

apply to the purchaser at the first closing of the sale of a Lot and each closing of the sale of the Lot thereafter. The amount of the working capital assessment shall be equal to three (3) monthly installments of the annual assessment for the year in which the closing occurs.

4.11. Loans from Declarant. Declarant shall have the right, from time to time, but not the obligation, to loan money to the Association to cover operating fund deficits and any other lawful purpose. Any such loans shall be represented by one or more interest bearing credit line demand notes from the Association as debtor to the Declarant as creditor. Such notes shall be in a form acceptable to Declarant.

ARTICLE V ARCHITECTURAL CONTROL

5.1 Approval Required. No building, fence, wall, walkway, driveway or other structure or landscaping shall be constructed, erected or maintained upon the Property, nor shall any exterior addition, change or alteration therein be made, including exterior painting, until the plans and specifications showing the nature, kind, shape, height, materials, and location of the same shall have been submitted to and approved in writing as to harmony of external design and location in relation to surrounding structures and topography by the Board of Directors of the Association, or by an "Architectural Committee" composed of two (2) or more representatives appointed by the Declarant for as long as Declarant or any Builder owns any Lots and thereafter by the Board. The Architectural Committee shall prepare for the Board's approval, or if no Architectural Committee exists, the Board shall prepare and adopt, architectural standards consistent with and supplementing the minimum standards set forth in this Declaration (the "Standards"). Approval or disapproval of plans, locations or specifications may be based by the Architectural Committee or the Board, as the case may be, upon any ground incorporated within the Standards including purely aesthetic considerations, which, in the sole and uncontrolled discretion of the Architectural Committee or the Board, shall be sufficient. If the Architectural Committee or the Board has not approved or rejected such plans and specifications within thirty (30) days following receipt of written request for approval, the Person making the submission for approval shall deliver to the Architectural Committee or the Board written notice of its failure to act, and, if approval is not granted or denied within fifteen (15) days thereafter, the plans and specifications shall be deemed to be approved unless they conflict with the express minimum requirements of both this Declaration and the Standards.

5.2 Failure to Obtain Approval. By accepting a conveyance of a Lot, each Owner, for himself, his heirs, successors and assigns, covenants that: (1) if he alters or redecorates the exterior of the Dwelling or Lot before submission of plans thereof to the Architectural Committee or the Board, the Board, at the request of the Architectural Committee if one exists, and otherwise in its sole discretion shall have the right, through agents and employees of the Association, and in addition to any other rights or remedies that it may have at law or in equity, to enter upon the Lot and to repair, redecorate, maintain, rehabilitate and restore the premises and the exterior of any improvement thereon; (ii) the costs thereof shall be a special assessment to and become a lien upon the Dwelling and Lot so redecorated, repaired, maintained, rehabilitated,

or restored; and (iii) the Owner will pay, to the Association, the amount of the charge in the time and manner set forth above.

5.3 Minimum Development Standards. Improved Lots shall comply with the following minimum requirements in addition to the requirements of the Standards:

5.3.1 Roof Material. Roof shingles shall be 25-year dimensional shingles or another material of equal or greater quality and durability and approved by the Architectural Committee.

5.3.2 Siding Materials. Siding materials shall be brick or vinyl or a combination of brick and vinyl.

5.3.3 Driveways. The driveway for each Improved Lot shall be constructed of an impervious material.

5.3.4 Garages. Each Improved Unit shall contain a garage. Garages shall not be converted into living space.

5.3.5 Fences. Any fences permitted shall be wood board on board design with Gothic style post caps or comparable style post caps. Pickets are to be 5 ½ inches in width and shall face to outside of fence (supports and stringer on the inside). Such fence shall be six (6) feet in height with gate in rear section of fence, or in the case of an end unit, the gate may be on the rear or on the side section of fence, away from the adjoining neighbor. Any permitted fence shall extend from rear of Dwelling to back of rear Lot, enclosing the total area of rear lawn whenever possible. The fence shall be constructed of unfinished pressure treated wood. The post caps used on the six-foot privacy partitions between the Dwellings shall be the board on board design and shall extend eight (8) feet from the rear corner of each Dwelling. Owners who share the privacy partition may replace the flat caps with gothic-style caps.

