna Television (C.A.T.V.), mobile radio systems, or other similar systems within the Property; and

(B) Should C.A.T.V. services or cable service be unavailable and good television reception not be otherwise available, the Owner of a dwelling unit may make written application to the Company for permission to install a television antenna, which may be approved or denied in the sole and uncontrolled discretion of the Company.

17. No Residential Lot shall be subdivided or its boundary lines changed, nor shall application for it be made to Augusta County, except with the prior written consent of the Company. However, the Company hereby expressly reserves unto itself, its successors and assigns, and its agent, the right to replat any Residential Lot(s), all herein referred to as "Lot(s)", owned by it and shown on the plat of any subdivision with the Properties in order to create a modified building lot or lots; and to take such other steps as are reasonably necessary to make such replatted Lot suitable and fit as a building site including, but not limited to, the relocation of easements, walkways, rights of way, private roads, bike trails, bridges, parks, recreational and community facilities and other amenities to conform to the new boundaries of said replatted Lot(s). The provisions of this paragraph shall not prohibit the combining of two (2) or more contiguous lots into one (1) larger lot. Following the combining of two (2) or more lots into one (1) larger lot, only the exterior boundary lines of the resulting larger lot shall be considered in the interpretation of these Covenants.

ARTICLE IV
ADDITIONAL RESTRICTIONS TO IMPLEMENT
EFFECTIVE ENVIRONMENTAL AND
LAND MANAGEMENT CONTROLS

In order to protect the natural beauty of the vegetation, topography and other natural features of all Properties within Spring Lakes at the Woodlands, the following environmental and land management controls are hereby established:

1. Topographic and vegetative characteristics of Properties within Spring Lakes at the Woodlands shall not be altered by excavation, grading, removal, reduction,

addition, clearing, cutting, pruning, seeding, planting, transplanting, or any other means without the prior written approval of the Company. In addition, the Company may, at its election, require prior written approval of a landscape plan. Refusal or approval of plans or any alteration of topographic or vegetative characteristic(s) by the Company may be based upon any ground, including purely aesthetic considerations, which in the sole and uncontrolled discretion of the Company seems sufficient. Written approval will be granted for the minimum amount of earth movement and vegetation reduction required in plans and specifications approved pursuant to the provisions of these Covenants. Should written notice be served by the Company upon any Property Owner requiring corrective alteration of topographic and vegetative characteristics pursuant to paragraphs 3 and 4 of this Article IV, such notice shall be deemed to constitute written approval by the Company for such corrective alteration under the provisions of this paragraph.

2. Notwithstanding anything in the foregoing to the contrary, the Company reserves the right to promulgate and amend from time to time landscape guidelines (referred to herein as the "Landscape Guidelines") which shall establish approved standards, methods and procedures for landscape management on specific properties in Spring Lakes at the Woodlands, and such authorized standards, methods, and procedures may be utilized by the Owners of such specified properties without prior written approval by the Company; provided, however, no trees measuring six (6) inches or more in diameter at a point two (2) feet above ground level may be removed without the prior written approval of the Company. Approval for the removal of trees located within ten (10) feet of the main dwelling or accessory building or within ten (10) feet of the approved site for such building will be granted unless such removal will substantially decrease the beauty of the Property. The provisions of this paragraph 2 shall in no way constitute a waiver of the requirement to receive prior written approval for any alteration of topographic or vegetation characteristics, pursuant to the provisions of paragraph 1, other than for those alterations specifically authorized in said Landscape Guidelines.

3. In order to implement effective and adequate erosion control, the Company and its agents shall have the right to enter upon any Property before or after a building or structure has been constructed thereon for the purpose of performing any grading or landscaping work or constructing and maintaining erosion prevention devices, provided, however, that prior to exercising its right to enter upon the Properties for the purpose of performing any grading or landscaping work or constructing or maintaining erosion prevention devices, the Company shall give the Owner of the Property the opportunity to take any corrective action required by giving the Owner of the Property written notice indicating what type of corrective action is required and specifying in that notice that immediate corrective action must be taken by the Owner. If the Owner of the Property fails to take the corrective action specified immediately, the Company or its agent may then exercise its right to enter upon the Property in order to take the necessary corrective action. The cost of such erosion prevention measures, when performed by the Company

or its agent, shall be kept as low as reasonably possible. The Owner thereof shall pay the cost of such work, when performed by the Company or its agent on Property.

4. In order to implement effective undesirable pest and woods fire control, the Company and its agents have the right to enter upon any Property for the purpose of moving, removing, clearing, cutting or pruning trees or underbrush, weeds or other unsightly growth which in the opinion of the Company detracts from the overall beauty, setting and safety of Spring Lakes at the Woodlands. The cost of this vegetation control shall be kept as low as reasonably possible and shall be paid by the Owner of the Property. Such entry shall not be made until thirty (30) days after the Owner of the Property has been notified in writing of the need of such work and unless such Owner fails to perform the work within said thirty (30) day period. The provisions in this paragraph shall not create any obligation on the part of the Company to mow, clear, cut or prune any Property.

5. In addition, the Company reserves unto itself, its successors and assigns, and its agents, a perpetual, alienable, and releasable easement and right of way on, over and under any Property to dispense pesticides and take other actions which in the opinion of the Company are necessary or desirable to control insects and vermin; and to cut fire breaks and take other actions which in the opinion of the Company are necessary or desirable to control fires on any Property or any improvements thereon; and for purposes of erosion control allowed in paragraph 3 above.

The rights reserved unto the Company, its successors and assigns, and its agents, in paragraphs 3, 4 and 5 above shall not be unreasonably employed and shall be used only where necessary to effect the stated intents and purposes of said paragraphs.

ARTICLE V MEMBERSHIP AND VOTING RIGHTS IN THE ASSOCIATION

1. Membership - The Company shall be a Member of the Association, and a creditor who acquires title to the Properties or any portion thereof pursuant to foreclosure or any other proceeding or deed in lieu of foreclosure shall be a Member of the Association. Every Owner, unless otherwise specified, shall be a Member of the Association. Every Owner shall be required to submit the name(s) of his Tenant(s) and the duration of their tenancy to the Secretary of the Association. The Association may issue to each Member a membership card that shall expire upon sale by an Owner of his property in Spring Lakes at the Woodlands. Owners who are exempt from the payment of Assessments shall not be Members of the Association unless otherwise specified herein.

2. Voting Rights - The Association shall have two (2) types of regular voting membership and one (1) type of special voting membership which provides the Company, its successors and assigns, with the power to elect a portion of the Board of Directors:

TYPE "A": Type "A" Members shall be all Owners, including the Company, its successors and assigns, of Residential Lots and/or Family Dwelling Units. A Type "A" Member shall be entitled to two (2) votes for each Residential Lot or each Family Dwelling Unit that he owns.

TYPE "B": Type "B" Members shall include all those Owners, including the Company, its successors and assigns, of Unsubdivided Lands and platted Development Unit Parcels held and intended for future development by the Company or a third party. A Type "B" Member shall be entitled to one (1) vote for each One Hundred Dollars (\$100.00) of Monthly Assessments paid to the Association. In computing the number of votes to which a Type "B" Member shall be entitled, the amount of the Assessment paid shall be rounded to the nearest One Hundred Dollars (\$100.00).

TYPE "C": The Type "C" Member shall be the Company, its successors and assigns. The Type "C" Member shall be entitled to elect a portion of the Board of Directors as set out in Section 4 of this Article VI, but will have no votes on other matters. Type "C" Membership shall terminate upon conveyance by the Company or its successors or assigns of the entirety of its interest in the property and additions thereto.

Payment of Special Assessments shall not entitle Members to additional votes.

