

DECLARATION OF PROTECTIVE COVENANTS AND CONDITIONS FOR
MAGNOLIA RIDGE SUBDIVISION

THIS DECLARATION OF PROTECTIVE COVENANTS AND CONDITIONS FOR MAGNOLIA RIDGE SUBDIVISION is made and executed this 18th day of January, 2006, by Rockingham Atlantic, LLC, a Virginia limited liability company (together with its successors and assigns as herein provided, "Declarant").

1. DECLARATION

1.1 Rockingham Atlantic, LLC is the record owner of certain real estate situate in the Central District, Rockingham County, Virginia known as Magnolia Ridge Subdivision (the "Subdivision"), as shown on the subdivision plat entitled "Magnolia Ridge Subdivision," dated August 5, 2005, prepared by Hal T. Benner, of record in the Office of the Clerk of the Circuit Court of Rockingham County, Virginia, in Deed Book 2738, Page 84 (the "Plat").

1.2 The Subdivision is comprised of 94 lots and related open space and easements as shown on the Plat (the "Property"), being the same property acquired by Declarant from S & E Farms, Inc., by deed dated September 8, 2005, of record in the aforesaid Clerk's Office in Deed Book 2738, Page 93.

1.3 Declarant desires to develop the Property as a residential community pursuant to the Virginia Property Owners' Association Act, Virginia Code Sections 55-508 et seq. (as the same may be amended from time to time, the "Act").

1.4 In order to provide for the preservation and enhancement of property values, the maintenance and care of common areas and other amenities, and the orderly development and enjoyment of the Subdivision, Declarant hereby declares that the Property shall, at all times, be owned, held, used, occupied, sold and conveyed subject to the provisions of this Declaration and to the covenants, conditions and restrictions, easements, reservations, assessments and charges herein contained, which shall run with the Property and bind all parties having any right, title or interest in the Property, or any portion thereof, and their respective successors, assigns, heirs, devisees and personal representatives.

2. DEFINITIONS

2.1 "Act" has the meaning given to it in Section 1.3 above.

2.2 "Annual Assessment" means the Assessment levied and assessed each year against each Lot pursuant to Section 7.5 below.

2.3 "ARC" or "Architectural Review Committee" means the committee established or independent contractor retained by the Association to administer the architectural and design review process contemplated by this Declaration.

2.5 "Articles" means the Articles of Incorporation of the Association, as the same may be amended from time to time, if the Association is incorporated. The Association may elect to remain an unincorporated association.

2.6 "Assessment" means an assessment levied pursuant to Article 7 below.

2.7 "Assessment Lien" means the lien of the Association on a Lot described in Section 7.8 below.

2.8 "Association" means The Magnolia Ridge Community Association, and its successors and assigns, designated to serve as the property owners' association for the Subdivision with all of the powers and duties set forth in the Act and the Association Documents.

2.9 "Association Documents" means this Declaration, the Articles (if any), the Bylaws and the Rules and Regulations, as amended from time to time.

2.10 "Bylaws" means the Bylaws of the Association, as amended from time to time.

2.11 "Common Elements" means (a) any real estate, together with any improvements located thereon, within the Subdivision that is owned or leased by the Association or that the Association is otherwise required to operate, manage, maintain or repair, but excluding Lots and any such real estate or improvements that are dedicated to and/or maintained by the County of Rockingham, Virginia, the Virginia Department of Transportation or other governmental body or authority, and (b) any personal property owned or leased by the Association. The Common Elements include, without limitation, the foot path to Lake Shenandoah comprised of 1,732 square feet as shown on the Plat, and the green space and sign easement comprised of 5,379 square feet as shown on the Plat.

2.12 "Common Expenses" means (a) all costs, expenses and liabilities incurred by or on behalf of the Association, including, but not limited to, costs, expenses and liabilities for (i) managing, operating, maintaining, repairing, altering and improving the Common Elements; (ii) administering and enforcing the covenants, conditions, restrictions, reservations and easements created by this Declaration; (iii) levying, collecting and enforcing the Assessments, charges and liens due the Association, (iv) regulating and managing the Subdivision; and (v) operating the Association; and (b) allocations to reserves.

2.13 "Declarant" means Rockingham Atlantic, LLC, a Virginia limited liability company, and any Person that (a) acquires from Declarant all or substantially all of its property at the Subdivision and (b) prior to or at the time of such acquisition is designated by a written instrument signed by Declarant as a successor or assignee of Declarant under this Declaration. Such instrument may specify the extent and portion of the rights or interest as a declarant that are being assigned, in which case Rockingham Atlantic, LLC shall retain all other rights as a declarant.

2.14 "Declaration" means this instrument, as amended and supplemented from time to time.

2.15 "Default Assessment" has the meaning given to it in Section 7.7 below.

2.16 "Design Standards" has the meaning given to it in Section 9.3 below.

2.17 "Development Code" means the applicable subdivision, zoning and other development ordinances of the County of Rockingham, Virginia, as from time to time amended, revised or supplemented.

2.18 "Lot" means each single-family lot designated by number on the Plat, as it may be amended from time to time in accordance with the Development Code and this Declaration.

2.19 "Membership" means a membership in the Association and the rights granted to Owners pursuant to this Declaration to participate in the Association.

2.20 "Mortgage" means any mortgage, deed of trust or other document creating a security interest in any Lot or interest therein as security for payment of a debt or obligation.

2.21 "Mortgagee" means any institutional lender named as a mortgagee or beneficiary in any Mortgage, or any successor to the interest of any such Person under such Mortgage.