ARTICLE VI PARTY WALLS.

6.1 General Rules of Law to Apply. Each wall which is built as a part of the original construction of the Dwellings and placed on the dividing line between the Lots, shall constitute a party wall, and to the extent not inconsistent with the provisions of this Article, the general rules of law regarding party walls and liability for property damage due to negligence or willful acts or omissions shall apply thereto.

6.2 Sharing of Repair and Maintenance. The cost of reasonable repair and maintenance of a party wall shall be shared by the Owners who make use of the wall in proportion to such use. Any disputes over the reasonableness of the cost of such repair and maintenance shall be resolved in accordance with Section 6.6.

6.3 Destruction by Fire or Other Casualty. If a party wall is destroyed or damaged by fire or other casualty, any Owner who has used the wall may restore it, and if the other Owners thereafter make use of the wall, they shall contribute to the cost of restoration thereof in proportion to such use without prejudice to the right of any such Owners to call for a larger contribution from the others under any rule of law regarding liability for negligent or willful acts or omissions.

6.4 Weatherproofing. Notwithstanding any other provision of this Article, an Owner who by his negligent or willful act causes the party wall to be exposed to the elements shall bear the whole cost of furnishing the necessary protection against such elements.

6.5 Right to Contribution Runs with Land. The right of any Owner to contribution from any other Owner under this Article shall be appurtenant to the Owner's Lot and shall pass to such Owner's successors in title.

6.6 Arbitration. Upon any dispute arising concerning a party wall, or under the provisions of this Article, the parties may choose to resolve such dispute through binding arbitration. In such case, the Board of Directors shall act as the arbitrator. However, if the parties object to the Board of Directors acting as the arbitrator, then each party shall choose one arbitrator, and each arbitrator shall choose one additional arbitrator, and the decision shall be by a majority of all the arbitrators. If the parties fail to use the Board of Directors as the arbitrator, the fees of the arbitrators used shall be borne by the parties, and the arbitrators may elect to award the prevailing party the right to contribution for such fees from the non-prevailing party.

ARTICLE VII EASEMENTS

7.1 Reservation by Declarant. Declarant reserves unto itself, its successors and assigns, a perpetual easement and right of way on, over, along and under the streets and roads of the Property and over the easement areas designated in this Declaration to install, maintain and use underground electric, cable television and telephone wires, cables, conduits, drainage ways, sewers, water mains and other equipment for the conveyance and use of electricity, telephone equipment, gas, sewer, water, drainage or other public conveniences or utilities and vehicular and pedestrian ingress and egress to and from the Property and public right of way as may be necessary or desirable to serve the Property. These easements and rights expressly include the right to cut any trees, bushes or shrubbery or to take any other action reasonably necessary to provide economical and safe utility installation and to maintain reasonable standards of health, safety and appearance. Declarant additionally reserves unto itself, its successors and assigns, a perpetual easement and right of way on, over, along and under the streets and roads of the Property and over the Common Areas designated in this Declaration to construct, operate and maintain a sales office on the Property and to maintain one or more Dwellings as models to be used in conjunction with the sale of Lots and Dwellings.

7.2 Adjoining Areas. Each Lot and its Owner are hereby declared to have an easement and the same is hereby granted by the Declarant over all adjoining Lots and Common Areas, as the case may be, for the purpose of accommodating any encroachment due to engineering errors, errors in original construction, settlement or shifting of the building, or any other cause, providing such encroachments do not exceed one (1) foot or touch any building or interfere with the use of any improvements on the servient property. There shall be valid easements for the maintenance of such encroachment, settlement or shifting; provided, however, that in no event shall a valid easement for encroachment be created in favor of an Owner or Owners if the encroachment occurred due to the willful misconduct of the Owner or Owners.