When any property entitling the Owner to membership as Type "A" or "B" Members of the Association is owned or recorded in the name of two (2) or more persons or entities, whether fiduciaries, joint tenants, tenants in common, tenants in partnership or in any other manner of joint or common ownership, or if two (2) or more persons or entities have the same fiduciary relationship respecting the same property, then unless the instrument or order appointing them or creating the tenancy otherwise directs and it or a copy thereof is filed with the Secretary of the Association, their acts with respect to voting shall have the following effect:

- (1) If only one (1) votes, in person or by proxy, his act shall bind all;
- (2) If more than one (1) votes, in person or by proxy, the act of the majority so voting shall bind all;
- (3) If more than one (1) votes, in person or by proxy, but the vote is evenly split on any particular matter, each fraction shall be entitled to its proportionate share of the vote or votes;

- (4) If the instrument or order filed with the Secretary of the Association shows that any tenancy is held in unequal interest, a majority or even split under subparagraphs (2) and (3) immediately above shall be a majority or even split in interest in the property to which the vote(s) is attributable;
- (5) The principals of this paragraph shall apply, insofar as possible, to the execution of proxies, waivers, consents or objections, and for the purpose of ascertaining the presence of a quorum.

3. Governance - The Association shall be governed by a Board of Directors consisting of four (4) members. The term of such Directors is to be determined in accordance with the provisions of the Articles of Incorporation of the Association. Except as may be otherwise provided in the Articles of Incorporation, there shall be two (2) classes of Directors: Class I Directors shall be elected by the Type "A" and "B" Members and Class II Directors shall be elected by the Type "C" Members.

4. Election of the Board of Directors -

(A) Each member of Type "A" and "B" Membership classes shall be entitled to as many votes as equals the total number of votes he is entitled to based on his Ownership of one (1) or more of the various classifications of property as computed by the formula set out in Section 2 hereof. Each member may cast the total number of votes to which he is entitled for each vacancy to be filled by a Class I Director. Cumulative voting shall not be allowed. Members, except the Type "C" Membership, are divided into classes for the purpose of computing voting rights and shall not vote as a class.

(B) The Board of Directors shall consist of two classes of Directors, one Director elected by Class "C" Members (The "Class II" Director) and three Directors shall be elected by Class "A" and "B" Members (The "Class I" Director).

5. Quorum Required for Any Action Authorized at Regular or Special Meetings of the Association - The quorum required for any action which is subject to a vote of the Members at an open meeting of the Association shall be as follows:

(A) The first time a meeting of the Members of the Association is called to vote on (i) an increase in the Maximum Regular Monthly Assessment greater than that provided for by subparagraph (a) of Section 3 of Article VII hereof; (ii) a Special Assessment as provided for by Section 4 of Article VII hereof; (iii) the gift or sale of any parcel of land and improvements thereon designated as a Common Area or Restricted Common Area; (iv) an Amendment to this Declaration; or (v) the termination of this Declaration, the presence at the meeting of Members or proxies entitled to cast thirty

percent (30%) of the total vote of the Membership required for such action shall constitute a quorum.

(B) The first time a meeting of the Members of the Association is called to vote on any action proposed to be taken by the Association, other than that described in subparagraph (A) above, the presence at the meeting of Members or proxies entitled to cast fifteen percent (15%) of the total vote of the Membership required for such action shall constitute a quorum.

If the required quorum is not present at any meeting described in paragraphs (A) or (B) above, with the exception of any meeting called to vote on the termination of this Declaration, another meeting or meetings may be called 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 required quorum at the preceding meeting.

Unless otherwise provided any reference hereafter to "votes cast at a duly called meeting" shall be construed to be subject to the quorum requirements established by this Article and any other requirements for such "duly called meeting" which may be established by the Bylaws of the Association. For the purpose of this section, "proper notice" shall be deemed to be given when not less than thirty (30) days prior to the date of the meeting at which any proposed action is to be considered.

6. Proxies - All Members of the Association may vote and transact business at any meeting of the Association by proxy authorized in writing.

7. Ballots by Mail - When desired by the Board of Directors, there shall be sent with notices of regular or special meetings of the Association, a statement of certain motions to be introduced for vote of the Members and a ballot on which each Member may vote for or against each such motion. Each ballot which is presented at such meeting shall be counted in calculating the quorum requirements set out in Section 5 of this Article; provided, however, such ballots shall not be counted in determining whether a quorum is present to vote upon motions not appearing on the ballot.

8. Rights of Club Facilities Only Members ("CFO Members") - CFO Members are all Lot Owners in Glen Burnie Subdivision Units 1, 2, 3 and 4; and shall have no property rights or voting rights. Subject to the rules and regulations of the Association or Declarant and the payment of any fees and charges established by the Association or the Declarant, every CFO Member and every guest of such CFO Member shall have the right of access to and the right to use the Club Facilities as if, and in common with, Members of the Association who have paid the established fees and charges. Any such CFO Members' application shall be effective only upon payment of the established fees or charges. Additionally, the Association or Declarant may approve

individual applications for persons to become CFO Members. Any charges made to CFO Members, whether for initiation fees, dues or other charges, may exceed the charges to Members for such initiation fees or Assessments.

ARTICLE VI PROPERTY RIGHTS IN THE COMMON AREAS

1. Members' Easements of Enjoyment in Common Areas - Subject to the provisions of these Covenants, the rules and regulations of the Association, and any fees or charges established by the Association, every Member, and every guest of such Member, shall have a right of easement of enjoyment in and to the Common Areas, except that Owners may have restricted or limited rights as set forth herein or in later declarations, and such easement shall be appurtenant to and shall pass with the title of every Residential Lot, Family Dwelling Unit, Development Unit Parcel or an Unsubdivided Land.

Employees of the Type "B" Member and its agent, the Developer, shall have access to and enjoyment of the Common Areas subject to rules and regulations and user fees established by the Board of Directors.

A Member's family who reside with such Member in Spring Lakes at the Woodlands shall have the same easement of enjoyment hereunder as a Member. The term family shall mean: two or more persons related by blood, adoption, guardianship or marriage, living and cooking together as a single housekeeping unit; or, a number of persons, but not exceeding six (6) living and cooking together as a single housekeeping unit but not necessarily related by blood, adoption or marriage.

In those instances where a Residential Lot or Family Dwelling Unit or other property in Spring Lakes at the Woodlands is owned by a corporation or other business entity, such corporation or other entity shall annually appoint one (1) person as the "Primary Member". Such Primary Members shall have the same easement of enjoyment in the Common Areas as Members who own or occupy such property singularly. The remaining officers and employees of such corporation shall be entitled to an easement of enjoyment in the Common Areas by:

- (1) Paying the same use fees as guest of Members, or
- (2) By paying to the Association annually an amount equal to the Monthly Assessment charged against the property in which he or she owns a fractional interest. The payment of such amount shall not entitle such remaining officers any additional votes in the Association.

As determined in the sole and uncontrolled discretion of the Board of Directors of the Association, certain Owners of Exempt Properties, and guests of the Association, may have access to and enjoyment of the Common Areas subject to rules and regulations and user fees established by the Board of Directors.

2. Members' Easement of Enjoyment in Restricted Common Areas - Subject to the provisions of these Covenants, and supplemental covenants, the rules and regulations of the Association, and any fees or charges established by the Association, a designated Member shall have a right and easement of enjoyment in and to the Restricted Common Areas and such easement shall be appurtenant to and shall pass with the title of the real estate. By an affirmative vote of seventy-five percent (75%) of the votes cast by Owners having the use of the Restricted Common Areas at a meeting of the Association called for the purpose of voting on such proposal, a "Restricted Common Area" may be changed into an unrestricted "Common Area". Employees of the Company and its agent, the Developer, shall have access to and enjoyment of the Restricted Common Areas, subject to rules, regulations and user fees established by the Board of Directors.

3. Title to Common Areas and Restricted Common Areas -

(A) The Company covenants for itself, its successors and assigns, that it shall convey Common Areas and Restricted Common Areas by deed to the Association, at no cost to the Association, and subject to (i) all restrictions and limitations imposed by this Declaration as it may be amended or supplemented, including, without limitation, all rights of easement and rights of entry reserved unto the Company, its successors and assigns; (ii) all other restrictions and limitations of record at the time of conveyance, (iii) any restrictions, limitations, conditions or determinations as to the purposes and uses of the conveyed properties as stipulated in said deed; (iv) deeds of trust of record (but the Company shall covenant to hold the Association and the property harmless from the lien secured by the Deed of Trust); and (v) any commitments by the Company to construct certain improvements thereon as stipulated in said deed. Upon conveyance, such parcels of land and any improvements thereon shall become Common Areas or Restricted Common Areas as designated in said deed.

