

Exhibit B to the Declaration

BYLAWS OF CABIN BRANCH FOREST ASSOCIATION, INC.

ARTICLE 1

GENERAL PROVISIONS

Section 1.1. Interpretive Provisions

Definitions, terms and other interpretive provisions set forth in Article 1 of the Declaration for Cabin Branch Forest recorded or to be recorded among the land records of Loudoun County, Virginia, are equally applicable to these Bylaws and are incorporated herein.

Section 1.2. Name

These Bylaws provide for the governance of the Property by the Association. The full name of the Association shall be Cabin Branch Forest Association, Inc., a nonstock corporation organized under the laws of Virginia.

Section 1.3. Office

The office of the Association and the Board of Directors shall be located at the Property or at such other place as may be designated from time to time by the Board of Directors.

ARTICLE 2

ASSOCIATION

Section 2.1. Membership and Purpose

- (a) Each Owner is a member of the Association while such Owner holds title to a Lot. If more than one Person owns a Lot, then all of the Persons who own such Lot shall collectively constitute one Owner and one member of the Association, but each Person is entitled to attend all meetings of the Association. Upon acquiring title to a Lot, a new Owner shall immediately give written notice to the Secretary stating the name and address of the new Owner and the address or number of the Lot. If the new Owner fails to give the Secretary such notice within thirty days of acquiring title to such Lot, then any recordkeeping costs incurred by the Association may be assessed against such Owner pursuant to subsection 13.1(a) hereof.
- (b) The Association shall arrange for the management and Upkeep of the Common Area, establishing the means and methods of collecting assessments and charges, and performing all of the other acts that may be required or permitted to be performed by the Association by the Association Documents or the Act. Unless specifically provided otherwise by the Association Documents, the foregoing responsibilities shall be performed by the Board of Directors or managing agent as more particularly set forth in Article 3 of these Bylaws.

Section 2.2. Annual Meetings

The first annual meeting of the Association shall be held, not later than the first anniversary of the incorporation of the Association, at such time and place as may be fixed by a resolution of the Board of Directors. Subsequent annual meetings of the Association shall be held on weekdays (other than legal holidays) during the first quarter of each fiscal year at such time as may be fixed from time to time by resolutions of the Board of Directors.

Section 2.3. Place of Meetings

Meetings of the Association shall be held at the principal office of the Association or at such other suitable place convenient to the Owners as may be designated by the Board of Directors.

Section 2.4. Special Meetings

The President shall call a special meeting of the Association:

- (i) upon the President's determination;
- (ii) if so directed by resolution of the Board of Directors;

- (iii) upon a petition presented to the Secretary and signed by Owners entitled to cast at least twenty percent of the total number of votes (excluding the Declarant's votes during the Declarant Control Period); or

Section 2.5. Notice of Meetings

- (a) Written notice stating the place, day and time of each annual meeting and, in case of a special meeting, the purposes for which the meeting is called, shall be given by the Secretary to each Owner entitled to vote at such meeting not less than ten nor more than sixty days before the date of the meeting. No business shall be transacted at a special meeting except as stated in the notice. The giving of notice in the manner provided in this section and Section 15.1 hereof shall be considered service of notice.
- (b) Notwithstanding the provisions of subsection (a), notice of a meeting to act on an amendment to the Articles of Incorporation or a plan of merger, consolidation or dissolution of the Association shall be given in the manner provided above not less than twenty-five nor more than sixty days before the date of the meeting. Any such notice shall be accompanied by a copy of the proposed amendment or plan of merger, consolidation or dissolution. Any such amendment or plan of merger, consolidation or dissolution shall not be effective unless notice of such matter was provided in accordance with this subsection.

Section 2.6. Waiver of Notice of Meetings

- (a) Whenever any notice is required to be given of any meeting of the Association, a waiver thereof in writing signed by an Owner entitled to such notice, whether given before or after the time stated therein, shall be equivalent to the giving of such notice to that Owner.
- (b) An Owner who attends a meeting shall be conclusively presumed to have had timely and proper notice of the meeting or to have duly waived notice thereof, unless such Owner attends for the express purpose of objecting to the transaction of any business on the grounds that the meeting was not lawfully called or convened and so notifies the person conducting the meeting at or prior to the commencement of the meeting.

Section 2.7. Record Date to Determine Owners; List of Owners

The date for determining which Persons are Owners and therefor entitled to vote ("Record Date") shall be the close of business on the day before the effective date of the notice to the Owners of the meeting, unless the Board of Directors shall determine otherwise. Pursuant to Section 13.1-844 of the Act, the Board shall not fix a Record Date more than seventy days before the date of the meeting or other action requiring a determination of the Owners, nor shall the Board set a Record Date retroactively. At least ten days before each meeting, the Secretary shall make a complete list of Owners, with the address of each, available for review by the Owners before and during the meeting. The list shall be current as of the Record Date.

Section 2.8. Quorum

A quorum shall be deemed to be present throughout any meeting of the Association if Owners entitled to cast at least twenty-five percent of the total number of votes are present, in person or by proxy, at the beginning of such meeting. Once an Owner is present at the meeting, such Owner is deemed present for quorum purposes for the remainder of the meeting and for adjournment of that meeting unless a new Record Date is or shall be set for the adjourned meeting. If at any meeting of the Association a quorum is not present, a majority of the Owners who are present at such meeting in person or by proxy may:

- (i) recess the meeting to such date, time and place as such Owners may agree not more than forty-eight hours after the time the original meeting was called; or
- (ii) adjourn the meeting to a time not less than forty-eight hours after the time the original meeting was called. The Secretary shall announce the new date, time and place at the meeting and make other reasonable efforts to notify Owners of such date, time and place.

Section 2.9. Action by Owners without Meeting

Any action required or permitted to be taken at a meeting of the Association may be taken without a meeting if consent in writing, setting forth the action so taken, is signed by all of the Owners entitled to vote with respect to the subject matter thereof. Such consent shall have the same force and effect as a unanimous vote of the Owners and shall be filed with the minutes of the Association.

Section 2.10. Order of Business

Unless otherwise specified in the notice of the meeting, the order of business at all meetings of the Association shall be as follows:

- (a) roll call (proof of quorum);
- (b) proof of notice of meeting;
- (c) reading of minutes of preceding meeting;
- (d) reports of officers;
- (e) report of Board of Directors;
- (f) reports of committees;
- (g) appointment of inspectors of election (when so required);
- (h) election of directors (when so required);
- (i) unfinished business; and
- (j) new business, provided, however, that balloting may commence at any time at the direction of the presiding Officer.

Section 2.11. Conduct of Meetings

The President shall preside over all meetings of the Association and the Secretary shall keep the minutes of the meeting and record all resolutions adopted at the meeting, as well as all proceedings occurring at the meeting. The President may appoint a parliamentarian at any meeting of the Association. The then current edition of Robert's Rules of Order shall govern the conduct of all meetings of the Association when not in conflict with the Act or the Association Documents.

Section 2.12. Voting Rights

- (a) Classes; Association Votes. The Association shall have the classes of members set forth in Section 4.2 of the Articles of Incorporation. If the Association is an Owner, the Association shall cast its votes with the majority with respect to any Lot it owns, and in any event such votes shall be counted for the purpose of establishing a quorum.
- (b) Required Vote. Unless a greater number is required by law or by the Association Documents, a Majority Vote is required to adopt any decisions at any meeting of the Association, except that directors shall be elected by a plurality vote.
- (c) Multiple-Person Owners. Since an Owner may be more than one Person, if only one of such Persons is present at a meeting of the Association, that Person shall be entitled to cast the Owner's votes. If more than one such Persons is present, the vote appertaining to that Owner shall be cast only in accordance with unanimous agreement of such Persons, and such agreement shall be conclusively presumed if any of them purports to cast the vote appertaining to that Owner without protest being made forthwith to the Person presiding over the meeting by any of the other Persons constituting such Owner.
- (d) Voting Certificate. If an Owner is not a natural person, the vote by such Owner may be cast by any natural person authorized by such Owner; provided, however, that such natural person is named in a certificate signed by an authorized officer of such Person. Such certificate shall be valid until revoked by a subsequent certificate similarly executed and filed. Wherever the approval or disapproval of an Owner is required by the Association Documents, such approval or disapproval shall be made only by the Person who would be entitled to cast the vote of such Owner at any meeting of the Association.
- (e) Delinquency. No Owner may vote at any meeting of the Association or be elected to serve on the Board of Directors if payment by such Owner of any financial obligation to the Association is delinquent more than sixty days and the amount necessary to bring the account current has not been paid at the time of such meeting or election.

Section 2.13. Manner of Voting

Voting by Owners shall be by voice vote (except for the election of directors which shall be by written ballot) unless any Owner present at the meeting, in person or by proxy, requests, and by a Majority Vote the Owners consent to, a vote by written ballots indicating the name of the Owner voting, the number of votes appertaining to such Owner, and the name of the proxy of such ballot if cast by a proxy. In the sole discretion of the Board of Directors, elections of directors may be conducted by mail. There shall be no cumulative voting.

Section 2.14. Proxies

A vote may be cast in person or by proxy. A proxy may be instructed (directing the proxy how to vote) or uninstructed (leaving how to vote to the proxy's discretion). Such proxies may be granted by any Owner in favor of such Owner's spouse, such Owner's tenant, another Owner, an Officer, the managing agent, the Declarant or such Owner's Mortgagee, or additionally in the case of a non-resident Owner, the Owner's attorney or rental agent. Only instructed proxies may be granted by any Owner to the managing agent. No Person other than the Declarant, the managing agent or an Officer shall cast votes as a proxy for more than one Lot not owned by such Person. Proxies shall be duly executed in writing, shall be dated, shall be signed by the Owner or a Person authorized by the Owner (or in the case where the Owner is more than one Person by or on behalf of all such Persons), shall be valid for no more than eleven months unless otherwise provided in the proxy and shall be filed with the Secretary. Such proxy shall be deemed revoked only upon actual receipt by the Person presiding over the meeting of notice of revocation from the Owner.