7.3 Overhanging Roofs and Eaves. Each Lot and its Owner is hereby declared to have an easement and the same is hereby granted by the Declarant, over each adjoining Lot and the Common Area, as the case may be, for over-hanging roofs and eaves attached to improvements on the Lot, provided, however, that such encroachments may not exceed one (1) foot.

7.4 Utilities. Each Lot and its Owner are hereby declared to have an easement and the same is hereby granted by the Declarant over all Lots and Common Areas, as the case may be, for the installation, use, maintenance, repair and replacement of utilities (including, without limitation, cable television, electric, gas, telephone, water, sewer, drainage and communications) to the extent shown on a subdivision plat, a separate easement plat recorded in the Clerk's Office by or with the written consent of the Declarant, or on the construction plans for the Property filed with the County public works department, or public utilities department. The following provisions shall apply to any utilities or drainage easement created by this Section 7.4.

7.4.1 Dwelling Area. No easement shall be deemed to burden any portion of a Lot upon which a Dwelling is or may hereafter be located.

7.4.2 Restoration; Conduct of Work. The Owner of the benefited Lot shall, at its expense, promptly restore, regrade and reseed, as necessary and to the extent practical, any portion of a burdened Lot or Common Area and any improvements thereon disturbed by any work performed in the easement area at the request of the Owner of the benefited Lot. The Owner of the benefited Lot shall cause the work to be done in a manner that creates the least inconvenience to the Owner of any other Lot and the Common Area. The Owner of the benefited Lot shall provide at least five (5) days prior written notice of any work to the Owners of Lots that will be disturbed or entered upon in connection with such work, and the Board with respect to the Common Area. This notice requirement shall be waived in the event of an emergency, but the Owner of the benefited Lot shall endeavor to provide as much prior notice as reasonably possible under the circumstances.

7.4.3 Use by Burdened Owner. The Owner of the burdened Lot may use any easement area located on its Lot for any purpose not inconsistent with the utility easement and rights granted to the Owner of the benefited Lot pursuant to this Section 7.4, including, without limitation (but subject to the other provisions of this Declaration, the Standards and the rules and regulations of the Association) the installation and maintenance of fences, landscaping and accessory buildings. The Owner of the burdened Lot shall have the right, at its expense, to

relocate any utilities serving other Lots to accommodate such improvements, and the Association shall have the same right with respect to utilities located in the Common Areas.

7.4.4 Applicability. The easement created in this Section 7.4, shall not apply to any utilities or drainage improvements located within a specific area of a Lot or Common Area that is subject to an easement granted or reserved in a separate instrument recorded in the Clerk's Office.

7.5 Duties of the Association. There is hereby reserved to the Association such easements over, through and across the Property as are necessary to perform the duties and obligations of the Association as are set forth in Article IV above.

7.6 Easements Serving Additional Property. The Declarant and its duly authorized agents, representatives, and employees, as well as its successors, assigns, licensees and lenders shall have and there are hereby reserved non-exclusive assignable easements over the Common Areas for the purpose of enjoyment, use, access and development of the Additional Land, whether or not such Additional Land is made subject to this Declaration. This easement includes, without limitation, a right of ingress and egress over the Common Areas for construction, the right to connect to utilities located within the Common Areas for the purpose of serving the Additional Land, and the installation of new utilities serving the Additional Land. Declarant agrees that it, its successors or assigns, shall be responsible for any damage caused to the Common Areas as a result of vehicular traffic to and from the Additional Land until such time, if ever, that the Additional Land is annexed to this Declaration. If the easement is exercised for permanent access to the Additional Land and such Additional Land or any portion thereof is not made subject to this Declaration, the Declarant, its successors or assigns shall enter into a reasonable agreement with the Association to share the cost of maintenance of any access road serving the Additional Land. Such agreement shall provide for sharing of costs based on the ratio which the number of residential Dwellings on that portion of the Additional Land which is served by the easement and is not made subject to this Declaration bears to the total number of Dwellings within the Property and on such portion of the Additional Land.