2.22 "Owner" means the Person(s) who own of record, according to the real property records of Rockingham County, Virginia, fee simple title to a Lot or an undivided portion thereof, but excluding any Person holding an interest merely as security for the performance of an obligation. If there is more than one record holder of legal title to a Lot, each shall be an Owner. Each Owner shall also hold a Membership, which Membership is appurtenant to ownership of a Lot or an undivided portion thereof. The term "Owner" shall include Declarant to the extent Declarant is the holder of fee simple title to a Lot.

2.23 "Person" means any natural person, corporation, partnership, limited liability company, association, trustee or any other entity recognized as being capable of owning real property under the laws of the Commonwealth of Virginia.

2.24 "Plat" or "Plats" means the plat(s) of the Subdivision now or hereafter on file with the Office of the Clerk of the Circuit Court of Rockingham County, Virginia, as such plat(s) may be amended or supplemented from time to time, including without limitation, the Plat.

2.25 "Property" has the meaning given to it in Section 1.2 above.

2.26 "Subdivision" has the meaning given to it in Section 1.1 above.

2.27 "Rules and Regulations" means any instruments adopted by the Association or the ARC for the regulation and management of the Subdivision, as such instruments may be amended from time to time.

3. CONSTRUCTION OF ASSOCIATION DOCUMENTS

3.1 The Act. This Declaration, the Association and the Subdivision are subject to the provisions of the Act. In the event of any conflict between the provisions of the Act that may not be varied and the provisions of the Association Documents, such provisions of the Act shall control but this Declaration shall be construed in the most harmonious light possible.

3.2 Interpretation. If there is any conflict or inconsistency between the terms and conditions of this Declaration and the terms and conditions of the Articles, the Bylaws or the Rules and Regulations, the terms and conditions of this Declaration shall control. In the event that there is any conflict or inconsistency between the terms and conditions of the Articles and the terms and conditions of the Bylaws or the Rules and Regulations, the terms and conditions of the Articles shall control. In the event of any conflict or inconsistency between the terms and conditions of the Bylaws and the terms and conditions of the Rules and Regulations, the terms and conditions of the Bylaws shall control.

4. THE ASSOCIATION

4.1 Purposes and Powers. The Association's purposes and powers are set forth in the Articles (if any) and Bylaws. Unless expressly prohibited by law or any of the Association Documents, the Association may take any and all actions that it deems necessary or advisable to fulfill its purposes, including without limitation, all of those actions set forth in the Association's Articles.

4.2 Association Documents. Each Owner shall comply with and benefit from each term, provision, covenant, condition, restriction, reservation and easement contained in the Association Documents. The obligations, burdens and benefits of Membership in the Association touch and concern the Property and are, and shall be, covenants running with each Lot for the benefit of all other Lots and the Common Elements.

4.3 Books and Records. Upon request, the Association shall allow Owners and Mortgagees to inspect current copies of the Association Documents and the books, records, budgets and financial statements of the Association at the offices of the Association during normal business hours and under other reasonable circumstances. The Association may charge a reasonable fee for copying such materials as well as for the time of Association staff members associated with such inspection.

5. MEMBERSHIP IN THE ASSOCIATION

5.1 Membership.

(a) There is one Membership appurtenant to each Approved Lot. A Membership may not be separated from the ownership of the Approved Lot to which it is appurtenant. Any Membership appurtenant to an Approved Lot having more than one Owner shall be shared by such Owners, and each such Owner shall be a Member of the Association.

(b) Upon acquiring title to an Approved Lot, a new Owner shall immediately give written notice to the Association of his or her name and number and address of the Lot. If a new Owner fails to give this notice within thirty (30) days after acquiring title, the Owner shall not be entitled to vote on matters coming before the Association prior to its receipt of the required notice, and the Association may assess the Owner as a Default Assessment for any costs it incurs to obtain this information.

5.2 Transfer of Membership. An Owner shall not sell, assign, transfer, convey, pledge or encumber the Owner's Membership in any way, except upon the sale or encumbrance of the Lot to which the Membership is appurtenant, and then only to the purchaser(s) of fee simple title to the Lot or the holder of a Mortgage against the Lot. Any attempt to transfer a Membership in a manner other than appurtenant to fee simple title to a Lot shall be null and void and confer no rights.

5.3 Voting.

(a) The Association shall have two voting classes. Class "A" members shall be all Owners other than Declarant, and shall be entitled to one vote for each Approved Lot owned. The Class "B" member shall be Declarant, and shall be entitled to three votes for each Approved Lot owned.

(b) If a Lot to which a Class "A" Membership is appurtenant is owned by more than one Person, such Owners shall be entitled to cast one collective vote; fractional voting shall not be allowed. Treatment of votes for Memberships having multiple Owners is addressed in more detail in the Bylaws.

(c) Except during the Declarant Control Period, Directors of the Association shall be elected by the affirmative vote of a majority of the votes of Owners present in person or by proxy at a meeting at which a quorum is present called for the purpose of electing directors.

(d) All meetings at which the Owners will be presented with matters to vote on shall be called by the Board of Directors of the Association upon such notice as is required by the Articles, Bylaws, the Act and the Virginia Nonstock Corporation Act.

6. BOARD OF DIRECTORS OF THE ASSOCIATION

6.1 Powers of the Board of Directors.

(a) Except as provided in the Association Documents or by law, the Board of Directors may act on behalf of the Association in all instances.

(b) The Board of Directors shall consist of at least three but not more than seven members (with the number of directors being fixed in the Bylaws). One director shall be designated as chairperson. The term of each director shall be as set forth in the Bylaws.