ARTICLE 3

DIRECTORS AND MANAGING AGENT

Section 3.1. Powers and Duties of the Board of Directors

The business of the Association shall be managed by the Board of Directors. The Board shall have all of the powers and duties necessary for the administration of the affairs of the Association and may do all such acts and things as are not required by the Act or the Association Documents to be exercised and done by the Association. With respect to the duties of the Board of Directors, the Board shall have the sole authority to establish appropriate standards. The Board of Directors shall delegate to one of its members or to a Person employed for such purpose the authority to act on behalf of the Board on such matters relating to the duties of the managing agent (as defined in Section 3.2 hereof), if any, which may arise between meetings of the Board, as the Board deems appropriate. In addition to any other duties imposed by the Association Documents or by any resolution of the Association that may hereafter be adopted, the Board shall perform the following acts on behalf of the Association.

- (a) Prepare and adopt an annual budget in accordance with Section 7.1 hereof, which shall state the assessment of each Owner for the Common Expenses and such reasonable amounts as the Board of Directors considers necessary to provide working capital, a general operating reserve and reserves for contingencies and replacements.
- (b) Make assessments against the Owners to defray the costs and expenses of the Association, establish the means and methods of collecting such assessments from the Owners and establish the period of the installment payment of the annual assessment for Common Expenses; provided, however, that any additional assessment or increase in the annual assessment is imposed in accordance with subsection 7.1(g) hereof.
- (c) Provide services to the Owners in accordance with the Association Documents, and provide for Upkeep of all of the Common Area and, to the extent provided in the Association Documents, of the Lots.
- (d) Designate, hire, dismiss and, where appropriate, compensate the personnel necessary to provide for the Upkeep of the Common Area and, to the extent provided in the Association Documents, of the Lots, and to provide services to the Owners, as well as purchase equipment, supplies and material to be used by such personnel in the performance of their duties.
- (e) Collect the assessments, deposit the proceeds thereof in depositories designated by the Board of Directors and use the proceeds to carry out the administration of the Property.
- (f) Adopt and amend any reasonable Rules and Regulations respecting use of the Property; provided, however, that such Rules and Regulations shall not be in conflict with the Association Documents.
- (g) Open bank accounts on behalf of the Association and designate the signatories thereon.
- (h) Make, or contract for the making of, repairs, additions and improvements to or alterations of the Common Area, and, to the extent provided in the Association Documents, repairs to the Lots, as well as repairs to and restoration of the Common Area or improvements thereon, in accordance with Article 11 hereof and Article 7 of the Declaration, after damage or destruction by fire or other casualty, or as a result of condemnation or eminent domain proceedings.

- (i) Enforce by legal means the provisions of the Association Documents, act as the Owners' representative with respect to all matters arising out of any eminent domain proceeding affecting the Common Area, and notify the Owners of any litigation against the Association involving a claim in excess of ten percent of the amount of the annual budget.
- (j) Obtain and carry insurance against casualties and liabilities, as provided in Article 10 of these Bylaws, pay the premiums therefor and adjust and settle any claims thereunder.
- (k) Pay the cost of all authorized services rendered to the Association and not billed to Owners of individual Lots or otherwise provided for in Sections 7.1 and 7.2 hereof.
- (l) Keep books with detailed accounts in chronological order of the receipts and expenditures by the Association, specifying the expenses of Upkeep of the Common Area and any other expenses incurred in accordance with Article 16 hereof.
- (m) Notify a Mortgagee of any default in paying assessments for Common Expenses by an Owner (which remains uncured for sixty days) or for any other default, simultaneously with the notice sent to the defaulting Owner.
- (n) Acquire, hold and dispose of Lots and mortgage the same without the prior approval of the Association if such expenditures and hypothecations are included in the budget adopted by the Association.
- (o) Charge reasonable fees for the use of the Common Area and for services, pursuant to paragraph 3.5(b)(3) of the Declaration.
- (p) Suspend, in accordance with subsection 13.1(h) hereof, the right to use the Common Area for a reasonable period not to exceed sixty days for any violation of any provision of the Association Documents or for any period during which any assessment remains unpaid.
- (q) Borrow money on behalf of the Association, when required in connection with any one instance relating to the Upkeep of the Common Area; provided, however, that either a Majority Vote obtained at a meeting held for such purpose or written approval by Owners entitled to cast more than fifty percent of the total number of votes, shall be required to borrow any sum in excess of twenty percent of the total annual assessment for Common Expenses for that fiscal year; and, subject to Article 12 hereof, mortgage any of the Common Area.
- (r) Dedicate or transfer all or any part of the Common Area to any public agency, authority or utility for purposes consistent with the purposes of the Association, pursuant to paragraph 3.5(b)(5) of the Declaration and subject to such conditions as may be agreed to by the Owners in accordance with subsection 12.5(a) hereof.
- (s) Grant
 - (1) easements, rights-of-way and licenses over and through all or any portion of the Property for the construction, reconstruction, maintenance and repair of any utility lines or appurtenances, whether public or private, to any agency, public utility, the Declarant or any other Person, pursuant to section 3.3 of the Declaration; or
 - (2) easements, rights-of-way or licenses over and through all or any portion of the Property required by any government or governmental agency, pursuant to Section 3.7 of the Declaration.
- (t) Do such other things and acts not inconsistent with the Act or the Association Documents which the Board of Directors may be authorized to do by a resolution of the Association.

Section 3.2. Managing Agent

The Board of Directors may employ for the purpose of administering the Property a "managing agent" at a compensation to be established by the Board.

- (a) Requirements. The managing agent shall be a bona fide business enterprise, unaffiliated with the Declarant, which manages common interest residential communities. Such firm or its principals shall have a minimum of two years experience in real estate community management and shall employ Persons possessing a high level of competence in the technical skills necessary to provide proper management of the Property. The managing agent must be able to advise the Board of Directors regarding the administrative operation of the Property and shall employ personnel knowledgeable in the areas of insurance, accounting, contract negotiation, labor relations and property management.
- (b) Duties. The managing agent shall perform such duties and services as the Board of Directors shall direct. Such duties and services may include, without limitation, the duties listed in subsections 3.1 (a), (c), (d), (e), (h), (i), (j), (k), (l), (m) and (t). The Board of Directors may delegate to the managing agent all of the powers granted to the Board of Directors by these

- Bylaws other than the powers set forth in subsections 3.1 (b), (f), (g), (n), (o), (p), (q), (r) and (s). The managing agent shall perform the obligations, duties and services relating to the management of the Property, the rights of Mortgagees and the maintenance of reserve funds in compliance with the provisions of the Act and the Association Documents.
- (c) Standards. The Board of Directors shall impose appropriate standards of performance upon the managing agent. Unless the managing agent is instructed otherwise by the Board of Directors:
- (1) the accrual method of accounting shall be employed and expenses required by these Bylaws to be charged to more than one but less than all Owners shall be accounted for and reported separately;
 - (2) two or more Persons shall be responsible for handling cash to maintain adequate financial central procedures;
 - (3) cash accounts of the Association shall not be commingled with any other entity's accounts;
 - (4) no remuneration shall be accepted by the managing agent from vendors, independent contractors or others providing goods or services to the Association whether in the form of commissions, finders fees, service fees or otherwise; any discounts received shall benefit the Association;
 - (5) any financial or other interest which the managing agent may have in any firm providing goods or services to the Board of Directors shall be disclosed promptly to the Board of Directors; and
 - (6) a financial report shall be prepared for the Association at least quarterly, containing:
 - (A) an "income statement" reflecting all income and expense activity for the preceding period on an accrual basis;
 - (B) an "account activity statement" reflecting all receipt and disbursement activity for the preceding period on a cash basis;
 - (C) an "account status report" reflecting the status of all accounts in an "actual" versus "projected" (budget) format;
 - (D) a "balance sheet" reflecting the financial condition of the Association on an un-audited basis;
 - (E) a "budget report" reflecting any actual or pending obligations which are in excess of budgeted amounts by an amount exceeding the operating reserves or ten percent of a major budget category (as distinct from a specific line item in an expanded chart of accounts); and
 - (F) a "delinquency report" listing all Owners who are delinquent in paying assessments and describing the status of any actions to collect such assessments.
- (d) Limitations. The Association and the Board of Directors shall not undertake "self-management" or fail to employ a managing agent except as provided in subsection 12.5(b) hereof. Any contract with the managing agent must provide that it may be terminated, without payment of a termination fee, without cause on no more than ninety days written notice and with cause on no more than thirty days written notice.

Section 3.3. Number and Selection of Directors

The business and affairs of the Association shall be managed by a Board of Directors. The Board shall consist of not less than three nor more than five directors selected in accordance with Section 5.1 of the Articles of Incorporation.

Section 3.4. Organization Meeting

The first meeting of the Board of Directors following the annual meeting of the Association shall be held within thirty days thereafter at such time and place as shall be determined by a majority of the directors at the meeting at which such Board of Directors shall have been elected. No notice of the organizational meeting shall be necessary if such meeting is held immediately following the annual meeting and a majority of the entire Board of Directors is present at the meeting.

Section 3.5. Regular Meetings

Regular meetings of the Board of Directors may be held at such time and place as shall be determined from time to time by a majority of the directors, but such meetings shall be held at least quarterly during each fiscal year. Notice of regular meetings of the Board of Directors shall be given to each director, personally or by mail, telegraph or telephone, at least three business days prior to the day named for such meeting.

Section 3.6. Special Meetings

Special meetings of the Board of Directors may be called by the President on three business days notice to each director, given personally or by mail, telegraph or telephone, which notice shall state the time, place and purpose of the meeting. Special meetings of the Board of Directors shall be called by the President or Secretary in like manner and on like notice on the written request of at least two directors.