7.7 Hedges and Fences. Each Lot and its Owner is hereby declared to have an easement and the same is hereby granted by the Declarant, for encroachments on adjoining Lots or Common Area, as the case may be, due to hedges or wooden fences belonging to such Lot, to the extent such hedge or wooden fence encroaches on adjoining Lots or Common Area. Notwithstanding the foregoing, no fence shall be erected without the permission of the Board of Directors or the Architectural Committee acting on behalf of the Board of Directors.

7.8 Priority of Easements. Each of the easements hereinabove referred to shall be deemed to have been established upon the recordation of this Declaration and shall henceforth be deemed to be covenants running with the land for the use and benefit of the Lots, and the Common Area, as the case may be, superior to all other encumbrances which may hereafter be applied against or in favor of the Property or any portion thereof.

ARTICLE VIII
PARTICULAR RESTRICTIONS AND INSURANCE REQUIREMENTS

8.1 Noxious or Offensive Activity. No noxious or offensive activity shall be carried on or upon any Lot or any part of the Property, nor shall anything be done thereon which may be or may become an annoyance or nuisance, public or private, to the neighborhood, or which shall in any way interfere with the quiet enjoyment of each of the Owners of his respective Dwelling, or which shall in any way increase the rate of insurance.

8.2 Residential Use. All Dwellings and Lots shall be used for single family residential purposes exclusively. The use of a portion of any Lot for business purposes by the owner or occupant thereof shall be considered a residential use only if the Lot is used primarily for residential purposes, and if such business use (i) is not detectable by sight, sound or smell from the exterior of the residence, (ii) is consistent with zoning and does not violate applicable law; (iii) does not increase the liability or casualty insurance premium or obligation of the Association or of other residents of the Property; (iv) does not create any customer or client traffic which is detrimental to the residential characteristics of the Property as determined by the Board of Directors in their discretion; and (v) is consistent with the residential character of the Property and does not constitute a nuisance, hazard, offensive use, or threaten the security or safety of any Owner, as determined by the Board of Directors in their discretion. The use of a Lot shall not be deemed to be for single family purposes if the Lot is used (whether by common owners or tenants) by more than three (3) unrelated persons as a residence. This Section 8.2 shall not apply to any Dwellings or Lots used as sales offices or models by Declarant or a Builder.

8.3 Rentals. The Association has the right, in its sole discretion, to limit the number and type of Dwellings that may be leased by an Owner to a maximum of 15% of all Dwellings. Any Owner desiring to lease his or her Dwelling must provide to the Association written notice of the Owner's intent to lease the Dwelling and pay an annual leasing fee equal to one (1) month's assessment. This non-refundable leasing fee is due and payable at the commencement of the lease and on the anniversary date each year the lease is in effect. The Association shall have thirty (30) days from receipt of said notice to approve or disapprove in writing the Owner's request to put the Dwelling on the market to lease. If the Board fails to so advise the Owner within the thirty (30) day time period, the Owner shall submit a second request in writing to the Board. Failure by the Board to provide a written response to the Owner within fifteen (15) days of receipt of the Owner's second request shall be deemed an approval of the Owner's request to put his or her Dwelling on the market to lease. Dwellings or Lots shall not be leased unless the lease is subject in all respects to the terms and provisions of the Governing Documents. The Board may adopt regulations requiring the use of a lease form or addendum approved by the Board for this purpose and establish minimum requirements for leases including, without limitation, minimum lease terms and rules requiring that an entire Lot and Dwelling be leased instead of a portion thereof. The Board may also fix penalties for any Person who leases or attempts to lease his Dwelling in violation of this Section 8.3, the Governing Documents, or any rules and regulations hereinafter adopted by the Board pursuant to this Section.