(B) The Association shall not refuse the conveyance to it of any Common Area or Restricted Common Area and shall not refuse the designation of any parcel of land or any improvements thereon as in Intended Common Area or Intended Restricted Common Area through the express, written notification by the Company to the Association of intent to convey said property to the Association, and, further, the Association shall not refuse to accept any Intended Common Area or Intended Restricted Common Area as a Common Area or Restricted Common Area at such time as the

Company, in its sole and uncontrolled discretion, deems it advisable to convey such property to the Association.

(C) Upon conveyance of any parcel of land and any improvements thereon as a Common Area or Restricted Common Area by the Company or any other third party, the Association shall immediately become responsible for all maintenance and operation of said property, and for such additional construction of improvements thereon as may be authorized by the Association's Board of Directors subject to the terms of this Declaration. It is the purpose of this provision to provide that the Association shall be responsible for all maintenance and operation of all Common Areas and Restricted Common Areas.

(D) Notwithstanding anything in the foregoing to the contrary, the Company reserves unto itself, its successors and assigns, and its agents, the right to enter upon any Intended Common Area, Intended Restricted Common Area, Common Area, or Restricted Common Area for the purpose of constructing or maintaining indoor and outdoor recreational and community facilities thereon. The provisions of this paragraph shall in no way create any obligation on the part of the Company to construct or maintain any such facilities on said properties. The Company further reserves for itself, its assignees and successors the right to reserve and to grant to third parties such easements as it may deem necessary over Common Areas and Restricted Common Areas.

(E) Natural areas, trail areas, etc. may be designated from time to time as Intended Common Areas or Intended Restricted Common Areas, and shall be conveyed in large or small parcels from time to time after the Company has completed the surveying and platting. Written notification designating such properties as Intended Common Areas or Intended Restricted Common Areas will not normally show metes and bounds and, in any event, the metes and bounds as shown on the recorded plat and deed to the Association shall govern.

(F) Notwithstanding anything in the foregoing to the contrary, the Company shall not be required to convey the above referenced parcels where such conveyance would be prohibited under agreements existing on the date hereof, but, in such case, shall be allowed to postpone such conveyance, without penalty, until such time as said prohibition may be nullified.

4. Extent of Members' Easements - The rights and easements of enjoyment created hereby shall be subject to the following:

(A) The right of the Association in accordance with its Bylaws, to borrow money from the Company or any lender for the purpose of improving and/or maintaining the Common Areas and Restricted Common Areas, and providing services

authorized herein and in aid thereof to mortgage said properties provided, however, that any such mortgage is with the prior consent of two-thirds of the Members of the Association, which consent may be evidenced by petition or by an affirmative vote of two-thirds of the Members of the Association voting in person or by proxy at a duly called meeting of the Association.

(B) The right of the Association to take such steps as are reasonably necessary to protect the above-described properties against foreclosures.

(C) The right of the Association to suspend the rights and easements of enjoyment of any Member or guest of any Member for any period during which the payment of any Assessment against property owned by such Member remains delinquent, and for any period not to exceed sixty (60) days for each infraction of its published rules and regulations, it being understood that any suspension for either nonpayment of any Assessment or a breach of the rules and regulations of the Association shall not constitute a waiver or discharge of the Member's obligation to pay the Assessment, and, provided that the Association shall not suspend the right to use any roads belonging to the Association subject to the rules, regulations and fees, if any, established by the Association for such use.

(D) The right of the Association to charge reasonable admission and other fees and dues for the use of recreational facilities and services on the Common Areas and Restricted Common Areas.

(E) The right of the Company or the Association by its Board of Directors to dedicate or transfer to any public or private utility, utility or drainage easements on any part of the Common Areas and Restricted Common Areas.

(F) The right of the Association to give or sell all or any part of the Common Areas and Restricted Common Areas, including leasehold interests, subject to (i) the limitations and restrictions imposed by this Declaration as it may be amended or supplemented, (ii) all other restrictions and limitations of record at the time of conveyance to any public agency, authority, public service district, utility or private concern for such purposes, and (iii) subject to such conditions as may be agreed to by the Members provided, however, that no such gift or sale of any parcel of land and improvements thereon, or determination as to the purposes or as to the conditions thereof, shall be effective unless such dedication, transfers, and determinations as to purposes and conditions shall be authorized by the affirmative vote of three-fourths (3/4) of the votes cast at a duly called meeting of the Association, subject to the quorum requirements, and unless written notice of the meeting and of the proposed agreement and action there under is sent to every Member of the Association at least thirty (30) days prior to such meeting and as to Restricted Common Areas the affirmative vote of three-fourths (3/4) of the

Owners having the use of the Restricted Common Areas. A true copy of such resolution together with a certificate of the results of the vote taken thereon shall be made and acknowledged by the President or Vice President and Secretary or Assistant Secretary of the Association and such certificate shall be annexed to any instrument of dedication or transfer of any parcel of land and improvements thereon affecting the Common Areas or Restricted Common Areas prior to the recording thereof. Such certificates shall be conclusive evidence of authorization by the membership. The Board of Directors in its sole and uncontrolled discretion shall determine the gift or sale of any personal property owned by the Association.

ARTICLE VII COVENANTS FOR ASSESSMENTS

1. Creation of the Lien and Personal Obligation of Assessments - The Company covenants, and each Owner of any Residential Lot, Family Dwelling Unit, Development Unit Parcel, and Unsubdivided Land located within the Properties, whether or not it shall be so expressed in any such deed or other conveyance, shall be deemed to covenant and agree to all the terms and provisions of this Declaration and to pay to the Association: (a) Monthly Assessments or charges; and (b) Special Assessments or charges for the purposes set forth in this Article, such Assessments to be fixed, established and collected from time to time as herein provided. The Monthly and Special Assessments, together with such interest thereon and costs of collection thereof, including a reasonable attorney's fee as herein provided, shall be a charge and continuing lien on the real property and improvements thereon against which each such Assessment is made. Each such Assessment, together with such interest thereon and cost of collection thereof, including a reasonable attorney's fee as herein provided, shall also be the personal obligation of the person who was the Owner of such real property at the time when the Assessment first became due and payable. In the case of co-ownership of a Residential Lot, Family Dwelling Unit, Development Unit Parcel of any Unsubdivided Land, all of such co-owners shall be jointly and severally liable for the entire amount of the Assessment.

2. Purpose of Assessments - The Monthly Assessments levied by the Association shall be used exclusively for the improvement, maintenance, enhancement, enlargement and operation of the Common Areas, Restricted Common Areas, Intended Common Areas and Intended Restricted Common Areas, and to provide services which the Association is authorized to provide including but not limited to a community center, pool, wading pool, tennis courts, picnic areas and hiking trails.

3. Application of "Maximum" Assessment - The Maximum Regular Monthly Assessment, as set forth in the schedule below, and as is automatically increased annually pursuant to the provisions hereof, shall be levied by the Association. If,

however, the Board of Directors of the Association, by majority vote, determines that the important and essential functions of the Association may be properly funded by an Assessment less than the Maximum Regular Monthly Assessment, it may levy such lesser Assessment; provided, however, so long as the Company is engaged in the development of properties which are subject to the terms of this Declaration, the Association may not reduce Assessments below those set out in Section 3(A) below without the written consent of the Company. The levy of an Assessment less than the Maximum Regular Monthly Assessment in one year shall not affect the Board's right to levy an Monthly Assessment equal to the Maximum Regular Monthly Assessment in subsequent years.

If the Board of Directors shall levy less than the Maximum Regular Monthly Assessment for any Assessment year and thereafter, during such Assessment year, determine that the important and essential functions of the Association cannot be funded by such lesser Assessment, the Board may, by majority vote, levy a Supplemental Assessment. In no event shall the sum of the initial and Supplemental Assessments for that year exceed the applicable Maximum Regular Monthly Assessment.

If the Board of Directors, by majority vote, determines that the important and essential functions of the Association will not be properly funded in any one year, it may request approval of a specified increase in the Maximum Regular Monthly Assessment for either one year only, or for that one year and any number of subsequent years, by a favorable vote of seventy-five percent (75%) of the votes cast at a duly called meeting of the Association. Should the Members vote in favor of such proposed increase, it shall be deemed approved and may be levied by the Board. An increase in the Maximum Regular Monthly Assessment for one year only pursuant to the provisions hereof shall in no way affect the Maximum Regular Monthly Assessment for subsequent years or increases thereof in subsequent years.