Section 3.7. Waiver of Notice

Any director may at any time, in writing, waive notice of any meeting of the Board of Directors, and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a director, in person or by telephone communication, at any meeting of the Board of Directors shall constitute a waiver of notice by such director of the time, place and purpose of such meeting. If all directors are present at any meeting of the Board of Directors, no notice shall be required and any business may be transacted at such meeting.

Section 3.8. Quorum of Board of Directors

At all meetings of the Board of Directors a majority of the directors shall constitute a quorum for the transaction of business, and a Majority Vote of the directors taken while a quorum is present shall constitute the decision of the Board of Directors, unless otherwise provided in the Association Documents. If at any meeting of the Board of Directors there shall be less than a quorum present, a majority of those present may adjourn or recess the meeting from time to time. At any such adjourned meeting at which a quorum is present, any business which might have been transacted at the meeting originally called may be transacted without further notice. A director who participates in a meeting by any means of communication by which all directors may simultaneously hear each other during the meeting shall be deemed present at the meeting for all purposes.

Section 3.9. Conduct of Meetings

The President shall preside over all meetings of the Board of Directors and the Secretary shall keep the minutes of the meeting of the Board and record all resolutions adopted by the Board as well as all proceedings occurring at such meetings. The then current edition of Robert's Rules of Order shall govern the conduct of the meetings of the Board of Directors when not in conflict with the Act or the Association Documents.

Section 3.10. Action Without Meeting

Any action by the Board of Directors required or permitted to be taken at any meeting may be taken without a meeting if all of the directors shall individually or collectively consent in writing to such action. Any such written consent shall be filed with the minutes of the proceedings of the Board of Directors.

ARTICLE 4

OFFICERS

Section 4.1. Designation and Duties of Officers

The principal Officers of the Association shall be the President, the Vice President, the Secretary and the Treasurer, all of whom shall be elected by the Board of Directors. The Board of Directors may appoint an assistant treasurer, an assistant secretary and such other Officers as in its judgment may be necessary. The President and Vice President shall be Owners and residents of the Property (except for those directors appointed by the Declarant) and members of the Board of Directors. Any other Officers may, but need not, be Owners, residents or directors. Each Officer shall perform such duties as are normally associated with such office in parliamentary organizations, except to the extent (if any) inconsistent with the Act or the Association Documents, and shall perform such other duties as may be assigned to such office by resolution of the Board of Directors. If any Officer is unable for any reason to perform the duties of the office, the President (or the Board of Directors if the President fails to do so) may appoint another qualified Person to act in such Officer's stead on an interim basis.

Section 4.2. Election of Officers

The Officers of the Association shall be elected annually by the Board of Directors at the organizational meeting of each new Board and shall hold office at the pleasure of the Board. Any Officer may hold more than one position; provided, however, that the offices of President, Vice President and Secretary shall be held by three different individuals. Except for death, resignation or removal, the Officers shall hold office until their respective successors shall have been elected by the Board.

Section 4.3. Resignation or Removal of Officers

Any Officer may resign by delivering written notice to the Board of Directors. Unless otherwise specified, such resignation shall take effect upon the receipt thereof, and acceptance of such resignation shall not be necessary to make it effective. Upon the affirmative vote of a majority of all members of the Board of Directors any Officer may be removed, either with or without cause, and a successor may be elected at any regular meeting of the Board or at any special meeting of the Board called for such purpose.

Section 4.4. Vacancies

A vacancy in any office may be filled by appointment by the Board of Directors. The Person appointed to fill a vacancy shall serve for the remainder of the term of the Officer such Person replaces.

Section 4.5. President.

The President shall: be the chief executive officer of the Association; preside at all meetings of the Association and of the Board of Directors; have general and active direction of the business of the Association subject to the control of the Board; see that all orders and resolutions of the Board are carried into effect, and, in general, perform all duties incident to the office of President.

Section 4.6. Vice President.

The Vice President shall take the place of the President and perform the duties of the President whenever the President shall be absent or unable to act. If neither the President nor the Vice President is able to act, the Board of Directors shall appoint some other director to act in the place of the President, on an interim basis. The Vice President shall also perform such other duties as shall from time to time be imposed by the Board of Directors or by the President.

Section 4.7. Secretary

The Secretary shall: keep the minutes of all meetings of the Association and of the Board of Directors; have charge of such books and papers as the Board may direct and as may be required by Section 13.1-932 of the Act; give or cause to be given all notices required to be given by the Association; maintain a register setting forth the place to which all notices to Owners and Mortgagees hereunder shall be delivered; file or cause to be filed the annual report required by Section 13.1-936 of the Act; and, in general, perform all the duties incident to the office of Secretary.

Section 4.8. Treasurer

The Treasurer shall (together with the managing agent): be responsible for Association funds and securities; keep full and accurate financial records and books of account showing all receipts and disbursements; prepare all required financial data; deposit all monies and other valuable effects in the name of the Board of Directors or the Association, in such depositories as may from time to time be designated by the Board; and, in general, perform all the duties incident to the office of Treasurer.

ARTICLE 5

COMMITTEES

Section 5.1. Covenants Committee

- (a) Purpose. The Board of Directors shall establish a Covenants Committee, consisting of three members appointed by the Board, each to serve for a term of one year. The Covenants Committee is tasked with maintaining compliance with the Covenants contained within the Association Documents. The committee will assure that the Property shall always be maintained and used in a manner consistent with the expectations and the documents of the Association relating to;
- (1) Protective Covenants that provide for visual harmony, architectural compatibility and soundness of repair.
 - (2) Restrictions on use of lots from activities that are deleterious to the quiet enjoyment by other owners and the esthetic or property values of the Property.
 - (3) Rules and Regulations compliance in a manner that promotes the general welfare and safety of the Owners, their families, guests, employees, tenants, agents and invitees.

If the Board of Directors fails to appoint a Covenants Committee, then the Board of Directors shall perform the duties of the Covenants Committee.

(b)Powers. The Covenants Committee shall regulate the external design, appearance, use and maintenance of the Lots and Common Area. The Covenants Committee may from time to time establish requirements regarding the form and content of plans and specifications to be submitted for approval. The Covenants Committee shall have the power to impose reasonable application fees as well as the costs of reports, analyses, or consultations required in connection with improvements or changes proposed by an Owner. The Covenants Committee shall have the power to impose reasonable charges (pursuant to subsection 13.1(g) hereof) upon, and issue a cease and desist request to, an Owner, such Owner's tenants or such Owner's (or tenant's) family, guests, employees, agents or invitees whose actions are inconsistent with the provisions of the Association Documents (upon petition of any Owner or upon its own motion). Subject to review by the Board of Directors, the Covenants Committee shall from time to time, as required, provide interpretations of the Association Documents pursuant to the intents, provisions and qualifications thereof when requested to do so by an Owner or the Board of Directors. The Committee may publish and record such interpretations in order to establish guidelines relative to architectural styles, details, fences, colors, setbacks, materials or other matters relative to architectural control and protection of the esthetic or property values of the Property. If the Covenants Committee establishes such guidelines, such guidelines shall be enforceable as if set forth herein and in the Declaration. A Majority Vote of the Covenants Committee shall be required in order to take any action. The Covenants Committee shall keep written records of all its actions. Any action, ruling or decision of the Covenants Committee may be appealed to the Board of Directors by any party deemed by the Board to have standing as an aggrieved party and the Board may modify or reverse any such action, ruling or decision.

(c)Authority. The Covenants Committee shall have such additional duties, power and authority as the Board of Directors may from time to time provide by resolution. The Board of Directors may relieve the Covenants Committee of any of its duties, powers and authority either generally or on a case-by-case basis. The Covenants Committee

shall carry out its duties and exercise its powers and authority in the manner provided for in the Rules and Regulations adopted by the Board of Directors, in accordance with subsection 13.1(i) hereof or by resolution of the Board of Directors. The Covenants Committee shall act on all matters properly before it within forty-five days; failure to do so within the stipulated time shall constitute an automatic referral to the Board for consideration.

Section 5.2. Other Committees

The Board of Directors may create and abolish from time to time such other committees consisting of two or more Persons as the Board may deem appropriate to aid in the administration of the affairs of the Association. Such committees shall have the powers and duties fixed by resolution of the Board from time to time. The Board shall appoint the chair of each committee, and may either appoint the other members thereof or leave such appointment to the committee chair. The chair and other members of any committee are Officers within the meaning of these Bylaws.

Section 5.3. Action by Committee Without Meeting

Any action required or permitted to be taken at a meeting of a committee may be taken without a meeting if consent in writing, setting forth the action taken, shall be signed either before or after such action by all of the members of the committee. Any such written consent shall have the same force and effect as a unanimous vote and shall be filed with the minutes of the committee.

ARTICLE 6

FIDUCIARY DUTIES

Section 6.1. Execution of Documents

Unless otherwise provided in the resolution of the Board of Directors:

- (i) all agreements, contracts, deeds, leases, checks and other instruments of the Association for expenditures or obligations in excess of ten percent of the total annual assessment for Common Expenses for that fiscal year, and all checks drawn upon reserve accounts, shall be executed by any two Persons designated by the Board of Directors; and
- (ii) all such instruments for expenditures or obligations of ten percent of the total annual assessment for Common Expenses for that fiscal year or less, except from reserve accounts, may be executed by any one Person designated by the Board of Directors. Any Officer of the Association may be designated by a Board resolution to sign Association Disclosure Packet documents on behalf of the Association.