(c) The Board of Directors shall appoint all members of the ARC and shall have the authority to remove or replace such members, with or without cause, upon a majority vote of the members of the Board of Directors.

6.2 Qualifications of Board Members. A Board Member need not be an Owner, but any Owner may be a Board Member if duly elected or appointed.

7. ASSESSMENTS, COMMON EXPENSES, BUDGETS AND LIENS

7.1 Obligations for Assessments and Other Charges.

(a) Declarant, for each Approved Lot it owns, hereby covenants and agrees, and each Owner, by accepting a deed to an Approved Lot (regardless of whether expressly stated in such deed), shall be deemed to have covenanted and agreed, to pay to the Association all (i) Annual Assessments; (ii) Special Assessments, (iii) Default Assessments; and (iv) other charges that the Association is required or permitted to levy or impose on such Owner or such Owner's Lot pursuant to this Declaration or any other Association Document, or the Act.

(b) No Owner shall be exempt from liability under this Section 7.1 by waiving the use or enjoyment of any Common Element or by abandoning the Lot against which such Assessments are made.

(c) Except as provided in Sections 7.9 and 18.4 below, (i) the obligation to pay to the Association any Assessment or other charges levied against any Lot shall be a joint and several obligation of the Owner of such Lot and such Owner's successors, assigns, heirs, devisees and personal representatives, and (ii) a Person acquiring fee simple title to a Lot shall be jointly and severally liable with the former Owner of the Lot for all Assessments and other charges that had accrued and were payable when such Person acquired fee simple title to the Lot, for so long as such Person holds fee simple title to the Lot.

(d) Each Assessment or other charge, together with interest and penalties thereon and all costs and expenses incurred by the Association to collect such Assessment or other charge, including reasonable attorneys' fees and disbursements, may be recovered by a suit for a money judgment by the Association without foreclosing or waiving any Assessment Lien securing the same.

7.2 Purpose and Use of Assessments and Other Charges. The Assessments and other charges levied or imposed and collected by the Association under the Association Documents shall be used exclusively to pay Common Expenses, including allocations to reserves. The Association may invest any funds allocated to reserves in a prudent manner. Unless expressly required by the Act or an Association Document, the Association need not refund or credit to Owners any excess funds collected by the Association.

7.3 Allocation of Common Expenses. Except as otherwise set forth in this Declaration, all Common Expenses shall be allocated equally among all Approved Lots. The formula for calculating the percentage of Common Expenses allocated to each Lot shall be:

7.4 Budgets. Prior to the first levy of an Annual Assessment, and, thereafter, at least sixty calendar days in advance of the start of each fiscal year, the Board of Directors of the Association shall adopt an annual budget for the Association for the following fiscal year. The budget shall include a reserve fund for maintenance of the Common Elements and other matters deemed appropriate by the Board of Directors. If the Board of Directors of the Association deems it necessary or advisable to amend an annual budget that it has adopted, the Board of Directors may adopt an amendment to the annual budget.

7.5 Annual Assessments.

(a) After the Board of Directors adopts an annual budget pursuant to Section 7.4 above, the Association shall levy an Annual Assessment on each Approved Lot based on the budget. The amount of the Annual Assessment shall be the same for each Approved Lot. Owners shall pay the Annual Assessments levied against their respective Lots in such periodic installments as may be required by the Board of Directors (or, if the Board of Directors fails to adopt an installment period for Annual Assessments, on a semi-annual basis due on September 1 and March 1 of each year).

(b) If the Board of Directors ratifies an amendment to the annual budget pursuant to Section 7.4 above, the amount of the Annual Assessment levied against each Lot shall be adjusted accordingly, as shall the amount of each Owner's periodic installments.

(c) If the Board of Directors fails to adopt an annual budget for any fiscal year, the Owners shall continue to pay periodic installments of the Annual Assessment to the Association at the rate payable during the prior fiscal year until such time as the Board of Directors adopts a new annual budget for the then-current fiscal year. Once the Board of Directors adopts a new annual budget, the Association shall levy on each Lot the Annual Assessment for the then-current fiscal year and each Owner's periodic installments shall be adjusted as necessary to pay the new Annual Assessment in equal periodic installments over the remainder of such fiscal year, giving the Owners credit for any installments that the Owners have previously paid to the Association during such fiscal year.

(d) The failure of the Association to levy an Annual Assessment for any fiscal year shall not be deemed a waiver, modification or release of the Owners' liability for Common Expenses.

7.6 Special Assessments. In addition to the Annual Assessments, the Association may levy special assessments ("Special Assessments") for the following purposes: (a) construction, repair or replacement of capital improvements upon the Common Elements, and (b) additions to the Common Elements, including in each case obtaining necessary facilities and equipment. Before a Special Assessment may be levied, it must be approved by the Association's Membership in accordance with the requirements of the Act.

7.7 Default Assessments.

(a) Notwithstanding anything to the contrary contained herein, if any Common Expense is caused by (i) the negligence or misconduct of an Owner or an Owner's family member, employee, agent or guest, or (ii) a violation of any covenant, condition or restriction of an Association Document by an Owner or an Owner's family member, employee, agent or guest, the Association may, if it deems necessary or advisable, levy an Assessment against such Owner's Lot for the entire amount of such Common Expense. In addition, the Association may, if it deems necessary or advisable, impose a fine, penalty, fee or other charge upon an Owner for the violation of any covenant or condition of any Association Document by an Owner or an Owner's family member, employee, agent or guest. Also, if the Association is permitted under this Declaration to take action to correct a default of an Owner, and the Association incurs costs in taking such corrective action, then such costs and interest thereon at the rate herein provided shall constitute a Default Assessment against the Owner(s) of such Lot. Any such Assessment levied by the Association, and each fine, penalty, fee or other charge imposed hereunder, and costs of corrective action by the Association, are each referred to herein as a "Default Assessment."