(A) The Maximum Regular Monthly Assessment as of the date of these Covenants and Restrictions shall be the sums calculated in accordance with the following Assessment Schedule, and shall be automatically increased in each instance by an inflation adjuster as set forth in Section (3)(H) of this Article, and as may be increased pursuant to the provisions set forth immediately above:

<u>Property Type</u>	<u>Monthly Assessment</u>
Residential Lot owned by Declarant, its successors and assigns	\$ 1.00 per lot
Residential Lot after conveyance by Declarant, its successors and assigns	50.00 per lot

Family Dwelling Unit owned by Declarant, its successors and assigns	50.00 per unit
Family Dwelling Unit after conveyance by Declarant, its successors and assigns	50.00 per unit
Development Unit Parcel	1.00 per acre
Unsubdivided Land	1.00 per acre

(B) Property shall not be classified for purposes of the Monthly Assessments as a Residential Lot until all of the following have occurred:

- (1) Recording of a plat in the Clerk's Office of the Circuit Court of Augusta County, Virginia, showing such Residential Lot;
- (2) The Residential Lot has been placed on an "Inventory List" as stated in these Covenants; and
- (3) In those cases where the Lot is owned by a third party other than the Company, the Company's Affiliates, the Developer, or the Developer's Affiliates, the Residential Lot is sufficiently developed to be subject to Assessment, in the sole and uncontrolled discretion of the Board of Directors of the Association, as a Residential Lot.

(C) Property shall not be classified for purposes of Monthly Assessments as a Development Unit Parcel until such time as its exact metes and bounds have been surveyed and plat thereof identifying or designating such property as a Development Unit Parcel is recorded in the Clerk's Office of the Circuit Court of Augusta County, Virginia; provided, however, that any property within said parcel of land which also qualifies as an Exempt Property shall not be deemed part of said Development Unit Parcel for the purpose of calculating Assessments or votes. At such time as a Development Unit Parcel, or a portion of said Development Unit Parcel, is further subdivided and classifiable as a Residential Lot or Lots, said property or such portion of said property shall then be classified as a Residential Lot or Lots and, in addition, the remaining number of acres to be assessed as a Development Unit Parcel shall be calculated by subtracting (i) the number of acres within the property which have been classified as a Residential Lot or Lots from (ii) the total number of acres within the original Development Unit Parcel.

(D) For purposes of these Monthly Assessments, all properties that have not been subdivided into and classified as Residential Lots, Development Unit Parcels or Family Dwelling Units shall be classified as Unsubdivided Land provided, however, that

Unsubdivided Land should not include any property that also qualifies as Exempt Property.

(E) Assessments shall be billed annually, quarterly, monthly or on such other basis as may be determined by the Board of Directors. The billing schedule shall be the same for all properties of a specified category, however, the Board of Directors, in its sole discretion, may establish different schedules for the billing of Assessments due from different categories of property. All Assessment bills shall be due and payable ninety (90), thirty (30) or fifteen (15) days from the date of mailing of same as determined by the Board of Directors provided, however, that if the Board of Directors elects to utilize a Billing Agent, the Billing Agent shall set the date on which Assessment bills shall be due and payable.

(F) The Board of Directors may authorize a Billing Agent to collect the Assessments provided for herein.

(G) The Owner of any assessable property which changes from one category to another during an Assessment year shall be billed an additional amount for the remaining full quarters of such year to reflect the category change.

(H) From and after January 1, 2000, the Maximum Regular Monthly Assessment may be increased by the Board of Directors by ten percent (10%) without further authority from the Members. Any increase in excess of ten percent (10%) in any calendar year shall require a favorable vote of fifty-one percent (51%) of the votes cast at a duly called meeting of the Members of the Association.

(I) Any increase in the Maximum Regular Monthly Assessment shall be made in such a manner that the proportionate increase in such Assessment is the same for Owners of all Residential Lots or Family Dwelling Units. Any time the actual Assessment levied by the Board of Directors of the Association is less than the Maximum Regular Monthly Assessment; such decrease shall be proportionate among the Owners of all Residential Lots.

4. Special Assessments for Improvements and Additions -In addition to the Maximum Regular Monthly Assessments authorized by Section 3 hereof, the Association may levy Special Assessments for the following purposes:

(A) Construction, reconstruction, repair or replacement of capital improvements upon the Common Areas, Restricted Common Areas, Intended Common Areas or Intended Restricted Common Areas, including the necessary fixtures and personal property related thereto;

(B) For additions to the Common Areas or Restricted Common Areas;

(C) To provide for the necessary facilities and equipment to offer the services authorized herein; and

(D) To repay any loan made to the Association to enable it to perform the duties and functions authorized herein.

Such Special Assessment, before being charged, must have received the approval of the Members of the Association by the favorable vote of fifty-one percent (51%) of the votes cast at a duly called meeting of the Association. The notice of such meeting shall include one (1) statement from those Directors favoring the Special Assessment, and one (1) statement from those Directors opposing the Special Assessment, containing the reasons for those Directors' respective support and opposition for the Assessment. Neither statement shall exceed two (2) pages in length.

This provision shall be interpreted to mean that the Association may make in any one year a Monthly Assessment up to the maximum set forth in Section 3 of this Article, plus an additional Special Assessment. Such Special Assessment in any one-year may not exceed a sum equal to the amount of the Maximum Regular Assessment for such year except for emergency or repairs required as a result of storm, fire, natural disaster or other casualty loss. The fact that the Association has made a Monthly Assessment for an amount up to the Maximum Regular Monthly Assessment shall not affect its right to make a Special Assessment during the year.

The proportions of each Special Assessment to be paid by the Owners of the various classifications of assessable property shall be equal to the proportion of the Monthly Assessments levied for the Assessment year during which the Members approve such Special Assessments.

5. Assessments for Restricted Common Areas - In addition to the Maximum Regular Monthly Assessments and Special Assessments, the Association may levy Assessments and Special Assessments to Owners having the enjoyment of Restricted Common Areas, which assessment will be used for the Restricted Common Area for the same purposes as the Regular Assessments and Special Assessments are used for the Common Areas.

6. Reserve Funds - The Association shall establish reserve funds from its Monthly Assessments to be held in reserve in an interest drawing account or investments as a reserve for:

(A) Major rehabilitation or major repairs;

(B) Emergency and other repairs required as a result of storm, fire, natural disaster, or other casualty loss; and

(C) Initial costs of any new service to be performed by the Association.

7. Special Assessments for Special Communities or Neighborhood Areas -

(A) Cluster Home Communities. A committee shall be created to maintain the driveways and yards in cluster home communities. The committee members shall be elected by the lot owners in the cluster home communities and shall have the power to impose a special assessment against all lot owners in the cluster home communities for the expense of maintaining the driveways and yards for all lots in the cluster home communities. Such assessment shall be in addition to all other assessments imposed by the Association. Cluster home communities shall be designated as such at the time of the creation of the lots within such communities by recordation of a plat with such designation and shall be considered a special class of members of the Association with respect to maintenance of the driveways and yards within their communities. Special regulations may be created with respect to the Cluster Home Committee at the time of creation of the cluster home communities.

(B) Townhouse and Duplex Communities. A committee shall be created to maintain the alleys, driveways, yards, common areas and the exterior of all structures in townhouse and duplex communities. The committee members shall be elected by the lot owners in the townhouse and duplex communities and shall have the power to impose a special assessment against all lot owners in the townhouse and duplex communities for the expense of maintaining the alleys, driveways, yards, common areas and the exterior of all structures in townhouse and duplex communities. Such assessment shall be in addition to all other assessments imposed by the Association. Townhouse and duplex communities shall be designated as such at the time of the creation of the lots within such communities by recordation of a plat with such designation and shall be considered a special class of members of the Association with respect to maintenance of the alleys, driveways, yards, common areas and the exterior of all structures within their communities. Special regulations may be created with respect to the Townhouse and Duplex Committee at the time of creation of the townhouse and duplex communities.

