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DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS
OF
THE VILLAGES AT WESTMINSTER, SECTION 1A

THIS DECLARATION, made this 22nd day of August, 1997, by WARHILL ASSOCIATES, L.L.C., a Virginia limited liability company (hereinafter referred to as "Declarant"), index as "Grantor."

RECITALS

There has been duly approved under the ordinances of James City County, Virginia, a subdivision known as The Villages at Westminster, Phase I, Section I as shown on the subdivision plat entitled "The Villages at Westminster, Phase I, Section I, Berkeley District, James City County, Virginia," dated December 12, 1996, and recorded in Plat Book 67, pages 23 through 26 in the Clerk's Office of the Circuit Court for the City of Williamsburg and County of James City, Virginia, all of said property as shown on the subdivision and re-subdivision plats being hereinafter collectively referred to as "Subdivision." The purpose of this Declaration is to improve and protect the Subdivision.

NOW, THEREFORE, Declarant, as owner of all the property in the Subdivision, hereby declares that all of the property as shown on Exhibit A, which is attached hereto and made a part hereof, shall be held, sold and conveyed subject to the following easements, restrictions, covenants and conditions, which are for the purpose of protecting the value and desirability of, and which shall run with, the real property and be binding on all parties having any right, title or interest in the described properties or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each owner thereof.

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ARTICLE I
DEFINITIONS

Section 1. "Architectural Review Committee" shall mean and refer to the committee of that name, which shall be formed and operated by the Association for the purpose of reviewing, evaluating, negotiating changes or revisions, establishing architectural standards, and approving or rejecting plans for architectural changes to the Lots or improvements thereto.

Section 2. "Association" shall mean and refer to The Villages at Westminster Homeowners Association, Inc., a Virginia non-stock corporation, its successors and assigns.

Section 3. "Board of Directors" shall mean and refer collectively to the Board of Directors of the Association as it may change from time to time.

Section 4. "Builder" shall mean and refer to Atlantic Homes Corporation or builders who are successors or assigns within the meaning of "Declarant"

Section 5. "Common Area" shall mean and refer to the area identified as "Open Space", "Conservation Areas," "Natural Open Space Easements" and/or "Recreation Areas" on the Subdivision Plat, together with such additional areas of Common Area as may be annexed hereto pursuant to the annexation provisions set forth hereinafter and, for maintenance purposes only, areas within public rights-of-way along Wellesley Boulevard and elsewhere within the Properties where lots do not front upon public rights-of-way.

Section 6. "Declarant" shall mean and refer collectively to Warhill Associates, L.L.C., a Virginia limited liability company, its successor and assigns, if such successor or assigns should acquire more than one (1) undeveloped Lot from the Declarant for the purpose of development and/or construction.

Section 7. "HUD" shall mean the U. S. Department of Housing & Urban Development.

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Section 8. "VA" shall mean the Secretary of Veterans Affairs.

Section 9. "Lot" shall mean and refer to the eighty-nine (89) numbered lots intended for the purpose of constructing residential homes thereon, as shown on the Subdivision as Lots 1 through 89; "Lot" as used herein is intended to refer to residential lots and not to any Common Area.

Section 10. "Membership" shall mean and refer collectively to the Class A and Class B members of the Association eligible to vote.

Section 11. "Mortgage" as used herein shall mean a mortgage or deed of trust, said terms having the same meaning and may be used interchangeably.

Section 12. "Owner" shall mean and refer to the record owner, whether one (1) or more persons or entities, of a fee simple title to any Lot which is a part of the Subdivision, including contract sellers, but excluding those having such interest merely as security for the performance of any obligation.

Section 13. "Properties" shall mean and refer to all of the land within the Subdivision as shown on the plat of The Villages at Westminster, Phase I, Section I, and all other property which may be annexed hereto pursuant to the Annexation provisions set forth hereinafter.

ARTICLE II
PROPERTY RIGHTS AS TO COMMON AREAS

AS TO COMMON AREA, the following provisions apply:

Section 1. Owners' Easements of Enjoyment. Every Owner shall have a right and easement of enjoyment in and to the benefits which derive from the conservation area located in the Common Area and the benefits derived therefrom and the adjacent or other property which is

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now or subsequently becomes a part of the Common Area, and aesthetic beauty to the Lots within the Subdivision which shall be appurtenant to and shall pass with the title to every Lot, subject to the following provisions:

(a) the right of the Association to charge reasonable fees for the maintenance of the Common Area.