(b) Default Assessments need not be shown on an annual budget, or on an amendment to an annual budget, adopted by the Board of Directors of the Association; provided, however, that with respect to any Default Assessment, the Owner of the Lot against which the Association seeks to levy the Default Assessment shall be provided notice and an opportunity to be heard in accordance with the Act. Owners of Lots against which Default Assessments have been levied shall pay such Default Assessments when required by the Association.

7.8 Assessment Lien.

(a) The Association shall have a lien on each Lot for any Assessment levied against that Lot or the Owner thereof and any interest, reasonable attorneys' fees and disbursements and costs of collection incurred by the Association in connection therewith. The Assessment Lien shall secure all of the foregoing obligations of an Owner from the time such obligations become due. If an Assessment is payable in installments, the Assessment Lien secures each installment from the time it becomes due, including the due date set by any valid acceleration of installment obligations by the Association.

(b) An Assessment Lien is prior to all other liens and encumbrances on a Lot except as otherwise provided in the Act. Perfection of the Assessment Lien shall be made by filing to the extent required by the Act.

(c) An Assessment Lien must be filed and enforced in accordance with the timeframes set forth in the Act.

(d) This Section 7.8 does not prohibit: (i) actions or suits to recover sums secured by an Assessment Lien, or (ii) the Association's taking of a deed in lieu of foreclosure. An Assessment Lien may be foreclosed in like manner as a mortgage on real estate, subject to the provisions of the Act.

(e) In any action by the Association to collect Assessments or to foreclose an Assessment Lien for unpaid Assessments, the court may appoint a receiver of the Owner to collect all sums alleged to be due from the Owner prior to or during the pendency of the action. A court may order the receiver to pay any sums held by the receiver to the Association during the pending of the action to the extent of the Association's Assessments.

7.9 Estoppel Certificates; Notices to Mortgagees.

(a) The Association shall furnish to an Owner or such Owner's designee or to a Mortgagee or its designee, upon written request, delivered personally or by U.S. mail, first-class postage prepaid, to the Association's Treasurer, a statement setting forth the amount of unpaid Assessments currently levied against such Owner's Lot. The statement shall be furnished within 14 calendar days after the Association's receipt of the request and shall be binding on the Association, the Board of Directors of the Association and every Owner. If no statement is furnished by the Association following a written request meeting the requirements set forth above, then the Association shall have no right to assert an Assessment Lien upon the Lot for unpaid Assessments which were due as of the date of such request.

(b) The Association shall report to any Mortgagee any unpaid Assessments remaining unpaid for more than sixty days after the same shall have become due, if such Mortgagee first shall have delivered to the Association a written request for notice of unpaid Assessments. Any Mortgagee holding a lien on a Lot may pay any unpaid Assessment with respect to such Lot, together with any and all costs and expenses incurred with respect to the Assessment Lien securing such unpaid Assessment, and upon such payment, such Mortgagee shall have a lien on the Lot for the amounts paid with the same priority as a lien of the Mortgage held by such Mortgagee.

8. MAINTENANCE OF COMMON ELEMENTS

Except as otherwise provided in this Declaration, the Association, or its duly designated agent, shall maintain all Common Elements and the improvements and landscaping located thereon in good order and repair and otherwise manage and operate all Common Elements so that the Subdivision reflects a high level of pride of ownership. With regard to its duties under this paragraph, the Association has the power to:

- (a) construct, modify, add to, replace or renovate any improvements that are located on, or constitute a part of, any Common Element;
- (b) plant and replace trees, shrubs and other vegetation on any Common Element;
- (c) place, maintain and replace signs or other improvements upon any Common Element;
- (d) adopt and enforce Rules and Regulations regulating the use of Common Elements; and

(e) take any other actions that the Association deems necessary or advisable to (i) protect and maintain the Common Elements; (ii) preserve the beauty and value of the Subdivision; and (iii) fulfill the stated purposes of the Association.

9. ARCHITECTURAL REVIEW

9.1 Purpose. Any and all exterior design, landscaping and uses of new development on and/or additions to any property within the Subdivision, as well as any changes or alterations thereto, shall be subject to review by and consent of the ARC. The goal of such review and consent shall be to create, maintain and improve the Subdivision as a pleasant and desirable environment, establish and preserve a harmonious design for the community, and protect and enhance the value of the Property.

9.2 Appointment of Members. The Association shall establish the ARC consisting of a minimum of three members, or in the alternative shall retain the services of an independent contractor to administer the architectural review process. Each member of the ARC shall be appointed by the Board of Directors of the Association, and any such member may be removed, with or without cause, at any time, by the Board of Directors of the Association by giving written notice to such member – except that Declarant shall serve as the ARC or appoint all members of the ARC, at Declarant's option, unless the date that Declarant conveys title to the last Lot within the Property. The Association may contract with outside Persons for architectural review services.

9.3 Authority of ARC.

(a) The ARC shall have the authority to establish and amend and modify rules, regulations and design guidelines (the "Design Standards") governing the design and construction of, as well as improvements to, all structures, landscaping, recreational facilities, exterior lighting, signage, fencing, exterior finish and colors and general improvements proposed within the Subdivision. Any and all such Design Standards, together with any amendments or modifications thereto, must be approved by Declarant for so long as Declarant continues to own any portion of the Property.