(C) Neighborhood Areas. On petition of seventy-five percent (75%) of all Owners within a particular Neighborhood Area, or contiguous Neighborhood Areas, as such may be designated on a recorded subdivision plat, the Board of Directors of the Association may levy a Special Assessment applicable only to each Owner within the immediate Neighborhood Area or Areas, to undertake special neighborhood improvements, neighborhood rehabilitation or construction, special neighborhood security and neighborhood maintenance. If such Special Assessment be

proposed by the Board of Directors of the Association rather than by petition as provided for herein, then such proposal shall be submitted to a referendum of all Owners within the particular Neighborhood Area or Areas, and such Special Assessment shall be levied upon each such Owner only upon a favorable response by not less than seventy-five percent (75%) of the votes entitled to be cast voting in favor of such Special Assessment.

In the event of election by the Members of a Community or Neighborhood Area to be assessed by the Association for special improvements, construction, security or maintenance, the Association shall be authorized to borrow money to fund such special improvements, construction, security or maintenance and to repay any such loan with the receipts from the Special Assessment authorized therefore.

8. Changes in Maximum Amounts of Monthly Assessments Upon Merger or Consolidation - The limitations of Section 3 hereof shall apply to any merger or consolidation in which the Association is authorized to participate, and under the Bylaws of the Association.

9. Date of Commencement of Monthly Assessments, Due Date - Notwithstanding anything in the foregoing to the contrary, the Monthly Assessments provided for herein shall commence no earlier than January 1, 2000.

10. Duties of the Board of Directors - The Board of Directors of the Association shall fix the amount of the Monthly Assessment against each Residential Lot or Family Dwelling Unit, and shall at that time direct the preparation of an index of the Properties and Monthly Assessments applicable thereto, and any Assessments for Restricted Common Areas, Neighborhood Area Assessment and any Special Assessments applicable thereto, which shall be kept in the office of the Association and which shall be open to inspection by any Member. Written notice of Assessments shall thereupon be sent to every Member subject thereto.

The Association shall upon demand at any time furnish to any Owner liable for said Assessments a certificate in writing signed by an Officer of the Association, setting forth whether said Assessments have been paid. Such certificate shall be conclusive evidence against all but the Owner of payment of any Assessment therein stated to have been paid. If the Board of Directors authorizes a Billing Agent to collect Assessments, the Certificate of the said Billing Agent shall be conclusive evidence against all but the Owner of payment of any Assessment therein stated to have been paid.

The Association shall comply with the terms of Section 55 of the Code of Virginia, 1950, as amended.

11. Effect of Non-Payment of Assessment; The Personal Obligation of the Owner; the Lien, Remedies of Association - If the Monthly Assessment or any Special Assessment or an Assessment or Special Assessment for Restricted Common Areas or Neighborhood Assessment is not paid on or before the past due date specified in Section 3 hereof, then such Assessment shall become delinquent and shall (together with interest thereon at the maximum annual rate permitted by law accrue from the due date and cost of collection thereof including a reasonable attorney's fee as herein provided) become a charge and a continuing lien on the land and all improvements thereon, against which each such Assessment is made.

If the Assessment is not paid within thirty (30) days after the past due date, the Association may bring an action at law against the Owner personally and there shall be added to the amount of such Assessment the costs of preparing the filing of the complaint and a reasonable attorney's fee, and in the event a judgment is obtained, such judgment shall include interest on the Assessment as above provided and a reasonable attorney's fee together with the costs of the action.

If the Board of Directors of the Association elects to utilize a Billing Agent to collect Assessments, interest which shall accrue on past due sums will be the maximum interest rate which such agent may lawfully charge.

12. Subordination of the Lien - The continuing lien of the Assessments provided for herein shall be subordinate to the lien of any first or second deed of trust now or hereafter placed upon any properties subject to Assessment, and, in addition, shall be subordinate to the lien of the cost of corrective action placed upon any properties subject to Assessment. In the event a creditor acquires title to any property subject to Assessment pursuant to foreclosure or any other proceeding or deed in lieu of foreclosure, said property shall be subject to Assessments accruing after such acquisition.

13. Exemptions - The following property, individuals, partnership or corporations subject to this Declaration shall be exempted from the Assessments, charges and liens created herein:

(A) All lands designated on the Master Plan for intended use or by actual use of indoor and outdoor recreational and community facilities owned and operated by the Company, the Company's Affiliates, the Developer, the Developer's Affiliates, the Association, and any other Home Owners Association organized by the Company or by others with the consent of the Company if such Home Owners Association operates such facilities within the Properties for the private use of its members or the Members of the Association; places of worship; libraries, fire stations and rescue squads; post offices, day care centers, nursery schools, and other schools and instructional centers; nonprofit or charitable community, civil or cultural clubs and institutions; and other similar

community facilities which the Board of Directors of the Association, in its sole and uncontrolled discretion, may designate as Exempt Properties;

(B) All lands and any improvements thereon designated in any way as Common Areas, Intended Common Areas or Restricted Common Areas or Intended Restricted Common Areas;

(C) All lands and any improvements thereon committed to the Association through express, written notification by the Company to the Association of intent to convey to the Association, including without limitation, Intended Common Areas and Intended Restricted Common Areas;

(D) Property which is used for the maintenance, operation and service of facilities within Common Areas and Intended Restricted Common Areas;

(E) Property which is used for the maintenance, operation, and service of utilities within the Properties; and

(F) The grantee in conveyances made for the purpose of granting utility easements.

14. Annual Statements - The President, Treasurer, or such other officer as may have custody of the funds of the Association shall annually, within ninety (90) days after the close of the fiscal year of the Association, prepare and execute under oath a general itemized statement showing the actual assets and liabilities of the Association at the close of such fiscal year, and a statement of the revenues, costs and expenses. It shall be necessary to set out in the statement the name of any creditor of the Association; provided, however, that this requirement shall be construed to apply only to creditors of more than One Thousand and no/100 Dollars (\$1,000.00). Such Officer shall furnish to each Member of the Association who may make a request therefore in writing, a copy of such statement, within thirty (30) days after receipt of such request. Such copy may be furnished to the Member either in person or by mail. Any holder of a first mortgage on a lot(s) or unit(s) shall be entitled upon written request to a financial statement for the immediately preceding fiscal year.

15. Annual Budget - The Board of Directors shall prepare and make available to all Members, at least sixty (60) days prior to the first day of the following fiscal year, a budget outlining anticipated receipts and expenses for the following fiscal year. The financial books of the Association shall be available for inspection by all Members at all reasonable times.

ARTICLE VIII

FUNCTIONS OF ASSOCIATION

1. Ownership and Maintenance of Properties - Notwithstanding the fact that most roads within the Property as identified on all recorded subdivision plats will be built to State specifications, dedicated to public use by such subdivision plats, and are intended to be offered and accepted into the State system, the Association shall be required, to own and/or maintain Private Roads and Alleys, Common Areas, Restricted Common Areas, Intended Common Areas and Intended Restricted Common Areas, equipment, furnishings and improvements devoted to, but not limited to, the following uses:

(A) For roads, roadways, roadway medians and parkways along said roads or roadways, cul-de-sac islands, and neighborhood or other area entrances or entrance easements through the Properties;

(B) For sidewalks, walking or jogging paths or trails, bicycle paths, pedestrian underpasses and bridle paths through the Properties;

(C) For transportation facilities throughout the Properties other than privately owned automobiles, e.g., buses, electric vehicles, etc.;

(D) For security and fire protection services including security stations, guardhouses, police equipment, fire stations and fire fighting equipment and buildings used in maintenance functions;

(E) For emergency health care including ambulances, rescue squad facilities, emergency care medical facilities, and the equipment necessary to operate such facilities;

(F) For providing any of the services which the Association is authorized to offer under Section 2 and Section 3 of this Article;

(G) For purposes set out in deeds by which Common Areas and Restricted Common Areas are conveyed to the Association, provided that such purposes shall be approved by the Members of the Association as set out in Section 4 of this Article;

(H) For indoor and outdoor recreational and community facilities;

(I) For water and sewage facilities and any other utilities, if not adequately provided by a private utility or Augusta County, Virginia; and

(J) For picnic areas and ponds.