(b) the right of the Association to suspend the voting rights of an Owner for any period during which any assessment against his Lot remains unpaid.

(c) the right of the Association to dedicate or transfer all or any part of the Common Area to any public agency, authority or utility for such purposes and subject to such conditions as may be agreed to or be authorized by the Board of Directors of the Association; in addition thereto, the Declarant may at anytime deed, or cause the Association to deed, all of any part of the Common Area to the County of James City or other public body, who shall thereafter maintain the Common Area; provided, however, that any dedication of all or any part of the Common Area requires the prior approval of HUD and/or VA, as applicable, so long as there is a Class B membership;

(d) the transfer of a Lot automatically transfers membership in the Association and all rights of the transferor with respect to the Common Area and facilities to which ownership of such Lot relates;

(e) the right of the Association to establish reasonable rules and regulations, from time to time, for the use and enjoyment of the Common Area and Properties, and enforce such rules and regulations against the Owners, their family members, guests and invitees.

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(f) the right of the Association to allow persons other than Owners, their family members, guests and invitees, to use the Swimming Pool facilities which have been or will be constructed on the Properties and gain access to same by establishing an outside pool membership for a fee to be established, from time to time, by the Association.

Section 2. Delegation of Use. Any Owner may delegate, in accordance with the By-laws, his right of enjoyment to the Common Area facilities to the members of his family, his tenants or contract purchasers who reside on the Property.

ARTICLE III
MEMBERSHIP AND VOTING RIGHTS

AS TO THE ASSOCIATION, the following membership and voting rights shall apply:

Section 1. Every Owner of a Lot shall be subject to assessment in the manner herein set forth and shall be a member of the Association with each such Lot Owner having an equal voting right with every other Owner except Class B members. Membership shall be appurtenant to and may not be separated from ownership of any Lot which is subject to assessment.

Section 2. The Association shall have two (2) classes of voting membership:

(a) Class A. Class A members shall be all Owners of Lots with the exception of the Declarant, and shall be entitled to one (1) vote for each Lot owned. When more than one (1) person holds an interest in any Lot, all such persons shall be members. The vote for such Lot shall be exercised as they determine, but in no event shall more than one (1) vote be cast with respect to any Lot.

(b) Class B. The Class B member shall be the Declarant, who shall be entitled to two (2) votes for each Lot owned. Declarant shall turn over control of the Association to Owners, Class B Membership shall cease and be converted to Class A Membership, and

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thereafter, all members shall be entitled to one (1) vote for each Lot owned upon the earliest of the following:

- (i) Seventy-five percent (75%) of the Lots are deeded by the Declarant to Owners; or
- (ii) Five (5) years from the date of the most recently recorded annexation document.

ARTICLE IV
COVENANT FOR MAINTENANCE ASSESSMENT

AS GENERAL ASSESSMENTS FOR ALL LOTS:

Section 1. Creation of the Lien and Personal Obligation of General Assessments. The Declarant, for each Lot owned within the Properties, hereby covenants and each Owner of any Lot by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Association as general assessments the following:

- (a) general annual assessments or charges ("General Assessment"); and
- (b) general special assessments for capital improvements ("Special Assessments"), such assessments to be established and collected as hereinafter provided. The general annual and general special assessments, together with interest, costs and reasonable attorney's fees, shall be a charge on the land and shall be a continuing lien upon the property against which each such assessment is made in accordance with the Virginia Property Owner's Association Act, being Sections 55-508, et seq., of the Code of Virginia, 1950, as amended (the "Act"). Each such assessment, together with interest, costs and reasonable attorney's fees, shall

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also be the personal obligation of the person who was the Owner of such property at the time when the assessment fell due. The personal obligation for delinquent assessments shall not pass to his successors in title unless expressly assumed by them.

Section 2. Purpose of General Assessments. The Assessments levied by the Association shall be used exclusively for the improvement and maintenance of the Common Area and including, for purposes of this Covenant, areas within the public rights-of-way along Wellesley Boulevard and elsewhere within the Properties where lots do not front upon public rights-of-way, including, for purposes of this Covenant, all common areas from any phase which may be annexed hereto, pursuant to the annexation provisions set forth hereinafter, owned by the Association (the "Total Common Area"), and to provide for such adequate reserve funds for the repair and replacement of improvements in the Total Common Area, as the Board of Directors may deem appropriate from time to time.