(b) The following, among other things, shall require prior written approval of the ARC: grading and other site preparation; landscaping (including, without limitation, tree cutting and clearing); building construction (including, without limitation, exterior finish and color); sign design and erection; exterior changes to property or improvements (including, without limitation, changes of exterior colors by repainting or otherwise); modification, alteration or enlargement of any existing structure; paving and driveways; fencing; mailboxes; exterior lighting; location and maintenance of all structures and improvements; and changes to the permitted use of any property within the Subdivision. The approval of the ARC shall not be required for alterations or remodeling which are completely within a building or structure, do not change the exterior appearance thereof and are not visible from the outside of the structure.

9.4 Decisions of ARC. Decisions of the ARC shall be conclusive and binding on all interested parties. Any challenge to a decision of the ARC must be appealed to the Board within

thirty (30) calendar days after notice of that decision, as a prerequisite to the exercise of any other right or remedy with respect to that decision.

9.5 Inspection of Projects. The ARC or its designated representatives may enter upon any property within the Subdivision at any reasonable time or times to inspect the progress, work status, or completion of any project. The ARC may withdraw its approval of any project and require all activity at such project to be stopped if deviations from the approved plan, construction practices, applicable Rules and Regulations or applicable law are not corrected or reconciled within ten days after written notification to the Owner specifying such deviations, or within such other period of time as is specified by the ARC in its notice of noncompliance.

9.6 Notice. Any material to be submitted or notice to be given to the ARC shall be submitted at the offices of the Association. The current address of such office is 4400 Carr Drive, Fredericksburg, Virginia 22408, but that address may change at any time..

9.7 Fees. The ARC may establish a reasonable processing and review fee to defer its costs in considering any requests for approvals submitted to it, which fee shall be paid at the time the request for approval is submitted.

9.8 ARC Not Liable. Neither Declarant, the ARC, nor any of their respective officers, directors, employees, members or agents shall be responsible or liable for any defects in any plans or specifications which are submitted, revised or approved pursuant to this Article 9, nor for any defects in construction pursuant to such plans and specifications, nor for any loss, damage or injury arising out of or in any way connected with the performance of the duties of the ARC, unless due to the willful misconduct or conscious bad faith of the party to be held liable. In reviewing any matter, the ARC shall not be responsible for reviewing, nor shall its approval of any project be deemed approval of, the project from the standpoint of safety, whether structural or otherwise. Approval of plans and specifications pursuant to this Article 9 shall not relieve any Owner of an Owner's responsibility to comply with any and all applicable governmental laws or regulations.

10. COVENANTS REGARDING BUILDING IMPROVEMENTS

10.1 Prohibited Improvements. No structures or buildings of a temporary character (except a sales facility or construction trailer for Declarant's use in selling or developing Lots or tracts within the Subdivision), nor any mobile home, house trailer, tent, shack, or other such structure shall be placed or used within the Subdivision, either temporarily or permanently, without prior written approval of the ARC, which approval may be withheld in the ARC's sole discretion. Notwithstanding the preceding sentence, necessary appurtenances, modest construction trailers and structures of a temporary nature may be used without the ARC's approval during the period of performance of construction of any improvement for which necessary government permits and ARC approval have been obtained, provided that (a) the ARC shall approve the location and appearance of such appurtenances, trailers or structures, (b) no overnight occupancy shall be permitted in any such appurtenance, trailer or structure, and (c) such appurtenances, trailers or structures shall be removed from the Subdivision upon substantial completion of the improvements.

The ARC shall have the authority to prohibit walls, fences, and dog kennels. No wall, fence or hedge exceeding three feet in height shall be constructed or planted forward of the front elevation of the dwelling on a Lot. Chain link fences or metal storage buildings are not permitted.

No dwelling shall be erected or placed on a Lot with an exterior construction of stucco or concrete block aggregate, basement and foundation walls excepted. Exposed foundation or basement walls shall have brick or stone, unless approved by the ARC in its discretion.

10.2 Location of Dwellings and Setbacks. Location of dwellings will be in accordance with applicable zoning restrictions and within the building envelopes or setbacks shown on the Plat. Distances shall be measured from the Lot line to the nearest projection of any part of the improvement, including, but not limited to, porches, patios, decks, parking aprons and roof overhangs.

10.3 County Approval Required. No modification or other improvement to a Lot or dwelling unit that requires the approval of the County of Rockingham, Virginia, under any applicable law, rule or ordinance shall be made or built until such approval has been obtained.

10.4 Square Footage Requirements. The ARC may establish minimum and maximum square footage requirements with respect to residential or other structures to be constructed on the Property. Such requirements shall be specified in the Design Standards.

10.5 Sewage Disposal Systems. No cesspools, septic fields or septic tanks shall be permitted on any portion of the Property without the prior written approval of the ARC.

10.6 Restriction on Signs. No signs or advertising devices of any nature shall be erected or maintained on any Property except signs approved by the ARC and signs required by law or legal proceedings. The ARC shall have the authority to approve the size and location of signs within the Subdivision but may not prohibit "For Sale" or "For Rent" signs of not more than five square feet and permitted by the Act. The ARC may adopt more restrictive sign provisions in the Design Regulations. Nothing in this paragraph or the Design Regulations restricts or limits Declarant's right to place signs on the Property.

10.7 Driveways and Parking. Each improved Lot shall include a paved or concrete driveway, and adequate provision for off-street parking of at least two vehicles on such Lot.