Section 6.2. Conflicts of Interest

- (a) Rule and Exceptions. Each director or Officer shall exercise such director's or Officer's powers and duties in good faith and the best interests of the Association. No contract or other transaction between the Association and any of its directors or Officers, or between the Association and any corporation, firm or association (including the Declarant) in which any of the directors or Officers of the Association are directors or Officers or are pecuniarily or otherwise interested, is either void or voidable because any such director or Officer is present at the meeting of the Board of Directors or any committee thereof which authorizes or approves the contract or transaction or because such director's or Officer's vote is counted for such purpose if any of the following conditions exist:
 - (1) the material facts of the transaction and the common directorate or interest is disclosed or known to the Board of Directors or a majority thereof or noted in the minutes, and the Board authorizes, approves or ratifies such contract or transaction in good faith by a majority of directors entitled to vote on the transaction, but in no event may such a transaction be authorized, approved or ratified by a single director;
 - (2) the material facts of the transaction and the common directorate or interest is disclosed or known to at least a majority of the Owners, and the Owners who are entitled to be counted in a vote on the transaction approve or ratify the contract or transaction in good faith by a majority of the total number of votes entitled to be cast; or
 - (3) the contract or transaction is commercially reasonable to the Association in view of all the facts known to any director or Officer at the time such contract or transaction is authorized, ratified, approved or executed.

- (b) Vote Not Counted. Any common or interested directors may be counted in determining the presence of a quorum of any meeting of the Board of Directors, a committee thereof, or the Owners which authorizes, approves or ratifies any contract or transaction, but such director's vote shall not be counted with respect to any matter as to which such director would have a conflict of interest; such director may vote, however, at the meeting to authorize any other contract or transaction.

Section 6.3. Liability and Indemnification

- (a) No Personal Liability. The directors, Officers and members of the Covenants Committee shall not be liable to the Association or any Owner for any mistake of judgment, negligence or otherwise, except for their own individual willful misconduct or bad faith. Directors and Officers shall have no personal liability with respect to any contract made by them on behalf of the Association. No Owner shall be liable for the contract or tort liability of the Association by reason of such Owner's membership therein. Every agreement made by the Board of Directors, the Officers or the managing agent on behalf of the Association shall, if obtainable, provide that the directors, the Officers or the managing agent, as the case may be, are acting only as agents for the Association and shall have no personal liability thereunder.
- (b) Who Is Indemnified. Pursuant to Section 13.1-876 through 13.1-883 of the Act, the Association shall indemnify and hold harmless: (1) each of the directors and Officers from and against all contractual liability to others arising out of contracts made by the Board of Directors or the Officers on behalf of the Association unless any such contract shall have been made in bad faith or contrary to the provisions of the Association Documents, except to the extent that such liability is satisfied by directors and officers liability insurance; (2) each member of the Covenants Committee from and against all liability to others arising out of the due exercise of such member's responsibilities unless the action shall have been taken in bad faith or contrary to the provisions of the Association Documents; and (3) any Person who was or is a director, Officer or member of the Covenants Committee, if such Person met the following standard: (A) with respect to any civil contract or tort action, acted in good faith and in a manner such Person reasonably believed to be, in the case of conduct in such Person's official capacity, in the best interests of the Association and, in all other cases, at least not opposed to the best interests of the Association; and (B) with respect to any criminal action, had no reasonable cause to believe the conduct was unlawful. Each such indemnity shall continue as to a Person who has ceased to have the capacity referred to above and may inure to the benefit of the heirs, executors and administrators of such Person.
- (c) Coverage of Indemnity. If any such Person was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding whether civil, criminal, administrative, arbitrative or investigative, (formal or informal) then the Association shall indemnify such Person against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement incurred by such Person unless the action or suit was brought by or for the benefit of the Association, in which case the Association may but need not indemnify such Person against expenses (including attorneys' fees) actually or reasonably incurred in connection with the defense or settlement of such action or suit; provided, however, that the Association shall not indemnify such Person with respect to any claim, issue or matter as to which such Person was adjudged to be liable for negligence or misconduct in the performance of such Person's duty to the Association unless and only to the extent that the court so orders. Further, the Association shall not indemnify any Person against such Person's gross negligence or willful misconduct or in connection with any action, suit or proceeding charging improper personal benefit to such Person, if such Person is adjudged liable on the basis that personal benefit was improperly received by such Person.
- (d) Presumptions. If such Person is successful on the merits or otherwise in defense of any action, suit or proceeding referred to above, or in defense of any claim, issue or matter therein, it shall create a presumption that such Person met the standard set forth in subsection (b) and such Person shall be indemnified by the Association against expenses (including attorneys' fees) actually and reasonably incurred by such Person in connection therewith. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not of itself create a presumption that the Person did not meet the standard set forth in subsection (b).
- (e) Specific Determination to Indemnify. Any indemnification under this section (unless ordered by a court) shall be made by the Association only as authorized in the specific case upon a

determination that indemnification of the Person is proper in the circumstances because such Person has met the applicable standard of conduct set forth in subsection (b). Such determination shall be made:

- (1) by the Board of Directors by a Majority Vote of a quorum consisting of directors who are not at the time parties to such action, suit or proceeding;
 - (2) if the quorum required by (1) above is unobtainable, then by a Majority Vote of a committee duly designated by the Board of Directors (in which designation directors who are parties may participate) consisting solely of two or more directors not at the time parties to such action, suit or proceeding;
 - (3) by special legal counsel selected either by the Board of Directors or its committee in the manner prescribed in (1) or (2) above of this paragraph or, if a quorum cannot be obtained under (1) above of this paragraph and a committee cannot be designated under (2) above then by a Majority Vote of the full Board of Directors; or
 - (4) by a Majority Vote of the Owners, excluding any such Person as may be parties to the action, suit or proceeding in question.
- (f) Evaluation of Reasonableness of Expenses; Limitations.
- (1) Any evaluation of reasonableness of expenses shall be made in the same manner as the determination to indemnify except that if such determination has been made by a special legal counsel, evaluation of reasonableness of expenses shall be made in the same manner and by the same Persons who selected the special legal counsel.
 - (2) The indemnification permitted under this section in connection with an action, suit or proceeding by or in the right of the Association is limited to reasonable expenses incurred in connection with such action, suit or proceeding.
- (g) Payment in Advance. Reasonable expenses (including attorneys' fees) incurred in defending an action, suit or proceeding, whether civil, criminal, administrative, arbitative or investigative (formal or informal) may be paid by the Association in advance of the final disposition of such action, suit or proceeding as authorized in the manner provided in this section upon a determination made by the Board of Directors that the facts then known would not preclude indemnification under this section and receipt of
- (1) an undertaking by or on behalf of the Person to repay such amount unless it shall ultimately be determined that such Person is entitled to be indemnified by the Association, together with
 - (2) a written affirmation by the indemnified Person of a good faith belief that the standard of conduct necessary for indemnification by the Association as authorized in this section has been met.
- (h) Directors and Officers Liability Insurance. The Association shall have the power, pursuant to Article 10 hereof, to purchase and maintain insurance on behalf of any Person who is or was a director, Officer or member of the Covenants Committee against any liability asserted against such Person and incurred by such Person in any such capacity or arising out of such Person's status as such, whether or not the Association would have the power to indemnify such Person against such liability under the provisions of this section. Further, the availability of the Association's indemnity shall not relieve any insurer of any liability under an insurance policy held by the Association.
- (i) Other Entities. For the purposes of this section, references to the "Association" include all constituent corporations absorbed in a consolidation or merger as well as the resulting or surviving corporation, so that any Person who is or was a director or officer of such a constituent corporation or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, company, trust or other entity shall stand in the same position under the provisions of this section with respect to the resulting or surviving corporation as such Person would if such Person had served the resulting or surviving corporation in the same capacity.
- (j) Notice of Indemnification. Any indemnification of, or advance of expenses to, a Person in accordance with this section, if arising out of a proceeding for the benefit of the Association, shall be reported in writing to the Owners no later than with the notice of the next meeting of the Association.
- (k) Subject to State Law. The provisions of this section are subject to Section 13.1-876 through 13.1-883 of the Act.

The Association shall not be liable for any failure of water supply or other services to be obtained by the Association or paid for as a Common Expense, or for personal injury or property damage caused by the elements or by any Owner, or any other Person, or resulting from electricity, water, snow or ice which may leak or flow from or over any portion of the Common Area or from any pipe, drain, conduit, appliance or equipment. The Association shall not be liable to any Owner for loss or damage, by theft or otherwise, of articles which may be stored upon any of the Common Area. No diminution or abatement of any assessments, as herein elsewhere provided, shall be claimed or allowed for inconvenience or discomfort arising from the making of repairs or improvements to the Common Area or from any action taken by the Association to comply with any law, ordinance or with the order or directive of any governmental authority. This section is not intended nor shall it be construed to relieve any insurer of its contractual obligations under any policy benefiting the Association or any Owner.

Section 6.5. Compensation of Directors and Officers

No salary or other compensation shall be paid to any director or Officer of the Association for serving or acting as such, but this shall not preclude the payment of salary or other compensation for the performance by such director or Officer of other services to the Association nor shall it preclude the reimbursement of reasonable, ordinary and necessary expenses incurred in serving or acting as a director or Officer.

ARTICLE 7

COMMON EXPENSES AND ASSESSMENTS

Section 7.1. Determination of Common Expenses and Assessments

- (a) Fiscal Year. The fiscal year of the Association shall be July 1 through June 30 unless otherwise determined by the Board of Directors.
- (b) Preparation and Approval of Budget
 - (i) At least sixty-five days before the beginning of each fiscal year, the Board of Directors shall adopt a budget for the Association containing an estimate of the total amount considered necessary to pay the cost of management and Upkeep of the Common Area and, to the extent provided in the Association Documents, Upkeep of the Lots, and the cost of wages, materials, insurance premiums, services, supplies and other expenses that may be declared to be Common Expenses by the Association Documents or a resolution of the Association and which will be required during the ensuing fiscal year for the administration and Upkeep of the Property and the provision of all related services. The budget shall also reflect the separate assessment of Limited Common Expenses, including without limitation, certain expenses relating to one or more but less than all of the Lots.
 - (ii) Such budget shall also include such reasonable amounts as the Board of Directors considers necessary to provide working capital, a general operating reserve and reserves for contingencies and replacements. At least forty-five days before the beginning of each fiscal year, the Board of Directors shall send each Owner a copy of the budget in a reasonably itemized form which sets forth the amount of the Common Expenses and any special assessment payable by each Owner. Such budget shall constitute the basis for determining each Owner's assessment for the Common Expenses of the Property.
- (c) Effect of Failure to Prepare or Adopt Budget. The failure or delay of the Board of Directors to prepare or adopt a budget for any fiscal year shall not constitute a waiver or release in any manner of an Owner's obligation to pay the allocable share of the Common Expenses as herein provided whenever the same shall be determined and, in the absence of any annual budget or adjusted budget, each Owner shall continue to pay each periodic installment at the rate established for the previous fiscal year until notified of the payment which is due more than seven days after such new annual or adjusted budget is adopted.