8.4 Parking. Each Owner or its tenant shall utilize the garage serving the Owner's Dwelling for parking the Owner's and the tenant's motor vehicles. No Owner or its tenant shall be permitted to convert the garage serving its Dwelling into living space. Vehicles used by the Owner's or tenant's guests, permittees and invitees shall be parked in the Owners' driveway. Unless otherwise established by the Board of Directors, all Common Area parking shall be on a first-come, first-served basis.

8.5 Prohibited and Restricted Vehicles. Commercial vehicles (weighing in excess of 2.5 tons when empty), vehicles primarily used or designated for commercial purposes, tractors, mobile homes, buses, vehicles used primarily for recreational purposes, trailers (either with or without wheels), campers, camper trailers, boats and other watercraft, and boat trailers shall not be parked on any street or in a front yard, but shall be parked only in enclosed garages or in other areas, if any, designated by the Board of Directors. Stored vehicles and vehicles which are either obviously inoperable or do not have current operating licenses shall not be permitted on the Property except within enclosed garages. Notwithstanding the foregoing, service and delivery vehicles may be parked on the Property during daylight hours for such period of time as is reasonably necessary to provide service or to make a delivery to a Lot, a Dwelling, or the Common Areas. Any vehicle parked in violation of this Section or the rules and regulations promulgated by the Board of Directors may be towed.

8.6 Animals. No animals, livestock, poultry of any kind or domestic animal which is kept, bred or maintained for a commercial purpose shall be raised, bred or kept on any Lot or in any Dwelling. Notwithstanding the foregoing, no animals or fowl may be kept on the Property which result in any annoyance or are obnoxious to residents in the vicinity as determined by the Board, and each Owner shall be absolutely liable to each and all remaining Owners, their families, guests, permittees and invitees, and to the Association, for any and all damage to person or property caused by any pets brought upon or kept upon the Lots, Dwellings, Common Area or Areas of Common Responsibility by any Owner or by members of his family, guests, permittees or invitees. If any such animal is kept in the rear yard of the Lot, maintenance services may be withheld in the sole discretion of the Board without credit or rebate to the Owner. No Owner shall permit any dog to be let out of that Owner's Dwelling unless the dog is kept within a fence or on a leash. Any Owner keeping an animal on a Lot or in a Dwelling must comply with all requirements of law applicable to such animal.

8.7 Trash Cans. Trash cans shall be kept inside garages except on trash pick-up day.

8.8 Fire Insurance and Extended Coverage. Each Owner shall be responsible for securing insurance policies for fire and extended coverage for its Dwelling, in an amount equal to 100% of the then current replacement cost of the property (excluding land, foundations, excavations and other items that are usually excluded from such coverage) without deduction for depreciation. Copies of all policies and any renewals shall be filed with the Board within thirty (30) days after written request by the Board. The Board reserves the right to approve all policies.

8.9 Board as Agent. The Board is hereby irrevocably appointed as the agent for each Owner of a Dwelling or Lot and for each mortgagee of a Dwelling or Lot to adjust all claims

arising under any insurance policy or policies purchased by the Board, provided, however, that no adjustment shall be deemed binding until concurred in by any mortgagee affected thereby.

8.10 Insurance Trustee. The Board may from time to time designate as an insurance trustee, a bank, trust company, savings and loan association, insurance company, or any financial institution to discharge the duties and responsibilities of the Board and the Association relating to insurance proceeds. The Board shall pay the fees and disbursements of any insurance trustee and such fees and disbursements shall constitute a common expense of the Owners to be included as part of the annual assessment provided in Article IV hereof.

8.11 Real Estate and Rental Signs. Except for signs installed by Declarant, no "for sale" or "for rent" signs shall be placed in the yard of any Dwelling. Such signs are subject to size restrictions promulgated by the Board in the rules and regulations of the Association and the guidelines set for hereof.