2. Services - The Association shall be authorized but not required, except as specified in Section 3 of this Article, to provide the following services:

(A) Cleaning and maintenance of all roads, roadways, roadway medians, parkways, cul-de-sac islands, neighborhood and other area entrances, ponds, parks, sidewalks, walking trails, bike trails, Common Areas, Intended Common Areas, Restricted Common Areas, Intended Restricted Common Areas, and also all public properties which are located within or in a reasonable proximity to the Properties such that their deterioration would affect the appearance of the Properties as a whole;

(B) Landscaping and beautification of roads, roadways, roadway medians, parkways, cul-de-sac islands, neighborhood and other area entrances, ponds, parks, sidewalks, walking paths, bike trails, Common Areas, Restricted Common Areas and Intended Restricted Common Areas;

(C) Transportation facilities other than privately owned automobiles, e.g., buses, electric vehicles, etc.;

(D) Lighting of roads, sidewalks, walking paths, bike trails, parking lots, and any recreational and community facilities located within the Properties;

(E) Police protection and security, including, but not limited to, the employment of police and security guards, maintenance of electronic and other security devices and control centers for the protection of persons and property within the Existing Property, and assistance in the apprehension and prosecution of persons who violate the laws of the State of Virginia or the County of Augusta, within the Properties;

(F) Fire protection and prevention of all improvements to the Common Areas;

(G) Garbage and trash collection and disposal of all improvements to the Common Areas;

(H) Insect and pest control to the extent that it is necessary or desirable in the judgment of the Board of Directors of the Association to supplement the service provided by the state and local governments;

(I) The services necessary or desirable in the judgment of the Board of Directors of the Association to carry out the Association's obligations and business under the terms of this document;

(J) To take any and all actions necessary to enforce all Covenants and Restrictions affecting the Properties and to perform any of the functions or services delegated to the Association in any Covenants or Restrictions applicable to the Properties;

(K) To set up and operate an Architectural Review Board for all Common Areas or Restricted Common Areas, and, in the event that the Association is designated by the Company as the agent or the assign of the Company for such purposes, to extend the operation of the Architectural Review Board to all properties within Spring at the Woodlands;

(L) To provide day care and child care services;

(M) To conduct instructional, recreational, sports, crafts, social and cultural programs of interest to Members, their families and guests;

(N) To provide legal and scientific resources for the improvement of air and water quality within the Properties;

(O) To provide safety equipment for storm emergencies;

(P) To support the operation of transportation services between key points of the Properties and the airports, other public transportation terminals and public centers serving the area surrounding the Properties;

(Q) To construct improvements on Common Areas, Restricted Common Areas, Intended Common Areas, or Intended Restricted Common Areas for use for any of the purposes authorized in this Article, or as may be required to provide any of the services authorized in this Article;

(R) To provide administrative services, including, but not limited to, legal, accounting, financial and communication services (including, but not limited to community newsletters and newspapers) to inform members of activities, notices of meetings, referendums, and other issues and events of community interest;

(S) To provide liability and hazard insurance covering improvements and activities on and within the Common Areas and Restricted Common Areas;

(T) To provide water, sewage and any necessary utility services not provided by a public body, private utility or the Company;

(U) To provide, conduct or maintain water pollution abatement measures;

(V) To construct mailboxes, signs and other standard features for use throughout the Properties; and

(W) To provide any or all of the above listed services to another association of Owners of real property under a contract, the terms of which must be approved by the Board of Directors.

3. Minimum List of Functions and Services - The "Minimum List of Functions and Services" shall establish and define the minimum level of functions and services which the Association must furnish to its Members. So long as the Company is engaged in the development of Properties that are subject to the terms of this Declaration, the Association shall not reduce the level of functions and services it furnishes to its Members below such minimum level without the prior written consent of the Company. The "Minimum List of Functions and Services" is as follows:

(A) The Association shall provide or procure the administrative services necessary to carry out the Association's obligations and business under the terms of this Declaration, the Articles of Incorporation of the Association, and the Bylaws of the Association, including, but not limited to, legal, accounting, financial and communications services.

(B) The Association shall administer and enforce the Covenants and Restrictions established in this Declaration, and subsequent declarations including, but not limited to, the following:

(i) The Association shall set Assessments, levy cash Assessments, notify the Member of such Assessments and collect such Assessments;

(ii) The Association shall prepare accurate indexes of Members, Property Classifications, Votes, Assessments, the Cumulative Maximum Number of Residential Lots Authorized in the Properties, and the Maximum Regular Monthly Assessment;

(iii) The Association shall operate an Architectural Review Board;

(iv) The Association shall maintain and operate all Common Areas and Restricted Common areas;

(v) The Association shall hold Monthly Meetings and Special Meetings as required, hold elections for the Board of Directors as required and give Members "proper notice" as required; and

(vi) The Association shall prepare Monthly Statements and Monthly Budgets and shall make the financial books of the Association available for inspection by Members at all reasonable times.

(C) Should the Company appoint the Association its agent for the administration and enforcement of any covenants and restrictions of record, the Association shall assume such responsibility and any obligations that are incident thereto.

(D) Should the Company assign to the Association any of the rights reserved unto it in any covenants and restrictions of record, the Association shall assume the responsibility of administering and shall assume any obligations that are incident thereto.

(E) The Association shall provide appropriate liability and hazard insurance coverage for improvements and activities on all Common Areas and Restricted Common Areas.

(F) The Association shall provide appropriate Directors' and Officers' Legal Liability Insurance and indemnify persons pursuant to the provisions of the Articles of Incorporation and Bylaws of the Association.

(G) The Association shall keep a complete record of all its acts and corporation affairs.

(H) The Association shall provide regular and thorough cleanup of all roads, roadways, roadway medians, berms, parkways, except those accepted into the County or State roadway system, cul-de-sac islands, neighborhood and other entrances and bike trails through the Properties, including, but not limited to, mowing grass on all roadsides, cul-de-sac islands, entrances and bike trails; sweeping all roads and bike trails; landscape maintenance on all roadsides, cul-de-sac islands, entrances and bike trails; pickup and disposal of trash on all roads, roadsides, cul-de-sac islands, entrances and bike trails. Such cleanup as is possible shall begin within an individual residential neighborhood as soon as construction of dwellings has commenced within said neighborhood. The Association shall further post such maintenance bonds as required by the Virginia Department of Transportation, or other governmental authority to maintain median strips, dams and storage compounds and other areas.

(I) The Association shall provide regular and thorough maintenance of all berms along roadways, within Common Areas and within any berm easement on any Lot. Easements for berms and access easements for the maintenance of them as shown on any recorded plat shall be for the benefit of the Company, the Association and their Assigns.

(J) The Association shall provide general maintenance of all directional signs, bike trail signs and neighborhood and other area signs, including, but not limited to, maintaining, repair work, replacement as needed and landscaping within Common Areas and within any sign easement on any Lot. Easements for signs and access easements for the maintenance and landscaping around the sign as shown on any recorded plat shall be for the benefit of the Company, the Association and their assigns.

(K) The Association shall maintain and repair all bike trails and jogging trails as needed.

(L) The Association shall provide regular and thorough maintenance and cleanup of all Common Areas and Restricted Common Areas, including, but not limited to, mowing of grass, fertilization as needed, landscape maintenance as needed, pickup and disposal of trash, washing down of picnic tables and benches as needed, and painting, repairs to and replacement of all improvements as needed.

(M) Insurance coverage on the Property shall be governed by the following provisions:

(i) Ownership of Policies - All insurance policies upon the Common Areas and Restricted Common Areas shall be purchased by the Association for the benefit of the Association and the Owners and their mortgagees as their security interest may appear, and provisions shall be made for the issuance of certificates of mortgagee endorsements to the mortgagees of Owners.

(ii) Coverage - All buildings and improvements upon the land and all personal property included in the Common Areas and Restricted Common Areas and facilities shall be insured in an amount equal to one hundred percent (100%) insurance replacement value as determined annually by the Board of Directors of the Association. Such coverage shall provide protection against:

(a) Loss or damage by fire and other hazard covered by standard extended coverage endorsement;

(b) Such other risks as from time to time shall be customarily covered with respect to buildings on the land; and

(c) Such policies shall contain clauses provided for waiver of subordination.

(iii) Liability - Public liability insurance shall be secured by the Association with limits of liability of no less than One Million Dollars (\$1,000,000.00) per occurrence and shall include an endorsement to cover liability of the Owners as a group to a single Owner. There shall also be obtained such other insurance coverage as the Association shall determine from time to time to be desirable and necessary.