Section 3. Maximum General Assessment. Until January 1 of the year immediately following the conveyance of the first Lot to an Owner, the maximum General Assessment shall not exceed THREE HUNDRED AND NO/100 DOLLARS (\$300.00) per year per Lot.

(a) From and after January 1 of the year immediately following the conveyance of the first Lot to an Owner, the maximum General Assessment may be increased each year not more than ten percent (10%) above the maximum assessment for the previous year without a vote of the Membership.

(b) From and after January 1 of the year immediately following the conveyance of the first Lot to an Owner, the maximum General Assessment may be increased above ten

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percent (10%) by a majority vote of members who are voting in person or by proxy, at a meeting duly called for this purpose.

(c) The Board of Directors may fix the general annual assessment at an amount not in excess of the maximum without further vote or authorization by the Membership.

Section 4. Working Capital Fund. The Declarant, as agent of the Association, may establish for the Association a Working Capital Fund by collecting from each Owner of an improved Lot up to six (6) months of the annual General Assessment for each improved Lot at the time the improved Lot is purchased to serve as reserve fund for capital expenditures, replacements or general operating expenses. The Declarant shall not use the Working Capital Fund to pay any construction costs, but shall only use the Working Capital Fund for capital expenditures, replacements and general operating expenses of the Association. The Declarant shall maintain this as a segregated fund separate and apart from other funds of the Association.

Section 5. Special Assessment for Capital Improvements. In addition to the General Assessments authorized above, the Association may levy, in any assessment year, a Special Assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Area, including fixtures and personal property related thereto, provided that any such assessment shall have the assent of a majority of members who are voting in person or by proxy at a meeting duly called for this purpose.

Section 6. Notice and Quorum for any Action Authorized under Sections 3 and 4. Written notice of any meeting called for the purpose of taking any action authorized under Section 3 or 4 shall be sent to all members not less than five (5) days nor more than thirty (30)

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days in advance of the meeting. At the first such meeting called, the presence of members or of proxies entitled to cast thirty percent (30%) of all the votes of membership shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

Section 7. Uniform Rate of Assessment. Both General Assessments and Special Assessments must be fixed at a uniform rate for all Lots and may be collected on a monthly basis.

Section 8. Date of Commencement of General Assessments: Due Dates. The General Assessments provided for herein shall commence as to any Lot on which improvements have been completed on the first day of the month following the completion of the improvements and after the conveyance of the first Lot by the Declarant to any Owner other than the Declarant. The Declarant shall not be required to pay the General Assessment on Lots on which improvements are not completed and sold to an Owner, provided the Declarant shall be responsible for the maintenance and upkeep of such unimproved Lots. The first General Assessment shall be adjusted according to the number of months remaining in the calendar year. The Board of Directors shall fix the amount of the General Assessment against each Lot at least thirty (30) days in advance of each General Assessment period. Written notice of the General Assessment shall be sent to every Owner subject thereto. The due dates shall be established by the Board of Directors. The Association shall, upon demand and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether the assessments on a specified Lot

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have been paid. A properly executed certificate of the Association as to the status of assessment on a Lot is binding upon the Association as of the date of its issuance.

Section 9. Effect of Nonpayment of General Assessments: Remedies of the Association.

Any General Assessment not paid within thirty (30) days after the due date shall bear interest from the due date at the rate of prime rate plus four (4) points per annum, where the prime rate shall mean and refer to the interest rate established and offered under that name from time to time by NationsBank, N.A., or its successor bank. The Association may record a memorandum of lien, bring an action at law against the Owner personally obligated to pay the same, foreclose the lien against the Property, or pursue any other remedy available at law or in equity. No Owner may waive or otherwise escape liability for the General Assessments provided for herein by non-use of the Common Area or non-use or abandonment of his Lot.

Section 10. Subordination of the Lien to Mortgages. The lien of the assessments provided for herein shall be subordinate to the lien of any first mortgage. Sale or transfer of any Lot shall not affect the assessment lien. However, the sale or transfer of any Lot pursuant to mortgage foreclosure or any proceeding in lieu thereof shall extinguish the lien of such assessments as to payments which became due prior to such sale or transfer. No sale or transfer shall relieve such Lot from liability for any assessments thereafter becoming due or from the lien thereof. Such subordination shall not release the Owner from personal liability for such assessment.