11. USE OF LOTS AND PARCELS

11.1 Single-Family Residential Use.

(a) No Lot may be used other than for residential purposes with customary accessory uses, which customary accessory uses shall include without limitation long- or short-term rentals of property to individuals who use such improvements for residential purposes. Such customary accessory uses shall specifically exclude bed-and-breakfast and other similar operations, which are hereby expressly prohibited as a use of Lots.

(b) The use of a portion of a dwelling on a residential Lot for home office purposes shall be permitted as a residential use if such use does not create undue noise or undue customer or client traffic, as determined by the Association in its sole discretion, subject to applicable zoning ordinances of the County of Rockingham, Virginia.

(c) Rental properties may not be leased to or occupied by more than three unrelated adults unless approved by the Board of Directors in its discretion after notice and an opportunity to comment is given to all adjoining property owners.

11.2 Restriction on Timeshare Ownership. No Owner of any Lot within the Property shall dedicate or submit such Owner's Lot to a timeshare or similar arrangement without the prior written approval of the Association, which may be withheld in its sole discretion.

11.3 No Illegal, Noxious or Offensive Activity. No illegal, noxious or offensive activity shall be carried on upon any portion of the Property, nor shall anything be done or placed on any Property that is or may become a nuisance or cause any significant embarrassment, disturbance or annoyance to others.

11.4 Restriction on Further Subdivision; Combining Lots.

(a) No Lot shall be further subdivided or separated into smaller lots by any Owner, and no portion less than all of any Lot, nor any easement or other interest therein, shall be conveyed or transferred by any Owner without the prior written approval of Declarant, which approval may be withheld in Declarant's sole discretion. This provision shall not, in any way, limit Declarant from subdividing or resubdividing any portion of the Property.

(b) With the approval of the Board of Directors, any Owner of two or more adjacent Lots, which Lots share one or more lot lines, may resubdivide said Lots for the purpose of adjusting the size of the resulting lot or lots; provided, however, that the Board of Directors shall have the authority to modify or supplement the covenants, conditions and restrictions applicable to such resulting lots and to condition its approval on the Owner's agreement to be bound thereby. In no event, however, shall the Board of Directors approve any subdivision of Lots pursuant to the preceding sentence if such subdivision would increase the number of Lots within the property to be subdivided. Any Owner desiring to resubdivide Lots pursuant to this Section shall fully comply with all applicable ordinances and regulations of the County of Rockingham, Virginia and shall prepare, execute and record in the Office of the Clerk of the Circuit Court of Rockingham County, Virginia: (i) an appropriate amendment to the Plat conforming to all requirements of the Development Code and containing the consent of the Board of Directors (evidenced by signature of an Association officer) and of the holders of any mortgages or deeds of trust encumbering the affected Lots and (ii) any instruments necessary to subject the resubdivided Lots to any modified or supplemental covenants, conditions and restrictions required by the Board of Directors as a condition of its approval. All expenses associated with the resubdivision (including, without limitation, the costs of preparing the subdivision plat, costs incurred in connection with any modification or supplementation of the covenants, conditions and restrictions applicable to the resubdivided lots, attorneys' fees incurred by the ARC, and recording and filing fees) shall be the responsibility of and paid by the Owner desiring such resubdivision.

11.5 No Mining and Drilling. No property shall be used for the purpose of mining, quarrying, drilling, boring or exploring for or removing oil, gas or other hydrocarbons, minerals, rocks, stones, gravel or earth.

11.6 Property to be Maintained. Except as otherwise provided herein, each Lot and all other portions of the Subdivision, including all improvements within the Subdivision, shall be kept and maintained by the Owner(s) thereof in a clean, safe, attractive and sightly condition and in good repair.

11.7 Pets. No animals shall be kept or maintained on any Lot except dogs, cats or customary household pets, not to exceed three pets per dwelling unit unless approved by the ARC. No pet may be kept which abnormally or unreasonably interferes with the rights, comforts or convenience of other Owners. For-profit breeding of any animals on the Property is specifically prohibited. All pets must be kept on a leash or otherwise reasonably confined when outside an Owner's residence so as not to become a nuisance or threat to others. No horses may be stabled or kept anywhere on the Property.

11.8 Storage of Equipment and Vehicles. All boats, snow plows, campers and extra motor vehicles must be stored in a garage. Motor homes, travel trailers, construction equipment and other outsized machinery and equipment shall not be stored or parked within the Subdivision; provided, however, that the ARC may waive this restriction, in its sole discretion, in writing. This Section 11.8 shall not prohibit the storage or parking of construction equipment and machinery within the Subdivision during the period of construction activities for which all applicable permits and ARC approval have been obtained, provided that the ARC may require the removal of any such equipment or machinery upon written notice to the Owner of the affected Lot. Nothing in this paragraph applies to storage or parking by Declarant or its contractors in connection with its development or improvement of the Subdivision.

11.9 Completion of Improvements. The exterior of any dwelling or accessory structure on a Lot shall be completed within nine months after commencement of construction, unless the Board determines in its discretion that such completion is impossible or would result in great hardship to the Owner due to strikes, fire, national emergency or national calamity. Improvements not so completed, or upon which construction has ceased for ninety (90) consecutive days, or which have been partially or totally destroyed and not commenced to be rebuilt within three (3) months, may be declared by the Board of Directors to be nuisances, and the Association may remove any such nuisance or repair or complete the same at the cost of the Owner.