(iv) Premiums - Premiums for insurance policies purchased by the Association shall be paid by the Association and charged to the Owners as an assessment.

(v) Proceeds - All insurance policies purchased by the Association shall be for the benefit of the Association and the Owners and their mortgagees as their security interest may appear, and 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 purpose stated herein or stated in the Bylaws and of the benefit of the Owners and their mortgagees.

(a) Expense of the Trust - All expenses of the insurance trustee shall be first paid for provisions made therefore.

(b) Reconstruction or Repair - The remaining proceeds shall be paid to defray the cost of repairs. The Association shall retain any proceeds remaining after defraying such cost.

(vi) All persons responsible for or authorized to expend funds or otherwise deal in the assets of the Association or those held in trust, shall first be bonded by a quality insurer to indemnify the Association for any loss or default in the performance of their duties in an amount equal to six (6) months' assessments plus reserves accumulated.

4. Obligation of the Association - The Association shall not be obligated to carry out or offer any of the functions and services specified by the provisions of this Article except as specified in Section 3 of this Article. The functions and services, other

than those set out in Section 3 of this Article, to be carried out or offered by the Association at any particular time shall be determined by the Board of Directors of the Association taking into consideration the funds available to the Association and the needs of the Members of the Association. The functions and services, which the Association is authorized to carry out or to provide, may be added or reduced at any time upon the affirmative vote of fifty-one percent (51%) of the votes cast at a duly called meeting of the Association at which a quorum is present; provided, however, that so long as the Company is a member of the Association no change may occur without the consent of the Type "C" Member.

5. Mortgage and Pledge - The Board of Directors of the Association shall have the power and authority to mortgage the property of the Association and to pledge the revenues of the Association as security for loans made to the Association which loans shall be used by the Association in performing its authorized functions and services provided that any such mortgage is with the prior consent of two-thirds of the Members of the Association, which consent may be evidenced by petition or by an affirmative vote of two-thirds of the Association. The Company may, but shall not be required, to make loans to the Association, subject to approval by the Company of the use to which such loan proceeds will be put and the terms pursuant to which such loan will be repaid. Notwithstanding anything in this Declaration to the contrary, the Association shall not be allowed to reduce the level of the Monthly Assessment below the limit of the Maximum Regular Monthly Assessment at any time there are outstanding any amounts due the Company as repayment of any loans made by the Company to the Association without the express written consent of the Company.

6. Maintenance or Protection of Property Not Owned by the Association - The Association shall be authorized to render services of a governmental nature not furnished by the local government in the case of maintenance or protection of property not owned by it.

ARTICLE IX GENERAL PROVISIONS

1. Duration - The Covenants and Restrictions of this Declaration and any Amendments thereto shall run with and bind the land, and shall inure to the benefit of and be enforceable by the Association, the Company or the Owner of any land subject to this Declaration, their respective legal representatives, heirs, successors and assigns, for a period of thirty (30) years from the date this Declaration is recorded. Upon the expiration of said thirty (30) year period, this Declaration shall be automatically extended for successive periods of ten (10) years. The number of ten (10) year extension periods hereunder shall be unlimited, and this Declaration shall be automatically extended upon the expiration of the initial thirty (30) year period, or during the last year of any

subsequent ten (10) year extension period, unless at a duly called meeting of the Association fifty-one percent (51%) or more of the total votes entitled to be cast by all of the Members of the Association shall vote in favor of terminating this Declaration at the end of its then current term. The presence at the meeting of the Members or proxies entitled to cast thirty percent (30%) of the total vote of the Membership shall constitute a quorum. It shall be required that written notice of any meeting at which such a proposal to terminate this Declaration is to be considered, setting forth the fact that such a proposal will be considered, shall be given each Member at least thirty (30) days in advance of said meeting. In the event that the Members of the Association vote to terminate this Declaration, the President and Secretary of the Association shall execute a certificate which shall set forth the Resolution of Termination adopted by the Association, the date of the meeting of the Association at which such Resolution was adopted, the date of the notice of such Meeting was given, the total number of votes of Members of the Association, the total number of votes required to constitute a quorum at a meeting of the Association, the total number of votes present at said meeting, the total number of votes necessary to adopt a Resolution terminating this Declaration, the total number of votes cast in favor or such Resolution, and the total number of votes cast against such Resolution. Said certificate shall be recorded in the Clerk's Office of the Circuit Court of Augusta County, Virginia, and may be relied upon for the correctness of the facts contained therein as they relate to the termination of this Declaration.

2. Amendments - All proposed Amendments to this Declaration shall be submitted to a vote of the Members at a duly called meeting of the Association, and any such proposed amendment shall be deemed approved if two-thirds (2/3) of the votes cast at such meeting vote in favor of such proposed amendment. Notice shall be given each Member at least thirty (30) days prior to the date of the meeting at which such proposed amendment is to be considered. If any proposed amendment to this Declaration is approved by the Members as set forth above, the President and Secretary of the Association shall execute an Addendum to this Declaration which shall set forth the Amendment, the effective date of the Amendment (which in no event shall be less than fifteen (15) days after the date of the meeting of the Association at which such Amendment was adopted), the date the notice of such meeting was given, the total number of votes of Members of the Association, the total number of votes required to constitute a quorum at a meeting of the Association, the total number of votes present at said meeting, the number of votes necessary to adopt the amendment, the total number of votes cast for and against the Amendment, and such Addendum shall be recorded in the Clerk's Office of the Circuit Court of Augusta County, Virginia.

So long as the Company is a Type "C" Member, no Amendment of this Declaration shall be made without the written consent of the Company.

3. Notices - Any notice required to be sent to any Member under the provisions of this Declaration shall be deemed to have been properly sent, and notice thereby given, when delivered personally or sent by mail, with the proper postage affixed, to the address appearing on the Association's Membership list. Notice to one (1) of two (2) or more co-owners shall constitute notice to all co-owners. It shall be the obligation of every Member to immediately notify the Secretary of the Association in writing of any change of address. Any person who becomes 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 his predecessor in title.

4. Severability - Should any Covenant or Restriction herein contained, or 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 a court of competent jurisdiction, such judgment shall in no way affect the other provisions of this Declaration which are hereby declared to be severable and which shall remain in full force and effect.

5. Interpretation - The Board of Directors of the Association shall have the right to determine all questions arising in connection with this Declaration of Covenants and Restrictions, and to construe and interpret its provisions and its determination, construction or interpretation shall be final and binding. In all cases, the provisions of this Declaration of Covenants and Restrictions shall be given that interpretation or construction that will best tends toward the consummation of the general plan of improvements.

6. Authorized Action - All actions, which the Association is allowed to take under this instrument, shall be authorized actions of the Association if approved by the Board of Directors of the Association in the manner provided for in the Bylaws of the Association, unless the terms of this instrument provide otherwise.

7. Limited Liability - In connection with all reviews, acceptances, inspections, permissions, consents or required approvals by or from the Company and/or the Association contemplated under this Declaration, the Company 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.

8. Termination of Association - In the event that this Declaration be declared to be void, invalid, illegal or unenforceable in its entirety, or in such a significant manner that the Association is not able to function substantially as

contemplated by the terms hereof, for any reason, by the adjudication of any Court or other tribunal having jurisdiction over the parties hereto and the subject matter hereof, and such adjudication occurs within ten (10) years of the date of recording this Declaration, all Common Areas and Restricted Common Areas belonging to the Association at the time of such adjudication shall revert to the Company, and the Company shall own and operate said Common Areas and Restricted Common Areas as trustee for the use and benefit of Owners within the Properties as set forth below. If said adjudication shall occur on a date more than ten (10) years after the date of recording of this Declaration, or if the Members of the Association should vote not to renew and extend this Declaration as provided for herein, all Common Areas and Restricted Common Areas owned by the Association at such time shall be transferred to a trustee (hereinafter referred to as "Trustee") appointed by the Circuit Court of Augusta County, Virginia, which Trustee shall own and operate said Common Areas and Restricted Common Areas for the use and benefit of Owners within the Properties as set forth below:

(A) Each Family Dwelling Unit, Residential Lot, Development Unit Parcel and Unsubdivided land within the Properties shall be subject to an Monthly Assessment which shall be paid by the Owner of each to the Company or Trustee, whichever becomes the successor in title to the Association. The amount of such Monthly Assessment and its due date shall be determined solely by the Company or the Trustee, as the case may be, but the amount of such Monthly Assessment on any particular Lot, Tract, Unit or Parcel shall not exceed the amount actually assessed against the Lot, Tract, Unit or Parcel in the last year that assessments were levied by the Association, subject to the adjustments set forth in subparagraph (B) immediately below.