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ARTICLE V
PROPERTY RESTRICTIONS

Section 1. Land Use and Building Type. No Lot shall be used except for residential purposes; provided, however, this shall in no way restrict the Common Area Lots being used for their intended purposes. No additional, adjacent or connected buildings to house additional persons for rent or other purposes will be permitted.

Section 2. No businesses shall be conducted from these residences or on these Lots wherein any evidence of said businesses is visible from without the residence. This includes signs, marked vehicles, equipment and materials. Neither may any home business generate a stream of traffic to constitute a nuisance to the neighbors. As long as Declarant owns any Lot, Declarant may maintain a model and/or sales trailer on the Properties.

Section 3. No Lots may be subdivided by any person other than the Declarant, except Lot line adjustments may be permitted, provided the total number of Lots is not increased. Notwithstanding the foregoing, the Declarant shall have the right to subdivide Lots and/or make Lot line adjustments which increase the total number of Lots, subject only to municipal approval.

Section 4. No animals, livestock or poultry of any kind may be kept on any Lot except dogs, cats or other household pets, provided that they are not kept, bred or maintained for any commercial purpose. Animals must be properly managed so as not to be a nuisance to neighbors by barking, trespass or maintenance of their bodily functions.

Section 5. No Lot shall be used or maintained as a dumping ground for rubbish or other material prior to construction. During construction the area will be kept in a reasonably neat and clean condition, although some debris must be expected. After occupancy the property shall be

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kept in a good state of maintenance by the owner. Trash, garbage and other waste shall not be kept in or on the Properties, except in sanitary containers which shall be enclosed in a screening structure, including but not limited to a lattice structure, or located on the lot such that it can not be viewed from the street(s) in the Subdivision. Incinerators will not be permitted and all trash and refuse must be picked up and hauled away, except as otherwise allowed by local ordinance.

Section 6. No construction or improvements shall be permitted within any area designated under the heading "Open Space," "Conservation Area" or "Easement" as reflected on plat of this subdivision unless approved by Declarant and/or James City County.

Section 7. All Owners, except Builder or builders who are successors or assigns within the meaning of "Declarant," shall submit to the Declarant for its review and approval, architectural elevation and floor plans for all dwelling units to be constructed on the Lots, in accordance with the following procedures:

(a) Within fifteen (15) days after Declarant shall have received proposed elevations and floor plans for one (1) or more units to be constructed on the Lots, Declarant shall give Owner notice of its approval or disapproval thereof, specifying, in the case of the latter, its reason therefor. Declarant's right to disapprove such plans and specifications shall be exercised in conformance with the following criteria: (1) Subsection (a) of this paragraph; (2) architectural compatibility with units constructed in adjoining sections and (3) adverse impact on marketability of Lots within the Properties.

(b) An Owner, upon receipt of a notice of disapproval given pursuant to the above, may promptly undertake to amend and modify the proposed design so as to meet the reasons for Declarant's disapproval specified in the notice of disapproval and, upon completion

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thereof, the same shall be approved or disapproved in writing by Declarant within fifteen (15) days after receipt of same, provided that each submission by Owner shall constitute a new proposal. If there shall be a bona fide dispute between the parties as to whether Declarant's disapproval of any design submitted to it is permitted hereunder, the parties shall enter into discussions of points of disagreement and use their best efforts to resolve such issues to their mutual satisfaction.

(c) If Declarant fails to give notice of its approval or disapproval within fifteen (15) days after receipt of any architectural elevations or other supporting documentation submitted to it for its approval, or of any required modification or amendment thereof, the same shall be deemed to have been approved by Declarant.

Section 8. All dwellings shall be served by underground utility service, including sewer, gas, electric, telephone and cable television. No above ground utilities will be permitted.

Section 9. The following additional restrictions will be observed in the intent of preserving the architectural integrity of the Properties:

(a) No external antennas of any description, except satellite dishes of less than two feet (2') in diameter, which are located entirely below all roof lines of the house on the Lot and is not visible from the street(s) of the Subdivision.

(b) No window air conditioners.

(c) No clothes lines, unless said lines are small and well-screened and approved by the Architectural Review Committee in advance of their construction, installation or creation.