1. Only one (1) advertising sign shall be permitted on a Lot at any time.
2. All advertising signs must be installed inside of the Dwelling and must be located in a window on the first (1st) floor of a building. The front face of the advertising sign must be parallel to the front wall of the Dwelling on the Lot.
3. No advertising sign may exceed three (3) feet in width or height.
4. A professional sign company must prepare any advertising sign.
5. No boxes containing advertising materials related to the rental or sale of a Dwelling shall be permitted on a Lot.
6. Any Advertising Sign must comply with all applicable provisions of the York County Zoning Ordinance.
7. The Architectural Committee may require the removal of an Advertising Sign that it determines, in its sole discretion, is not in harmony with the quality of development in Riverwalk Townes.
8. The Declarant, in its sole discretion, reserves the right to erect temporary or permanent signs on Lots and Common Areas identifying and/or advertising Riverwalk Townes.

8.12 Change in Occupancy. In the event of any change in occupancy of any Dwelling, as a result of a transfer of title, a lease or a sublease, a birth or death, change in marital status, vacancy, change in location of permanent residence, or otherwise, the Owner of the Dwelling shall immediately notify the Board of Directors in writing and provide to the Board of Directors the names of all current occupants of the Dwelling and such other information as the Board of Directors may reasonably require. In the event that an Owner fails to notify the Board of Directors and provide all required information within ten (10) days after a change in occupancy occurs, the Association shall be authorized to levy monetary fines against the Owner and the Lot

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and Dwelling for each day after the change in occupancy occurs until the Association received the required notice and information in addition to all other remedies available to the Association under this Declaration and Virginia law.

ARTICLE IX
ENFORCEMENT

9.1 Enforcement. Declarant, the Association or any Owner, shall have the right to enforce, by any proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens and charges now or hereafter imposed by the provisions of this Declaration. If, in any litigation for the enforcement of these covenants, conditions and restrictions, the Declarant, the Association or any Owner bringing suit prevails, such Person shall be entitled to be reimbursed for reasonable attorney's fees incurred in seeking such enforcement. Failure to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter.

9.2 Invalidation. Invalidation of any of these covenants by judgment or court order shall in no way affect any of the other provisions hereof which shall remain in full force and effect.

ARTICLE X
TERM, AMENDMENT AND EXPANSION

10.1 Term. These covenants shall run with the land and shall be binding on all parties and all Persons claiming under them for a period of twenty (20) years from the date these covenants are recorded, after which time they shall automatically be extended for additional ten (10) year periods, unless an instrument signed or approved by the then Owners of at least two-thirds (2/3) of the Lots has been recorded, agreeing to change the covenants in whole or in part.

10.2 Amendment. This Declaration may be amended by an instrument approved by the Owners of at least two-thirds (2/3) of the Lots; provided, however, that no approval of the Owners shall be required (i) to effect the annexation of Additional Land by Declarant pursuant to Section 10.3; or (ii) to make any technical amendment to this Declaration, any amendments necessary to comply with applicable law, or as requested by any government agency that issues or guaranties loans secured by Dwellings, mortgagee or insurer which does not materially or adversely affect the rights of the Owners ("Permitted Amendments"). Any amendment must be recorded in the Clerk's Office and, if the approval of Owners is required, must either be signed by the Owners of at least two-thirds (2/3) of the Lots or have appended to it an acknowledged certificate of the secretary of the Association that the amendment has been approved as required hereby. So long as Declarant owns any Lots or any portion of the Additional Land or any portion of the Additional Land has not been annexed to the Property, no amendment shall be made to this Declaration that adversely affects any of the easement, utility or other rights reserved by the Declarant unless agreed to in writing by the Declarant. Any amendment made in violation of this provision shall be null and void. Notwithstanding anything contained herein to the contrary, the covenants contained in this Declaration shall not be amended (other than Permitted

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