- (d) Assessment and Payment of Common Expenses. The Board of Directors shall establish the annual assessment against each Lot. Subject to the provisions of 9.1(g) and 9.1(k) hereof, the total amount of the estimated funds required for the management and Upkeep of the Property shall be assessed in the same amount against each Lot. Expenses that benefit less than all of the Lots shall be assessed as a Limited Common Expense against the Lots benefited in the same amount or based on usage, as appropriate. Any and all such assessments shall be a lien against each Owner's Lot as provided in Section 13.2 hereof. On or before the first day of each fiscal year, and the first day of each succeeding payment period in such fiscal year, each Owner shall pay to such Person at such place as the Board of Directors may direct that installment of the annual assessment which is due during such period. The Treasurer shall establish the number of payment periods and the due dates for each such period in each fiscal year; provided, however, the number of payments shall not exceed four. The number of payments shall be determined and announced not less than three months prior to the start of a new calendar year. All sums collected by the Board of Directors with respect to assessments against the Owners or from any other source may be commingled into a single fund.
- (e) Additional Assessments. Subject to any approval required by subsection 7.1(g) hereof, the Board of Directors may levy additional assessments on the Lots. The Board of Directors shall give notice of any additional assessment to Owners specifying the amount and reasons therefor, and such assessment shall, unless otherwise specified in the notice, be payable in full with the next periodic installment which is due more than seven days after the date of such notice or in not more than six equal periodic installments, as the Board may determine. Such assessment shall be a lien as set forth in Section 13.2 hereof.
- (f) Limitations on Increases and Additional Assessments
- (i) Unless approved by at least a Sixty-seven Percent Vote of the Owners at a meeting where a sixty percent quorum is present and called for the purposes of approving an increase in the assessment or any additional assessment, the Board of Directors shall not increase the budget and thus increase the assessment per Lot by more than the maximum amount calculated as set forth below, nor shall the Board of Directors levy any additional assessment. If such quorum is not obtained at the meeting required by this subsection, a second meeting of the Association may be held within sixty days after the first meeting at which only a thirty percent quorum is required to approve such increase in the assessment or such additional assessment by at least a Sixty-seven Percent Vote.
- (ii) The maximum increase without Owner approval shall be the greater of:
- (i) the greater of fifteen percent or the increase in the U.S. Department of Labor Consumer Price Index -All Urban Consumers (1967=100) during the last twelve month period for which figures are available at the date when the Board adopts the budget; or
- (ii) the amount obtained by increasing One Hundred Twenty Dollars by the greater of (x) fifteen percent each year after the first fiscal year of the Association, or (y) the percentage increase in the U.S. Department of Labor Consumer Price Index -All Urban Consumers (1967=100) between the month when the Declaration was recorded and the last month for which such figure is available at the date the Board adopts the budget; and the proportionate amount by which any real estate taxes, the contribution to the county pursuant to Paragraph 7.1(b)(3)

And casualty and other insurances premiums payable by the Association have increased over amounts payable the previous fiscal year. Wherever in the Association Documents the U.S. Department of Labor Consumer Price Index - All Urban Consumers (1967=100) is used, if such index ceases to incorporate a significant number of items now incorporated therein, ceases to reflect the increases in expenses of the Association, or if a substantial change is made in the method of establishing such index, then such other reliable governmental or other nonpartisan index designated by the Board of Directors shall be used.

- (g) Surplus and Deficit
- (i) Any amount accumulated in excess of the amount required for actual expenses and reserves shall, at the discretion of the Board of Directors, be placed in reserve accounts, be placed in a special account to be expended solely for the general welfare of the

Owners, be credited to the next periodic installments due from Owners under the current fiscal year's budget, until exhausted, or distributed to the Owners pro rata.

- (ii) Any net shortage shall be assessed promptly against all Owners as an additional assessment in accordance with subsections 7.1(f) and 7.1(g) hereof.
- (h) Reserves. The Board of Directors shall build up and maintain reasonable reserves for working capital, operations, contingencies and replacements. Such funds shall be conclusively deemed to be a Common Expense of the Association and may be deposited with any banking institution, the accounts of which are insured by any State or by an agency of the United States of America or may, in the discretion of the Board of Directors, be invested in obligations of, or fully guaranteed as to principal by, the United States of America.
 - (i) Extraordinary expenditures not originally included in the annual budget which may become necessary during the year shall be charged first against such reserves. Except for normal maintenance expenses shown in the annual operating budget, all expenses for repair and replacement of physical assets maintained by the Association shall be charged first against such reserves. Unless otherwise determined by a Seventy-five Percent Vote of the Board of Directors, the amount held as reserves shall not substantially exceed the amount reasonably required to assure the Association's ability to replace components as they reach the end of their useful lives.
 - (ii) If regular annual maintenance extends the useful life of components so that reserves are excessive, the reserves shall be adjusted by reallocation to other budget items or by distribution to the Owners pro rata.
 - (iii) If the reserves are inadequate to meet actual expenditures for any reason (including nonpayment of any Owner's assessment) then the Board of Directors shall, in accordance with subsections 7.1(f) and 7.1(kg) hereof, levy an additional assessment against the Owners.
- (i) Accounting. Within one hundred and twenty days after the end of each fiscal year, the Board of Directors shall make available to all Owners, and to each Mortgagee requesting the same, an itemized accounting of the Common Expenses for such fiscal year actually incurred and paid, together with a tabulation of the amounts collected pursuant to the budget adopted by the Board of Directors for such fiscal year, and showing the net amount over or short of the actual expenditures plus reserves.
- (j) Special Assessments. The Board of Directors shall have the power to individually assess an Owner's Lot
 - (i) for the costs for improvements determined by the Board to be substantially for the benefit of that Owner pursuant to Section 8.4 hereof,
 - (ii) for the amount of any charges imposed on that Owner pursuant to subsection 13.1(g) hereof, and
 - (iii) for any costs incurred by the Association because of any violation or negligence for which that Owner is responsible under subsection 13.1(a) hereof. Each such assessment shall be due seven days after notice thereof is given to the Owner unless the notice specifies a later date.

Section 7.2. Liability for Common Expenses

Each Owner shall pay all Common Expenses, assessed by the Board of Directors pursuant to the provisions of Section 7.1 hereof. No Owner may be exempted from liability for the assessment for Common Expenses by reason of waiver of the use or enjoyment of any of the Common Area or by abandonment of the Lot. No Owner shall be liable for the payment of any part of the Common Expenses assessed against the Lot subsequent to the date of recordation of a conveyance by such Owner in fee of such Lot. Prior to or at the time of any such conveyance, all liens, unpaid charges and assessments shall be paid in full and discharged. The purchaser of a Lot shall be jointly and severally liable with the selling Owner for all unpaid assessments against the latter for the proportionate share of the Common Expenses up to the time of such recordation, without prejudice to the purchaser's right to recover from the selling Owner amounts paid by the purchaser therefor; provided, however, that any such purchaser may rely on an Association Disclosure Packet obtained pursuant to Section 7.4 herein; and provided, further, that each Mortgagee who comes into possession of a Lot by virtue of foreclosure or by deed or assignment in lieu of foreclosure, or any purchaser at a foreclosure sale, shall take the Lot free of any claims for unpaid assessments or charges against such Lot which accrue prior to the time such Mortgagee or purchaser comes into possession thereof, except for claims for a pro rata share of such assessments or charges resulting from a pro rata reallocation of

such assessments or charges to all Lots including the mortgaged Lot assessed after such Mortgage or such purchaser takes possession.

Section 7.3. Collection of Assessments

The Board of Directors, or the managing agent at the request of the Board, shall take prompt action to collect any assessments for Common Expenses due from any Owner which remain unpaid for more than thirty days from the due date for payment thereof. Any assessment, or installment thereof, not paid within ten days after due shall accrue a late charge in the amount of ten dollars, or such other amount as may be established from time to time by the Board of Directors.

Section 7.4. Association Disclosure Packet

As governed by the Code of Virginia 55-512, the Board of Directors or managing agent shall provide any Owner, contract purchaser or Mortgagee, within fourteen days after a written request therefor, an Association Disclosure Packet. Included in the packet, set forth on Exhibit A, is a written statement of all unpaid assessments for Common Expenses due with respect to a specific Lot. No contract purchaser, Mortgagee or purchaser from a Mortgagee shall be liable for, nor shall the Lot conveyed to such a Person relying on such statement be subject to a lien for, any unpaid assessments in excess of the amount set forth on such statement; provided, however, that this section shall not be interpreted to release any Owner from personal liability for such assessments. The Board of Directors may impose a reasonable charge for the preparation of such packet to cover the cost of preparation.

ARTICLE 8

PROTECTIVE COVENANTS

Section 8.1. Upkeep of Common Area

The Association shall be responsible for the management and Upkeep of all of the Common Area, the cost of which shall be charged to all Owners as a Common Expense, except for improvements specially assessed in accordance with Section 8.4 hereof. If the Board of Directors determines by a Majority Vote that certain Upkeep was necessitated by the negligence, misuse or neglect of an Owner, the cost of such Upkeep shall be assessed against such Owner's Lot pursuant to subsection 13.1(a) hereof.