(d) No fencing shall be allowed nearer to the street than the front of the residence, and no fencing, which is otherwise permitted, shall be erected prior to obtaining the approval of

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the Architectural Review Committee, however, Builder does not need approval from the Architectural Review Committee, nor must Builder comply with the locational requirements of this Section 9(d).

(e) No solar or energy panels may be visible from the street or to any other residence.

(f) No car ports shall be erected on any Lot or attached to any residence.

(g) No temporary structure, trailer, tent, shack, shed or other outbuilding shall be built or used on any Lot as a residence or for storage.

(h) No chain link fence is permitted, except around dog runs, which are limited to one hundred twenty (120) square feet of area, and must be located on the Lot so as not to be seen from the streets of the Subdivision.

(i) No sign of any kind shall be displayed to the public view on any Lot except one (1) sign of not more than five (5) square feet advertising the property for sale or rent, or any sign used by the builder to advertise or market the Properties.

(j) All driveways shall extend to the street and shall be either aggregate or concrete so as to blend with the streets.

(k) Outbuildings and fencing may be constructed or installed only with the permission of the Architectural Review Committee.

(l) All replacement mailboxes or mailbox stands shall be of the design provided by Declarant or as otherwise approved by the Architectural Review Committee.

Section 10. Vehicles. Since the unregulated use of vehicles can destroy the appearance of a neighborhood, the following restrictions will apply:

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(a) No more than three (3) ungaraged vehicles will be permitted to be consistently parked on the premises, and such vehicles must be in the driveway or on a parking apron off the driveway. These vehicles will be restricted to licensed, operable automobiles, mini-vans and pickup trucks not to exceed three-quarters (3/4) ton in capacity.

(b) No major vehicle maintenance or overhaul of ungaraged vehicles will be permitted.

(c) No inoperable or unlicensed vehicle may remain on the Properties for more than two (2) days, unless garaged.

(d) All vehicles on the Properties must have all major body panels and doors (except tailgates on trucks) properly installed and closed.

(e) No recreational vehicles, boats, jet skis, trailers, campers, mobile homes or equipment, except passenger automobiles and passenger trucks, may be parked on the streets or on any Lot within the front property set back line.

Section 11. Easements. Easements for installation and maintenance of utilities and drainage facilities are reserved as shown on the recorded plat of subdivision. The drainage and utility easements may also be used by the Declarant for ingress and egress to or to benefit the Common Area and/or the Lots as provided for herein. Easements shown on the plan of other deeds of record for streets, drainage, utilities, screening, open space or conservation areas are for the benefit of the residents of The Villages at Westminster Subdivision and may be changed by the Declarant or the County of James City, Virginia. The Declarant reserves the right to require additional easements not to exceed five (5) feet in width along any property line or any Lot if

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drainage problems develop at a later date and require such easements as may be necessary in the Declarant's opinion.

Section 12. Leasing. Any Owner may lease or rent his Lot as long as the use of the Lot is consistent with the restrictions herein and provided that the lease agreement between Owner and lessee shall be written, shall be for a term of not less than thirty (30) days and shall provide that the terms of the lease shall be subject in all respects to the provisions of this Declaration and all other documents of the Association and that the failure of the lessee to comply with the terms of such documents shall constitute a default under the lease.

ARTICLE VI
INSURANCE

Section 1. The Board of Directors is authorized (but not directed) to secure such insurance as it deems advisable and prudent and the coverage, proceeds and benefits from any such insurance policy shall be equal for all Lot Owners. No director shall be liable for the failure to obtain any such insurance. Each Owner is hereby encouraged and entitled to secure and provide their respective insurance coverage. The Association has no duty to provide any insurance of any type on the Common Areas, the Properties or elsewhere.

ARTICLE VII
GENERAL PROVISIONS

Section 1. Enforcement. The Association or any Owner shall have the right to enforce, by any proceeding at law or in equity in the Circuit Court of the City of Williamsburg and

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County of James City, Virginia, all restrictions, conditions, covenants reservations, liens and charges now or hereafter imposed by the provisions of this Declaration in accordance with the Act and all other applicable laws. Failure by the Association or by any Owner to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter. The Court is hereby specifically empowered and authorized to use its equitable powers and authorities to correct any arbitrary, capricious or unreasonable act by the Association or any Lot Owner or committee connected therewith.

Section 2. Severability. Invalidation of any one of these covenants or restrictions by any judgment or court order shall in no way affect any other provisions which shall remain in full force and effect.