(B) The Maximum Regular Monthly Assessment which may be charged by the Company or Trustee hereunder may be automatically increased each year by an amount of ten percent (10%) or the percentage increase between the first and last months of the thirteen (13) month period terminating at the end of the third (3rd) quarter of the previous assessment year in the Consumer Price Index, U. S. City Average, All Items (1982-84/100) (hereafter "C.P.I.") issued by the U. S. Bureau of Labor Statistics in its monthly report entitled "The Consumer Price Index, U. S. City Average and Selected Areas", whichever of these two percentage figures is larger. The actual amount of such increase in the Maximum Regular Monthly Assessments shall equal the Maximum Regular Monthly Assessment on such Lot, Tract, Unit or Parcel for the previous year multiplied by the larger of the two percentage factors set forth above. If the C.P.I. is discontinued, then there shall be used the most similar index published by the United States Government that may be procured indicating changes in the cost of living.

(C) Any past due Monthly Assessment together with interest thereon at the maximum annual rate allowed by law accrued from the due date and all costs of

collection including reasonable attorney's fees shall be a personal obligation of the Owner at the time the Monthly Assessment became past due, and it shall also constitute and become a charge and continuing lien on the Lot or Parcel of land and all improvements thereon, against which the Assessment has been made, in the hands of the then Owner, his heirs, devisees, personal representatives and assigns.

(D) The Company, or the Trustee, as the case may be, shall be required to use the funds collected as Monthly Assessments for the operation, maintenance, repair and upkeep of the Common Areas and Restricted Common Areas. The Company or Trustee may charge as part of the cost of such functions the reasonable value of its services in carrying out the duties herein provided. Neither the Company nor the Trustee shall have the obligations to provide for the operation, maintenance, repair and upkeep of the Common Areas or Restricted Common Areas once the funds provided by the Monthly Assessment have been exhausted.

(E) The Company shall have the right to convey title to the Common Areas and Restricted Common Areas, and to assign its rights and duties hereunder, provided that the transferee accepts such properties subject to the limitations and uses imposed hereby and affirmatively acknowledges its acceptance of the duties imposed hereby.

(F) The Trustee shall have the power to dispose of the Common Areas and Restricted Common Areas free and clear of the limitations imposed hereby; provided, however, that such disposition shall first be approved in writing by fifty-one percent (51%) of the Owners of property within the Properties or in the alternative shall be found to be in the best interests of the Owners of property within the Properties by the Circuit Court of Augusta County, Virginia. The proceeds of such a sale shall first be used for the payment of any debts or obligations constituting a lien on the Common Areas or Restricted Common Areas, then for the payment of any obligations incurred by the Trustee in the operation, maintenance, repair and upkeep of such Properties, then for the payment of any obligations distributed among the Owners of property within the Properties, exclusive of the Trustees, in a proportion equal to the portion that the Maximum Regular Monthly Assessment on property owned by a particular Owner bears to the total Maximum Regular Monthly Assessments for all property located within the Properties.

9. Management and Contract Rights of Association - The Company may enter into a contract with a management company or manager for the purposes of providing all elements of the operation, care, supervision, maintenance and management of the property. However, no such contract shall be binding upon the Association except through express adoption or ratification of the terms and conditions of such contract.

10. Rights of Note holders - Any institutional holder of a first mortgage on a Family Dwelling Unit, Residential Lot, Development Unit Parcel and Unsubdivided Land will, upon request, be entitled to (a) inspect the books and records of the Association during normal business hours; (b) receive an annual audited financial statement of the Association within ninety (90) days following the end of its fiscal year; (c) receive written notice of all meetings of the Association and the right to designate a representative to attend all such meetings; (d) receive written notice of any condemnation of casualty loss that affects either a material portion of the project or the unit securing its mortgage; (e) receive written notice of any sixty day delinquency in the payment of assessments or charges owed by the Owner of any unit on which it holds the mortgage; (f) receive written notice of a lapse, cancellation, or material modification of any insurance policy or fidelity bond maintained by the Owners Association; (g) receive written notice of any proposed action that requires the content of a specified percentage of mortgage holders; and (h) be furnished with a copy of the master insurance policy.

11. Reservations - The Company reserves unto itself, its successors and assigns, the right to add additional protective covenants in respect to lands within the Properties to be conveyed in the future by the Company to the Association or to any third party, or to limit therein the application of these Covenants. The right to add additional restrictions or to limit the application of these Covenants. The right to add additional restrictions or to limit the application of these covenants shall be reasonably exercised.

12. Breach - In the event of a violation or breach of any of the restrictions contained herein by any Property Owner, tenant of such Owner, or agent of such Owner, the Owners of Properties in Spring Lakes at the Woodlands, or any of them, jointly or severally, shall have the right to proceed at law or in equity to compel compliance with the terms hereof. In addition to the foregoing, the Company and/or the Association shall have the right to proceed at law or in equity to compel compliance with the terms hereof. Furthermore, the Company or its agent shall have the right, whenever there shall have been placed or constructed on any Property in Spring Lakes at the Woodlands, any building, structure, chemical, substance, object, material or condition which is in violation of these Covenants and Restrictions, to enter upon such Property where such violation exists and summarily abate or remove the same at the expense of the Owner, if after thirty (30) days written notice of such violation it shall not have been corrected by the Owner, tenant or agent of the Owner; provided, however, that whenever stated in these Covenants that the Company may serve notice requiring immediate corrective action, and such action is not performed immediately by the Owner, tenant or agent of the Owner, the Company or its agent shall have the right to enter immediately and summarily abate or remove such violation at the expense of the Owner. Any such entry and abatement or removal shall not be deemed trespass.

In addition to the foregoing, the Company or its agent shall have the right, whenever permitted by any restriction contained in this Declaration, to enter immediately (unless otherwise specifically stated) any property in Spring Lakes at the Woodlands to implement environmental controls, to take corrective action, or to take any action necessary. Whenever specifically stated, the Owner of the Property on which the work is performed shall pay the cost of such action, when performed by the Company or its agent. Entrance upon any Property pursuant to the provisions hereof shall not be deemed a trespass.

13. Trespass - Whenever the Company or its agent is permitted by this Declaration to correct, repair, enhance, improve, clean, preserve, clear out, remove or take any action on any Property or on the easement areas adjacent thereto, entering the Property and taking such action shall not be deemed a trespass.

14. Waiver - The failure to enforce any rights, reservations, restrictions or conditions contained in this Declaration, regardless of how long such failure shall continue, shall not constitute a waiver of or bar to such right to enforce.

15. Indemnity - The Company, its agents, members of the Association's Board of Directors or officers of the Association shall not be liable to any Property Owner or to any other person on account of any claim, liability, damage or expense suffered, incurred by, or threatened against any Owner or such other person arising out of or in any way relating to the subject matter of any reviews, acceptances, inspections, permissions, consents or required approvals which must be obtained from the Company or from the County of Augusta, Virginia, whether given, granted or withheld.

16. It is the intent of the Declarant that the provisions of this Declaration conform and will continue to conform to the guidelines established by the Federal Housing Administration, Department of Housing and Urban Development, the Veterans Administration, the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association. To the extent that any provision of this Declaration is not in conformance with the stated guidelines, it shall be null and void.

IN WITNESS WHEREOF, the Declarant has caused this instrument to be executed in its behalf.

Woodlands Associates, L.L.C.
a Virginia limited liability company, Declarant

By: _____
George W. Lester, II, Manager

STATE OF VIRGINIA AT LARGE
CITY OF STAUNTON, to-wit:

The foregoing instrument was acknowledged before me this _____ day of _____, 1999, by George W. Lester, II, Manager of Woodlands Associates, L.L.C., a Virginia limited liability company, on behalf of said company.

My commission expires: _____

Notary Public

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