Section 8.2. Other Association Upkeep

- (a) Upkeep of the Storm Water Management Facilities. The Association shall provide for the Upkeep of the storm water drainage system, including without limitation all necessary inlet structures and appurtenances for the collection of storm water and its transmission across the Property, located in the storm water drainage easements created by the Supplement and the Deed of Partial Releases, Dedication, Subdivision and Easements heretofore recorded among the land records of Loudoun County, Virginia, at Deed Book 880 at Page 1450 or by any subsequent instrument which may be recorded among the land records of Loudoun County, Virginia.
- (b) Upkeep of Bus Shelters and Entry Landscaping. The Association shall provide for the Upkeep of the bus shelters, and landscaping appurtenant thereto as required by Section 3.8 of the Declaration.

Section 8.3. Upkeep of the Lots

Each Owner shall keep the Lot and all improvements located on the Lot in good order, condition and repair and in a clean and sanitary condition, including without limitation all necessary grounds maintenance. Each Owner shall perform this responsibility in such manner as shall not unreasonably disturb or interfere with the other Owners. If any Owner shall fail to keep such Owner's Lot in as good repair and condition (normal wear and tear excepted) and in a neat and orderly condition, consistent with such Rules and Regulations as the Board of Directors may promulgate, then the Board may, pursuant to resolution, give notice to that Owner of the condition complained of, specifying generally the action to be taken to rectify that condition. If the Owner fails to rectify that condition within thirty days after the date the notice is given, or such shorter period as may be specified in the notice if the circumstances warrant a shorter period, the Association shall have the right, in accordance with Section 3.2 of the Declaration, subsections 13.1(e) and 13.1(i) hereof and any resolutions adopted by

the Board of Directors, to rectify that condition by taking such action (or by causing such action to be taken) as was specified in the notice. The costs incurred in rectifying that condition shall be assessed against such Owner's Lot in accordance with subsection 13.1(a) hereof. The Association shall not have any responsibility for the Upkeep of any Lot except for those responsibilities and duties specifically enumerated in the Association Documents.

Section 8.4. Manner of Repair and Replacement

All repairs and replacements shall be substantially similar, and architecturally compatible to the original design, construction and installation and shall be of first-class quality, but may be made with contemporary materials. All repaired and replaced elements shall be of the same colors and fit and finish as the original construction. Any alterations from the original design, construction and color must be approved by the Covenants Committee(see Section 8.6).

Section 8.5. Additions, Alterations or Improvements by the Board of Directors

Whenever in the judgment of the Board of Directors the Common Area shall require capital additions, alterations or improvements (other than for Upkeep) costing in excess of twenty percent of the total annual assessment for Common Expenses for that fiscal year during any period of twelve consecutive months, the making of such additions, alterations or improvements requires a Majority Vote, and the Board of Directors shall assess all Owners benefited for the cost thereof as a Common Expense. Any capital additions, alterations or improvements costing twenty percent of the total annual assessment for Common Expenses for that fiscal year or less during any period of twelve consecutive months may be made by the Board of Directors without approval of the Owners and the cost thereof shall constitute a Common Expense. Notwithstanding the foregoing, if, by a Seventy-five Percent Vote of the Board of Directors, such additions, alterations or improvements are determined to be exclusively or substantially exclusively for the benefit of the Owners requesting the same, such requesting Owners shall be assessed therefor in such proportion as they jointly approve or, if they are unable to agree thereon, in such proportion as may be determined by the Board of Directors.

Section 8.6. Additions, Alterations or Improvements by the Owners

- (a) Approval. No Owner shall make any addition, alteration or improvement in or to any Lot (other than for Upkeep or natural landscaping) which is visible from the exterior of the Lot without the prior written consent of the Board of Directors or the Covenants Committee, as appropriate. An owner shall submit a Architectural Change Request form to the Covenants Committee for review and approval prior to any work commencing. No Owner shall paint or alter the exterior of any improvement located upon such Owner's Lot, including the doors and windows, without the prior written consent of the Board of Directors or the Covenants Committee, as appropriate. Except when a request is being handled by the Covenants Committee, the Board of Directors shall be obligated to answer any written request by an Owner for approval of a proposed structural addition, alteration or improvement on such Owner's Lot within forty-five days after such request, and failure to do so within the stipulated time shall constitute a consent by the Board of Directors to the proposed structural addition, alteration or improvement. If any application to any governmental authority for a permit to make any such structural addition, alteration or improvement to any Lot or improvement located on any Lot requires execution by the Association, and provided consent has been given by the Board of Directors or the Covenants Committee, as appropriate, then the application shall be executed on behalf of the Association by an authorized Officer only, without however incurring any liability on the part of the Board of Directors, the Association, the Covenants Committee or any of them to any contractor, subcontractor or materialman on account of such addition, alteration or improvement, or to any Person having a claim for personal injury or property damage arising therefrom.
- (b) Limitations.
 - (1) Any Person obtaining approval of the Board of Directors or the Covenants Committee, as appropriate, shall commence construction or alteration in accordance with plans and specifications approved by the Board or the Committee within six months after the date of approval and shall substantially complete any construction or alteration within thirty days after the date of commencement, or within such other period as the Board or the Committee shall specify in its approval. If any such Person does not commence work within six months after approval, then approval shall lapse.

- (2) Any Person obtaining approval of the Board of Directors or the Covenants Committee, as appropriate, for construction of alterations shall not deviate materially from the plans and specifications approved by the Board or the Committee without the prior consent in writing of the Board or the Committee. The Board or Committee shall obligated to respond to such a request within 45 days of the request date. Approval of any particular plans and specifications or design does not waive the right of the Board or the Committee to disapprove such plans and specifications, or any elements or features thereof, if such plans and specifications are subsequently submitted for use in any other instance or by any other Owner.
- (c) Certificate of Compliance. Upon the completion of any construction or alterations or other improvements or structure in accordance with plans and specifications approved by the Board of Directors or the Covenants Committee, as appropriate, the Board or the Committee shall, at the request of the Owner thereof, issue a certificate of compliance which shall be prima facie evidence that such construction, alteration or other improvements referenced in such certificate have been approved by the Board or the Committee and constructed or installed in full compliance with the provisions of this Article and with such other provisions and requirements of the Association Documents as may be applicable. The certificate shall not be used and may not be relied upon for any other purpose, and shall not constitute a representation either as to the accuracy or sufficiency of the plans and specifications reviewed by the Committee or the quality or soundness of the construction, alterations or improvements. The Board of Directors or Covenants Committee, as appropriate, may impose a reasonable charge for the preparation of such certificate to cover the costs of preparation.

ARTICLE 9

RESTRICTIONS ON USE OF LOTS AND COMMON AREA; RULES AND REGULATIONS

Section 9.1. Restrictions

Each Lot and the Common Area shall be occupied and used as follows:

- (a) Except as provided in the Association Documents, no Lot shall be used for other than housing and the related common purposes for which the Property was designed. The Board of Directors may permit reasonable, temporary nonresidential uses from time to time. The Board may also permit the use of all or part of a Lot for a professional office, provided that such use is consistent with all applicable laws, ordinances, and regulation of any governmental authority. As a condition to consenting to such office use, the Board may require the Owner to pay any increases in the rate of insurance for the Common Area which may result from such office use. Such permission may not be revoked later except for good cause shown.
- (b) Nothing shall be done or kept on any Lot or on the Common Area which will increase the rate of insurance for the Property or any portion thereof applicable for residential use without the prior written consent of the Board of Directors. No Owner shall permit anything to be done or kept on the Common Area which will result in the cancellation of insurance on the Common Area or any part thereof or which would be in violation of any law, regulation or administrative ruling. No waste will be committed on the Common Area.
- (c) No improper, offensive or unlawful use shall be made of the Property or any part thereof, and all valid laws, zoning ordinances and regulations of all governmental agencies having jurisdiction thereof shall be observed. All laws, orders, rules, regulations or requirements of any governmental agency having jurisdiction thereof relating to any portion of the Property shall be complied with, by and at the sole expense of the Owner or the Board of Directors, whichever shall have the obligation for the Upkeep of such portion of the Property, and, if the latter, then the cost of such compliance shall be a Common Expense.
- (d) No Owner shall obstruct any of the Common Area or otherwise impede the access of any other Person to any portion of the Property to which that other Person has right to go. No Owner shall place or cause or permit anything to be placed on or in any of the Common Area without the approval of the Board of Directors. Nothing shall be altered or constructed in or removed from the Common Area except with the prior written consent of the Board of Directors or the Covenants Committee, as appropriate.

- (e) The Common Area shall be used only for the furnishing of the services and facilities for which the same are reasonably suited and which are incident to the use and occupancy of the Lots. No Owner shall make any private or exclusive or proprietary use of any of the Common Area except with the specific approval of the Board of Directors or the Covenants Committee, as appropriate and then only on a temporary basis and no Owner shall engage or direct any employee of the Association on any private business of the Owner during the hours such employee is employed by the Association, nor shall any Owner direct, supervise or in any manner attempt to assert control over any employee of the Association.
- (f) No Lot shall be used or occupied for transient or hotel purposes or in any event for an initial period of less than six months. No portion of any Lot (other than the entire Lot) shall be leased for any period; provided, however, that a reasonable number of roommates is permitted. No Owner shall lease a Lot other than on a written form of lease:
 - (i) requiring the lessee to comply with the Association Documents;
 - (ii) providing that failure to comply constitutes a default under the lease, and
 - (iii) providing that the Board of Directors has the power to terminate the lease or to bring summary proceedings to evict the tenant in the name of the leaser thereunder after forty-five days prior written notice to the Owner, in the event of a default by the tenant in the performance of the lease. The Board of Directors may suggest or require a standard form lease for use by Owners. Each Owner shall, promptly following the execution of any lease of a Lot, forward a conformed copy thereof to the Board of Directors. The foregoing provisions of this subsection, except the restriction against use or occupancy for hotel or transient purposes, shall not apply to a Mortgagee in possession of a Lot as a result of foreclosure, judicial sale or a proceeding in lieu of foreclosure.
- (g) The deed or other instrument transferring title to any Lot shall contain a provision incorporating by reference the covenants and restrictions set forth in the Declaration and Bylaws as amended. Further, the Owner selling such Owner's Lot shall notify the Board of Directors of the scheduled date and place of conveyance.
- (h) No junk or derelict vehicle or other vehicle on which current registration plates are not displayed, shall be parked on a Lot where such vehicle is readily visible from other Lots or the Common Area. Further, no commercial vehicles (including without limitation buses, taxicabs, and delivery vans) may be parked on a Lot for more than twenty-four hours where such vehicles are readily visible from other Lots or the Common Area. Vehicle repairs are not permitted except for emergency maintenance, ordinary light maintenance and normal cleaning, on any Lot.