Section 3. Amendment. The covenants and restrictions of this Declaration shall run with and bind the land for a term of forty (40) years from the date this Declaration is recorded, after which time they shall be automatically extended for successive periods of ten (10) years. This Declaration may be amended by an instrument signed by not less than seventy-five percent (75%) of the Lot Owners and fifty-one percent (51%) of first mortgagees as hereinafter defined, such vote to include at least a majority of the votes of all Members present, in person or by proxy, and voting at any meeting of the Association properly called for the purpose of acting on such amendment, other than the Declarant; provided that, so long as there is a Class B membership, such amendment requires the prior approval of HUD and/or VA, as applicable. Notwithstanding the foregoing, the Declarant reserves the right to make changes or revisions to comply with the requirements of HUD, VA, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation. Any amendment upon receiving the necessary

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approval shall be recorded in a document executed on behalf of the Association by its duly authorized officers. Any amendment must be recorded. In no event shall these covenants and restrictions terminate for so long as the Association owns any Common Area.

Section 4. Association Documents. In accordance with the Act, the Association shall maintain current copies of the Declaration, Articles of Incorporation, Bylaws, Rules and Regulations and budgets and shall provide copies upon request to Owners and Purchasers. The Association shall annually cause to be prepared a statement for each fiscal year which shall be provided to the Owners at each annual meeting.

Section 5. Additional Covenants. It is understood and agreed, anything to the contrary contained herein notwithstanding, as follows:

(a) A first mortgagee will be provided written notification of any default by the mortgagor of such Lot in the performance of such mortgagor's obligation under the Subdivision documents which is not cured within thirty (30) days; as used herein, the terms "first mortgage," "mortgage" or "mortgagor" shall have the same meaning and import as "first deed of trust noteholder" or "first deed of trust" or "grantor of a deed of trust"; the terms "mortgage" and "deed of trust" for the purposes herein shall have the same meaning and intent.

(b) Any first mortgagee who comes into possession of a Lot in the Properties pursuant to the remedies provided in the mortgage, or foreclosure of the mortgage, or deed (or assignment) in lieu of foreclosure shall be exempt from all "rights of first refusal," if any.

(c) Any first mortgagee who comes into possession of a Lot pursuant to the remedies provided in the mortgage, foreclosure of the mortgage, or deed (or assignment) in lieu of foreclosure shall take the Property free of any claims for unpaid assessments or charges

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against the mortgaged unit which accrue prior to the time such holder comes into possession of the Lot.

(d) Unless at least fifty-one percent (51%) of the first mortgagees (based upon one [1] vote for each first mortgagee) of individual Lots in the Properties have given their prior written approval, the Association shall not be entitled to:

(1) By act or omission seek to abandon, petition, subdivide, encumber, sell or transfer real estate or improvements thereon which are owned, directly or indirectly, by such Association for the benefit of the Owners and Lots in the Properties, provided, however, that the Declarant, or the Association by a vote of its Board of Directors, at any time may convey all or any part of the Common Area to the County of James City, Virginia, or to any other public body, who shall thereafter maintain the same. The conveyance to the County of James City of other public body, or the granting of easements for public utilities or for other public purposes consistent with the intended use of such property by the Association shall not be deemed a prohibited transfer within the meaning of this clause.

(2) Change the method of determining the obligations, assessments, dues or other charges which may be levied against an Owner.

(3) Use hazard insurance proceeds for losses to any Common Area property for other than the repair, replacement or reconstruction of such improvements.

(e) First mortgagees shall have the right to examine the books and records of the Association or any entity which owns the Common Area or the property of the Association.

(f) First mortgagees of Lots in the Properties may, jointly or singly, pay taxes or other charges which are in default and which may have become a charge against any Common

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Area property and may pay overdue premiums on hazard insurance policies, or secure new hazard insurance coverage on the lapse of a policy, for such property, and first mortgagees making such payment shall be owed immediate reimbursement therefor from the Association. Entitlement to such reimbursement is hereby agreed to and this instrument shall constitute an agreement in favor of all first mortgagees of Lots in the Properties.

(g) No provision of the Association Articles of Incorporation, or the declaration of easements, restrictions and covenants, or any similar instrument pertaining to the Properties or to Lots therein gives a Lot Owner or any other party priority over any rights of first mortgagees of Lots herein pursuant to their mortgages in the case of a distribution to Lot Owners of insurance proceeds or condemnation awards for losses to or taking of the Association's common property.