12. EASEMENTS

12.1 Members' Easements of Enjoyment in Common Elements. Subject to the provisions of the Association Documents and the Association's authority to regulate and manage the Common Elements, Declarant reserves to itself, its successors and assigns, and hereby grants and conveys to every Owner and every guest or tenant of such Owner an easement of enjoyment in and to the Common Elements, including without limitation, a perpetual, nonexclusive easement for ingress and egress over the foot path to Lake Shenandoah from Dahlia Court, as show on the Plat (between

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Lots 18 and 19) by Owners and their respective guests and tenants. Such easement shall be appurtenant to and shall pass with the title of every Lot. The Association or Declarant shall have the right, at any time and from time to time, to dedicate or transfer utility and drainage easements on any part of the Common Elements to any public or private utility company.

12.2 Declarant Reservation. Declarant reserves to itself, its successors and assigns, the right to establish from time to time, by dedication or otherwise, underground utility and other reasonable easements, permits or licenses over, across, through and under any Lot or Common Element, excluding those portions of the Property within building envelopes of Lots designated on recorded Plats, for any purpose or use necessary or convenient for the use and occupancy of the Property or any other property owned by Declarant, which easements, permits or licenses may include, without limitation, water, sewer, gas, electricity, television cable, drainage, and irrigation.

12.3 Association's Easements Over Lots. Declarant hereby grants the Association and the ARC an easement over, across, through and under each Lot to (a) exercise any right held by the Association or the ARC under this Declaration or any other Association Document, and (b) perform any obligation imposed upon the Association or the ARC by this Declaration or any other Association Document. Notwithstanding the foregoing, neither the Association nor the ARC shall enter upon any Lot without reasonable prior notice to the Owner of the Lot, except in cases of emergency.

13. INSURANCE

The Association shall obtain and maintain such insurance as the Board of Directors of the Association shall deem necessary or required by the Act. The Association shall maintain general liability insurance and shall maintain hazard insurance covering the Common Elements, with insurance carriers and in amounts deemed appropriate by the Board of Directors.

14. ENFORCEMENT AND REMEDIES

14.1 Enforcement.

(a) Each provision of this Declaration binding upon an Owner or a Lot is enforceable by the Association by a proceeding for a prohibitive or mandatory injunction or by suit or action to recover damages, and in the discretion of the Association, for so long as any Owner fails to comply with any such provision, by exclusion of such Owner and such Owner's family members, tenants and guests from participation in any Association affairs. In addition, if an Owner fails to perform or observe any covenant or condition on such Owner's part to be performed or observed under this Declaration or any other Association Document, the Association shall have the following rights and remedies:

(i) The Association may, but is not obligated to, cure such failure to comply at the Owner's sole cost and expense, payable upon invoice from the Association.

(ii) After notice and an opportunity to be heard in accordance with the Act, the Association may fine the Owner for each violation.

(iii) The Association shall have all other rights and remedies available to it under this Declaration, at law or in equity.

(b) All rights and remedies of the Association shall be cumulative and the exercise of one right or remedy shall not preclude the exercise of any other right or remedy.

(c) In addition to the rights and remedies of the Association, the Declarant or any Owner may enforce the provisions of this Declaration against any Owner, by action for specific performance thereof by the defaulting Owner.

14.2 Attorneys' Fees. In the event of any dispute under or with respect to this Declaration or any other Association Document, or compliance therewith, the prevailing party (as to liability, without regard to any damage award) shall be entitled to recover from the non-prevailing party all of its costs and expenses in connection therewith, including, but not limited to, reasonable attorneys' fees and disbursements.

14.3 Interest. If an Owner fails to pay to the Association any Assessment or other amount due to the Association as and when the same becomes due, the Owner shall pay interest on such unpaid amount to the Association at the rate equal to the prime rate established by the Association's primary depository bank, plus five percentage points, which interest shall accrue from the due date of such unpaid amount until the date paid.

15. MISCELLANEOUS

15.1 Term; Termination. This Declaration shall be in effect for a period of fifty (50) years from the date of its recordation, and shall thereafter be automatically extended for successive and unlimited periods of ten (10) years each. Notwithstanding the foregoing, this Declaration may be terminated at the expiration of the initial 50-year term or any subsequent 10-year term, by recorded instrument signed by the Secretary and President of the Association attesting that such termination was approved by 75% of votes of Owners present in person or by proxy at a duly-called meeting in accordance with the Act and the Association Documents. Notwithstanding anything to the contrary set forth herein, Declarant may terminate this Declaration at any time prior to the conveyance of any portion of the Property to a third party.

15.2 Amendment.

(a) Prior to the closing of the sale of the first Lot, Declarant may amend this Declaration in its sole discretion.

(b) Except as provided in Section 15.2(a) above, this Declaration may be amended only by the vote or written consent of (i) Owners of Property (including Declarant) having at least 75 percent of the total number of votes to which all Owners are entitled, and (ii) Declarant, for so long as Declarant owns any portion of the Property. Any amendment to the Declaration shall be evidenced by the recording of a written instrument or instruments specifying the amendment or the repeal and containing the consents set forth above, if any. No amendment may remove, revoke or

modify any right or privilege or Declarant without the prior written consent of Declarant or the Assignee of such right or privilege.

15.3 Covenants Binding. Each provision of this Declaration and a promise, covenant and undertaking to comply with each such provision (i) shall be deemed incorporated in each deed or other instrument by which any right, title or interest in any of the Property is granted, devised or conveyed; (ii) shall by virtue of acceptance of any right, title or interest in any of the Property by an Owner be deemed accepted, ratified, adopted and declared as a personal covenant of such Owner and shall be binding on such Owner or his or her respective heirs, personal representatives, successors or assigns, to, with and for the benefit of the Declarant and all Owners within the Subdivision; (iii) shall be deemed a covenant, obligation and restriction secured by a lien binding, burdening and encumbering the title to all of such Owner's right, title and interest to any of the Property, which lien shall be deemed a lien in favor of the Declarant, as its interest may appear, and all Owners within the Subdivision; and (iv) shall run with the Land.