In addition to the restrictions in Section 9.1(h), Recreational vehicles (including, but not limited to, campers, motor homes, boats and trailers) shall not be parked on the streets, Common Area, nor an Owner's Lot (including driveways) on a regular or long-term basis. For the purposes of this provision, long-term basis is defined as periods of time that exceed 72 hours. Recreational vehicles are permitted to be parked in an Owner's driveway for up to 72 hours prior and 72 hours after use to allow for preparation, loading/unloading, cleaning, etc. Utility trailers are permitted to be parked on an Owner's Lot providing that they cannot be seen from the street or from other Owners' Lots, i.e. under a deck or in a garage. Recreational vehicles may be parked in an Owner's garage providing that the garage door(s) can still be closed with the recreational vehicle inside.

- (i) The maintenance, keeping, boarding or raising of animals, livestock, poultry or reptiles of any kind, regardless of number, is prohibited on any Lot or upon the Common Area, except that the keeping of orderly domestic pets (e.g., dogs, cats or caged birds) is permitted, subject to the Rules and Regulations adopted by the Board of Directors; provided, however, that such pets are not kept or maintained for commercial purposes or for breeding; and provided, further, that any such pet causing or creating a nuisance or unreasonable disturbance or noise may be permanently removed from the Property upon ten days written notice from the Board of Directors. Pets shall not be permitted upon the Common Area unless accompanied by someone who can control the pet and unless carried or leashed. Any Owner who keeps or maintains any pet upon any portion of the Property shall be deemed to have indemnified and agreed to hold the Association, each Owner and the Declarant free and harmless from any loss, claim or liability of any kind or character whatever arising by reason of keeping or maintaining such pet within the Property.

- (j) Subject to the following exceptions, no signs of any character shall be erected, posted or displayed upon, in, from or about any Lot or the Common Area without the prior written approval of the Board of Directors. The foregoing provisions of this paragraph shall not apply to a;
- (i) A single For Sale sign advertising the Lot for sale
 - (ii) Reasonable number and size of Political campaign signs may be displayed during election time.
 - (iii) A single contractors advertising sign maybe displayed for a period no longer than one week.
 - (iv) Mortgagee in possession of a Lot as a result of foreclosure, judicial sale or a proceeding in lieu of foreclosure.

It shall be the owners responsibility to remove all signs as soon as possible. No signs shall be placed in a location which obstructs sight lines for vehicular traffic on public streets and roadways.

- (k) No Lot shall be subjected to or used for any timesharing, cooperative, licensing or other arrangement that would entail weekly, monthly, or any other type of revolving or periodic occupancy by multiple Owners, cooperators, licensees, or timesharing participants.
- (l) No Lot upon which an improvement has been constructed shall be further subdivided or separated into smaller Lots by an Owner, and no portion less than all of any such Lot or other interest therein, shall be conveyed or transferred by an Owner; provided, however, that this shall not prohibit deeds of correction, deeds to resolve boundary line disputes and similar corrective instruments. The provisions of this subsection shall not apply to the Declarant and, further, shall not be construed to prohibit the granting of any easement, license or right-of-way to any municipality, political subdivision, public utility or other public body or authority, or to the Association, the Declarant or any other Person for any purpose.
- (m) No noxious or offensive trade or activity shall be carried on upon any Lot or within any dwelling, nor shall anything be done therein or thereon, which may be or become an annoyance or nuisance to the neighborhood or other Owners.
- (n) No burning of any trash and no accumulation or storage of litter, lumber, scrap metals, refuse, bulk materials, waste, new or used building materials or trash of any other kind shall be permitted on any Lot. Trash and garbage containers shall not be permitted to remain in public view except on days of trash collection. No incinerator shall be kept or maintained upon any Lot.
- (o) No tree, hedge or other landscape feature shall be planted or maintained in a location which obstructs sight-lines for vehicular traffic on public streets or on the Private Streets and Roadways.
- (p) No structure of a temporary character, and no trailer, tent, shack, barn, pen, kennel, run, stable, outdoor clothes dryer, or other temporary buildings shall be erected, used or maintained on any Lot at any time.
- (q) No structure, planting or other material shall be placed or permitted to remain upon any Lot which may damage or interfere with any easement for the installation or maintenance of utilities, or which may unreasonably change, obstruct or retard direction or flow of any drainage channels.
- (r) Except for hoses and the like which are reasonably necessary in connection with normal lawn maintenance, no water pipe, sewer pipe, gas pipe, drainage pipe, television cable or other similar transmission line shall be installed or maintained upon any Lot above the surface of the ground.
- (s) No sound hardwood trees measuring in excess of six inches in diameter two feet above the ground shall be removed from any Lot without the prior written approval of the Covenants Committee.
- (t) Antennas and Satellite dishes, 1 meter or less are permitted provided they are mounted on the rear section of the roof. Any other installation requires the prior written approval of the Covenants Committee.
- (u) No fence shall be more than six feet in height. Chain link and other wire fencing is specifically prohibited. The erection and design of all fences shall be subject to the provisions of Section 8.6 hereof.

Section 9.2. Rules and Regulations

The Board of Directors shall have the power to adopt, amend and repeal rules and regulations restricting and regulating the use and enjoyment of the Property and of any portion thereof. Each Lot and the Common Area shall be occupied and used in compliance with the Rules and Regulations. Copies of the Rules and Regulations shall be furnished by the Board of Directors to each Owner. Changes to the Rules and Regulations shall be conspicuously posted prior to the time when the same shall become effective and copies thereof shall be furnished to each Owner upon request. ***A majority of votes cast, in person or by proxy, at a meeting convened in accordance with the provisions of the association's bylaws and called for that purpose, shall repeal or amend any rule or regulation adopted by the board of directors. Rules and regulations may be enforced by any method normally available to the owner of private property in Virginia, including, but not limited to, application for injunctive relief or damages, during which the court may award to the association court costs and reasonable attorneys' fees.***

ARTICLE 10

INSURANCE

Section 10.1. Authority to Purchase; Notice

- (a) All insurance policies relating to the Common Area and improvements located on the Common Area shall be purchased by the Board of Directors. The Board of Directors, the managing agent and the Declarant shall not be liable for failure to obtain any coverages required by this Article or for any loss or damage resulting from such failure if such failure is due to the unavailability of such coverages from reputable insurance companies, or if such coverages are so available only at demonstrably unreasonable cost. Exclusive authority to negotiate losses under such policies shall be vested in the Board of Directors or with its authorized representative. The Board of Directors shall promptly furnish to each Owner written notice of the procurement of, subsequent changes in, or termination of, insurance coverages obtained on behalf of the Association.
- (b) Each such policy shall provide that:
 - (1) the insurer waives any right to claim by way of subrogation against the Declarant, the Association, the Board of Directors, the managing agent or the Owners, and their respective guests, invitees, tenants, agents and employees and, in the case of the Owners, the members of their households;
 - (2) such policy shall not be cancelled, invalidated or suspended due to the conduct of any Owner (including such Owner's guests, invitees, tenants, agents and employees) or of any member, Officer or employee of the Board of Directors or the managing agent without a prior demand in writing that the Board or the managing agent cure the defect and neither shall have so cured such defect within sixty days after such demand; and
 - (3) such policy may not be cancelled or substantially modified (including cancellation for nonpayment of premium) without at least thirty days prior written notice to the Board of Directors, the managing agent and all Mortgagees.
- (c) All policies of insurance shall be written by reputable companies licensed to do business in Virginia. Physical damage policies shall be in form and substance and with carriers acceptable to a majority of the Mortgagees.
- (d) The deductible, if any, on any insurance policy purchased by the Board of Directors shall be a Common Expense; provided, however, that the Association may, pursuant to subsection 13.1(a) hereof, assess any deductible amount necessitated by the negligence, misuse or neglect of an Owner against such Owner.