(h) Lot Owners have a right to enjoyment of the Common Area as provided herein and such property is owned in fee by the Association. The Common Area was conveyed to the Association unencumbered except for any easements granted for public utilities or for other public purposes consistent with the intended use of such Property by the Association. The Common Area cannot be mortgaged or conveyed without the consent of two-thirds (2/3) of the Lot Owners (excluding the Declarant).

(i) In the event that management other than self-management is required of the Association ("Outside Management"), and in the event that the Association elects or decides to terminate said Outside Management, then all first mortgagees shall be given at least thirty (30) days notice of said action.

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(j) All first mortgagees shall be entitled to receive reasonable written notice of damage to or condemnation of any part of the Common Area.

(k) Any approval herein required by a first mortgagee shall be implied if a first mortgagee has failed to submit a response within fourteen (14) days to a written proposal or notice, provided the proposal or notice was delivered by certified or registered mail, with a return receipt requested.

Section 6. Easement for Public Necessity. Upon recordation of this Declaration, there is hereby granted to the County of James City, Virginia, its employees and agents a perpetual right of ingress and egress over and upon the Common Area in order to assure the performance of all public duties, including but not limited to law enforcement officers, rescue squad personnel, fire fighting personnel and government building officials and inspectors. In addition, Declarant shall have the right to construct storm water management facilities on the Common Area and to have an easement for ingress and egress and for all type easements over, under and upon the Common Area for the benefit of the Lots.

ARTICLE VIII
DECLARANT'S RIGHTS AND REPRESENTATIVES

Section 1. Rights. Anything herein to the contrary notwithstanding, the Declarant shall at all times have and does hereby reserve to itself, its successors and assigns:

(a) the right to use Lots for sales models and/or a sales office for sale of all Lots within the Subdivision.

(b) A non-exclusive easement over and upon the Common Area and for purposes of making improvements to the Common Area and on all Lots located within the Subdivision.

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ARTICLE IX
CONDEMNATION

In the event of a condemnation or taking by eminent domain by any local, state or federal authority of all or any part of the Common Area, the Association is hereby designated and appointed as attorney-in-fact for all Owners for purposes of representing all Owners in any proceedings, negotiations, settlements or agreements. Any funds received by the Association shall be held for the benefit of the Association and be used by the Association for the purposes herein set forth, unless there is a total taking of all the Common Area, in which event the funds shall be distributed pro rata among the Owners and their respective first mortgagees.

ARTICLE X
ANNEXATION

Section 1. Annexation. All or any part of the following described Properties may be annexed hereto at any time hereafter solely by Declarant without the consent of the Class A or Class B members of the Association; and upon the same happening, Declarant shall be deemed the "Declarant" as herein defined and shall be entitled to any and subject to all of the privileges, rights and liabilities herein set for Declarant. Said Properties which may be so annexed being described as all or any portion of the property described as follows:

All those certain pieces, parcels or tracts of land as described on the attached Exhibit B, which are hereby made a part hereof by reference hereto, and any and all adjacent parcel or parcels of land now or hereafter acquired by Declarant.

Section 2. Method of Annexation. Declarant may cause such annexation to be made by including the provisions of such annexation to be shown on such recordation plat or by an instrument executed by Declarant and duly recorded describing the parcel or parcels to be

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annexed and referring to and making such parcel or parcels subject to the within Covenants, Conditions and Restrictions, or both.

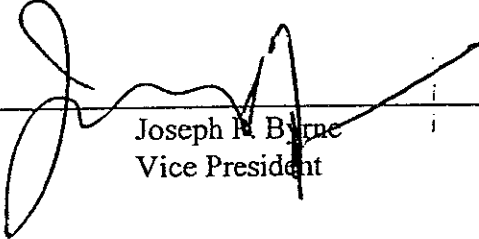
Upon any such annexation being so made, the real estate or "Properties" covered thereby together with the Declarant and all owners thereof and their heirs, successors and assigns shall be entitled to, and subject to, all of the terms of the within Covenants, Conditions and Restrictions in the same manner as if such annexed parcel had been included within the legal description as contained in said The Villages at Westminster, Phase I, Section I. It is further understood and agreed that such annexation of all or of any part of the real estate hereinabove described shall be solely at the option of the Declarant, and Declarant may from time to time annex all or any part or parts thereof as determined solely by the Declarant without the necessity of approval of any Lot Owner of the Association, anything to the contrary notwithstanding in the Articles of Incorporation or Bylaws of the Association, provided, however, that any such annexation requires the prior approval of HUD and/or VA, as applicable, so long as there is a Class B membership.