15.4 Lender's Interest Not Impaired. No violation or breach of, or failure to comply with, any provision of this Declaration and no action to enforce any such provision shall affect, defeat, render invalid or impair the lien of any Mortgagee taken in good faith and for value and perfected by recording in the Office of the Clerk of the Circuit Court of Rockingham County, Virginia, prior to the time of recording in said office of an instrument describing such Property and listing the name or names of the Owner or Owners of fee simple title to the Property and giving notice of such violation, breach or failure to comply; nor shall such violation, breach, failure to comply or action to enforce affect, defeat, render invalid or impair the title or interest of the holder of any such Mortgage acquired by a bona fide purchaser upon foreclosure of any such Mortgage, or result in any liability, personal or otherwise of any such holder or purchaser. Any such purchaser on foreclosure shall, however, take subject to this Declaration with the exception of violations or breaches of, or failures to comply with, any provisions of this Declaration which occurred prior to the vesting of fee simple title in such purchaser.

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VIRGINIA: In the Clerk's Office of the Circuit Court of Rockingham County
The foregoing instrument was this day presented in the office aforesaid, and is
together with the certificate of acknowledgement annexed, admitted to record this
23 day of Jan, 2006 at 10:02 M. I certify that
taxes were paid when applicable:

Sec. 58-54 - State _____ County _____ City _____
Sec. 58-54.1 - State _____ County _____ City _____ Transfer _____
Recording 35.00 Copies 9.50 TESTE

L. WAYNE HARPER
CLERK

Deed Book No 2804 Page 47 4450

06 JAN 23 10:10:10

L. WAYNE HARPER, CLERK

001855

ROCKINGHAM COUNTY
L. WAYNE HARPER
CLERK OF COURT
Harrisonburg, VA 22801



Instrument Number: 2006- 00024561

As
Covenants

Recorded On: July 26, 2006

Parties: ROCKINGHAM ATLANTIC LLC
To
NO GRANTEE

Recorded By: KEELER OBENSHAIN

Num Of Pages: 3

Comment:

**** Examined and Charged as Follows: ****

Covenants	6.50	10 or Fewer Pages	14.50
Recording Charge:	21.00		

**** THIS PAGE IS PART OF THE INSTRUMENT ****

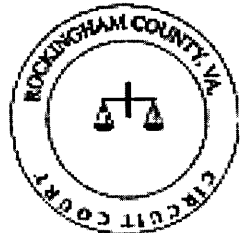
I hereby certify that the within and foregoing was recorded in the Clerk's Office For: ROCKINGHAM COUNTY, VA

File Information:

Record and Return To:

Document Number: 2006- 00024561
Receipt Number: 7964
Recorded Date/Time: July 26, 2006 03:24:03P
Book-Vol/Pg: Bk-OR VI-2909 Pg-663
Cashier / Station: A Pittman / Cash Station 3

KEELER OBENSHAIN
90 NORTH MAIN ST
SUITE 201
HARRISONBURG VA 22801



THE STATE OF VIRGINIA }
COUNTY OF ROCKINGHAM }

I certify that the document to which this authentication is affixed is a true copy of a record in the Rockingham County Circuit Court Clerk's Office and that I am the custodian of that record.

CLERK OF COURT
ROCKINGHAM COUNTY, VIRGINIA

**FIRST AMENDMENT TO
PROTECTIVE COVENANTS AND CONDITIONS
FOR
MAGNOLIA RIDGE SUBDIVISION**

This First Amendment is made this 20th day of July, 2006, by ROCKINGHAM ATLANTIC, LLC, a Virginia limited liability company (the "Declarant"), and constitutes an amendment to the Protective Covenants and Conditions for Magnolia Ridge Subdivision, dated January 18, 2006 by Rockingham Atlantic, LLC of record in the Clerk's Office of the Circuit Court of Rockingham County, Virginia in Deed Book 2804, Page 97 (the "Covenants").

WHEREAS, the first sentence of Section 11.8 of the Covenants is as follows and contains a scrivener's error:

11.8 Storage of Equipment and Vehicles. All boats, snow plows, campers and extra motor vehicles must be stored in a garage.

WHEREAS, pursuant to Section 55-515.2(F) of the Code of Virginia, the Declarant may unilaterally execute and record a corrective amendment to a declaration to correct a scrivener's error;

WHEREAS, the Declarant desires to correct the scrivener's error in Section 11.8 of the Covenants.

NOW THEREFORE, Declarant hereby declares that the current first sentence of Section 11.8 of the Covenants shall be deleted and the following shall be substituted therefor:

11.8 Storage of Equipment and Vehicles. All boats, snow plows, campers and extra-curricular or recreational vehicles must be stored in a garage.

All capitalized terms not defined herein shall have the same meaning as defined in the Covenants.

This First Amendment shall hereafter be deemed for all purposes as a part of the Covenants.

IN WITNESS WHEREOF, Declarant has executed this First Amendment as of the dated first set forth above.

ROCKINGHAM ATLANTIC, LLC
a Virginia limited liability company

By: *Adam Fried*

Adam Fried
Manager

STATE OF VIRGINIA

CITY/COUNTY OF Spotsylvania, to-wit:

The foregoing instrument was acknowledged before me in the jurisdiction aforesaid this 25 day of July, 2006, on behalf of Rockingham Atlantic, LLC, by Adam Fried, its Manager.

My commission expires: 12-31-09.

(SEAL)

Anita Jan Seaton

Notary Public