Section 3. Encroachments. In the event any portion of any improvement on any Lot encroaches upon the Common Areas and facilities, or an encroachment for an improvement in the Common Areas exists upon a Lot, as result of construction, reconstruction, repair, shifting, settlement or movement of any portion thereof, a valid easement for the encroachment and for the maintenance of the same shall exist so long as the encroachment exists. In addition, there is hereby created an easement for the encroachment of the entrance sign or signs to The Villages at Westminster on any adjacent Lot(s).

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IN WITNESS WHEREOF, the undersigned Declarant, Warhill Associates, L.L.C., a Virginia limited liability company, has caused this instrument to be executed on its behalf as of the date and year first above written.

WARHILL ASSOCIATES, L.L.C.
By: Atlantic Homes Development Corporation
Its: Operating Manager

By:  (SEAL)
Its: Joseph R. Byrne
Vice President

OCT-15 0079

COMMONWEALTH OF VIRGINIA

City of Newport News, to wit:

I, Bambi L. Selbe, a Notary Public in and for the city and Commonwealth aforesaid, do hereby certify that Joseph P. Byrne, as Vice President of Atlantic Homes Development Corporation, the Operating Manager of Warhill Associates, L.L.C., a Virginia limited liability company, whose name is signed to the foregoing writing bearing date on the 22nd day of August, 1997, has acknowledged the same before me in city and Commonwealth aforesaid.

Given under my hand this 2nd day of October, 1997.

Bambi L. Selbe
Notary Public

My commission expires: 5/31/98

OCT-75 0080

EXHIBIT A

**DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
OF
THE VILLAGES AT WESTMINISTER, SECTION 1A**

Description of the property to be subject to this Declaration and the rules incorporated into it, are as follows:

All those certain lots, pieces or parcels of land situate, lying and being in James City County, Virginia, Lots Numbered One (1) through Eighty-Nine (89), and those certain parcels labeled "Nature Open Space Easement" all as shown on that certain plat entitled, "THE VILLAGES AT WESTMINISTER, PHASE I, SECTION I, BERKELEY DISTRICT, JAMES CITY COUNTY, VIRGINIA" dated December 12, 1996, made by Rickmond Engineering, Inc., and duly recorded in the Clerk's Office for the Circuit Court of the City of Williamsburg and County of James City, Virginia, in Plat Book 67, pages 23 through 26, to which reference is hereby made.

OCT-75 0081

EXHIBIT B

DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS

OF

THE VILLAGES AT WESTMINSTER, SECTION 1A

Description of the property which may be annexed pursuant to Article X of this

Declaration is:

All or any portion of that certain piece or parcel of land, together with all improvements thereon and appurtenances thereto, including all riparian rights, shown and set out as "191.2± ACRES" on the plat of survey entitled, "Boundary Survey of a Portion of the Land of "TMB Service Corporation" Being That Easterly Portion of the Warhill Tract," made by Rickmond Engineering, Inc., dated April 10, 1996, a copy of which is recorded in Plat Book 65, at page 16.

LESS AND EXCEPT all those certain lots, pieces or parcels of land situate, lying and being in James City County, Virginia, Lots Numbered One (1) through Eighty-Nine (89), and those certain parcels labeled "Nature Open Space Easement" all as shown on that certain plat entitled, "THE VILLAGES AT WESTMINSTER, PHASE I, SECTION I, BERKELEY DISTRICT, JAMES CITY COUNTY, VIRGINIA" dated December 12, 1996, made by Rickmond Engineering, Inc., and duly recorded in the Clerk's Office for the Circuit Court of the City of Williamsburg and County of James City, Virginia, in Plat Book 67, pages 23 through 26, to which reference is hereby made.

OCT-7 1997 0082

VIRGINIA: City of Williamsburg and County of James City, to Wit:

In the Clerk's Office of the Circuit Court of the City of Williamsburg and County of James City the

4 day of Oct., 1997. This Declaration of Covenants, Conditions and Restrictions was presented with certificate annexed and admitted to record at 10:25 o'clock

Teste: [Signature] Clerk
by [Signature] Deputy Clerk