Section 10.2. Physical Damage Insurance

- (a) The Board of Directors shall obtain and maintain a blanket, "all-risk" form policy of fire insurance with extended coverage, vandalism, malicious mischief, sprinkler leakage (if applicable), cost of demolition, debris removal, and water damage endorsements, insuring the improvements located on the Common Area (including without limitation the floor covering, fixtures and appliances), together with all air conditioning and heating equipment and other service machinery contained therein and covering the interests of the Association, in an amount equal to one hundred percent of the then current replacement cost of the improvements located on the Common Area (exclusive of the land, excavations, foundations and other items normally excluded from such coverage), without deduction for depreciation (such amount to be redetermined annually by the Board with the assistance of the insurance company affording such coverage). The Board of Directors shall also obtain and maintain such coverage on all personal property and real estate other than the Common Area owned by the Association.
- (b) Such policy shall also provide:
- (1) a waiver of any right of the insurer to repair, rebuild or replace any damage or destruction, if a decision is made pursuant to these Bylaws not to do so;
 - (2) the following endorsements (or equivalent):
 - (i) "no control" (to the effect that coverage shall not be prejudiced by any act or neglect of any occupant or Owner or their agents when such act or neglect is not within the control of the insured or the Owners collectively, nor by any failure of the insured, or the Owners collectively, to comply with any warranty or condition with regard to any portion of the Property over which the insured or the Owners collectively have no control;
 - (ii) "cost of demolition";
 - (iii) "contingent liability from operation of building laws or codes";
 - (iv) "increased cost of construction";
 - (v) "replacement cost"; and
 - (vi) "agreed amount" or elimination of co-insurance clause;
 - (3) that any "no other insurance" clause expressly exclude individual Owners' policies from its operation so that the physical damage policy purchased by the Board of Directors shall be deemed primary coverage and any individual Owners' policies shall be deemed excess coverage, and in no event shall the insurance coverage obtained and maintained by the Board of Directors hereunder provide for or be brought into contribution with insurance purchased by individual Owners or their Mortgagees, unless otherwise required by law; and
 - (4) such deductibles as to loss, but not coinsurance features, as the Board of Directors in its sole discretion deems prudent and economical; provided, however, that the maximum deductible for policies covering improvements on the Common Area shall be the lesser of Ten Thousand Dollars or one percent of the policy face amount.
- (c) A duplicate original of the policy of physical damage insurance, all renewals thereof, and any subpolicies or certificates and endorsements issued thereunder, together with proof of payment of premiums, shall be delivered by the insurer to any Mortgagee requesting the same, at least thirty days prior to expiration of the then current policy. Prior to obtaining any policy of physical damage insurance or any renewal thereof the Board of Directors shall obtain an appraisal from an insurance company, or such other source as the Board may determine, of the then current replacement cost of the improvements on the Common Area (exclusive of the land, excavations, foundations and other items normally excluded from such coverage), without deduction for depreciation, for the purpose of determining the amount of physical damage insurance to be secured pursuant to this section. All Mortgagees shall be notified promptly of any event giving rise to a claim under such policy arising from damage to improvements located on the Common Area in excess of twenty percent of the then current replacement cost of such improvements. The Mortgagee of a Lot shall be notified promptly of any claim under the Association's policy arising from damage to such Lot.

Section 10.3. Liability Insurance

The Board of Directors shall obtain and maintain comprehensive general liability, broad form endorsement (including libel, slander, false arrest and invasion of privacy coverage) and property damage liability insurance in such limits as the Board may from time to time determine, insuring each

director, the managing agent and the employees of the Association against any liability to the public or to the Owners (and their guests, invitees, tenants, agents and employees) arising out of, or incident to the ownership or use of the Common Area. Such insurance shall be issued on a comprehensive liability basis and shall contain:

- (i) a cross liability endorsement under which the rights of a named insured under the policy shall not be prejudiced with respect to an action against another named insured;
- (ii) hired and non-owned vehicle coverage;
- (iii) host liquor liability coverage with respect to events sponsored by the Association;
- (iv) deletion of the normal products exclusion with respect to events sponsored by the Association; and
- (v) a "severability of interest" endorsement which shall preclude the insurer from denying liability coverage to an Owner because of negligent acts of the Association or of another Owner.

The Board of Directors shall review such limits once each year, but in no event shall such insurance be less than One Million Dollars covering all claims for bodily injury or property damage arising out of one occurrence. The Board may also consider purchasing reasonable amounts of "umbrella" liability insurance in excess of the primary limits in a suggested amount of One Million Dollars.

Section 10.4. Other Insurance.

The Board of Directors shall obtain and maintain:

- (a) adequate fidelity coverage to protect against dishonest acts on the part of Officers, directors, trustees and employees of the Association and all others who handle, or are responsible for handling, funds of the Association, including the managing agent. Such fidelity bonds shall:
 - (i) name the Association as an obligee;
 - (ii) be written in an amount not less than one-half the total annual assessments for the year or the amount required by the Mortgagees, the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, whichever is greatest; and
 - (iii) contain waivers of any defense based upon the exclusion of Persons who serve without compensation from any definition of "employee" or similar expression;
- (b) if required by any governmental or quasi-governmental agency, including without limitation the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, flood insurance in accordance with the then applicable regulations of such agency;
- (c) workers' compensation insurance if and to the extent necessary to meet the requirements of law (including a voluntary employees endorsement and an "all states" endorsement);
- (d) if applicable pressure, mechanical and electrical equipment including air conditioning equipment coverage on a comprehensive form in an amount not less than the lesser of Five Hundred Thousand Dollars or the insurable value of the building housing the equipment per accident per location;
- (e) directors and officers liability insurance in an amount not less than One Million Dollars; and
- (f) such other insurance as the Board of Directors may determine or as may be requested from time to time by a Majority Vote of the Owners.

Section 10.5. Separate Insurance

- (a) Each Owner shall have the right to obtain insurance for such Owner's benefit, at such Owner's expense, covering the improvements located on such Owner's Lot and such Owner's personal property and personal liability; provided, however, that no Owner shall be entitled to exercise this right to acquire or maintain such insurance coverage so as to decrease the amount which the Board of Directors, on behalf of all Owners, may realize under any insurance policy maintained by the Board or to cause any insurance coverage maintained by the Board to be brought into contribution with insurance coverage obtained by an Owner. No Owner shall obtain separate insurance policies on the Common Area.
- (b) Assignment of Insurance Proceeds. Each Owner covenants and agrees, by acquisition of title to a Lot, that if any insurance proceeds are payable by reason of any event or circumstances causing a condition rectified by the Association, those proceeds are hereby assigned to the Association. Each Owner shall, promptly upon request of any director or Officer of the Association, execute such documents as may be necessary to effect or confirm such assignment. The amount thereof received by the Association shall be credited against the costs incurred by the Association in rectifying that condition, and any amount in excess of those costs shall be returned by the Association to the Owner.

Section 10.6. Insurance Trustee

- (a) All physical damage insurance policies purchased by the Board of Directors shall be for the benefit of the Association, the Owners, their Mortgagees, and the Declarant, as their interests may appear, and shall provide that all proceeds of such policies shall be paid in trust to the Board as "insurance trustee" to be applied pursuant to the terms of Article 11.
- (b) The sole duty of the insurance trustee shall be to receive such proceeds as are paid to it and to hold the same in trust for the purposes elsewhere stated in these Bylaws, for the benefit of the insureds and their beneficiaries thereunder.

ARTICLE 11

REPAIR AND RECONSTRUCTION AFTER FIRE OR OTHER CASUALTY

Section 11.1. When Repair and Reconstruction are Required

Except as otherwise provided in Section 11.4, in the event of damage to or destruction of all or any part of any improvement located on the Common Area as a result of fire or other casualty, the Board of Directors shall arrange for and supervise the prompt repair and restoration thereof (including without limitation the floor coverings, fixtures and appliances). The Association shall not use the proceeds of casualty insurance received as a result of damages or destruction of improvements located on the Common Area for purposes other than the repair, replacements or reconstruction of such improvement except in accordance with subsection 12.5(a) hereof.

Section 11.2. Procedure for Reconstruction and Repair

- (a) Cost Estimates. Immediately after a fire or other casualty causing damage to any portion of any improvement located on the Common Area, the Board of Directors shall obtain reliable and detailed estimates of the cost of repairing and restoring such improvement (including without limitation any floor coverings and fixtures and appliances) to a condition as good as that existing before such casualty. Such costs may also include professional fees and premiums for such bonds as the insurance trustee determines to be necessary.
- (b) Assessments. If the proceeds of insurance are not sufficient to defray such estimated costs of reconstruction and repair, or if upon completion of reconstruction and repair the funds for the payment of the costs thereof are insufficient, the amount necessary to complete such reconstruction and repair may be obtained from the appropriate reserve for replacement funds and/or shall be deemed a Common Expense and an assessment therefor shall be levied subject to Section 7.1 hereof.
- (c) Plans and Specifications. Any such reconstruction or repair shall be substantially in accordance with the original construction of any improvement located on the Common Area, subject to any modifications required by changes in applicable governmental regulations, and using contemporary building materials and technology to the extent feasible; provided, however, that other action may be taken if approved in accordance with subsection 12.5(a) hereof.

Section 11.3. Disbursements of Construction Funds

- (a) Construction Fund and Disbursement. The proceeds of insurance collected on account of casualty, and the sums received by the insurance trustee from collections of assessments against Owners on account of such casualty, shall constitute a construction fund which shall be disbursed in payment of the costs of reconstruction and repair in the following manner:
 - (1) If the estimated cost of reconstruction and repair is less than Fifty Thousand Dollars then the construction fund shall be disbursed in payment of such costs upon order of the Board of Directors; provided, however, that upon request of twenty percent of the Mortgagees, such fund shall be disbursed pursuant to paragraph (2).
 - (2) If the estimated cost of reconstruction and repair is Fifty Thousand Dollars or more, then the construction fund shall be disbursed in payment of such costs upon approval of an architect qualified to practice in Virginia and employed by the insurance trustee to supervise such work, payment to be made from time to time as the work progresses. The architect shall be required to furnish a certificate giving a brief description of the services and materials furnished by various contractors, subcontractors, materialmen, the

architect and other Persons who have rendered services or furnished materials in connection with the work stating that:

- (i) the sums requested by them in payment are justly due and owing and that such sums do not exceed the value of the services and materials furnished;
 - (ii) there is no other outstanding indebtedness known to such architect for the services and materials described; and
 - (iii) the cost as estimated by such architect for the work remaining to be done subsequent to the date of such certificate does not exceed the amount of the construction fund remaining after payment of the sum so requested.
- (b) Surplus. The first monies disbursed in payment of the cost of reconstruction and repair shall be from insurance proceeds and, if there is a balance in the construction fund after the payment of all of the costs of the reconstruction and repair for which the fund is established, such balance shall be placed in the reserve account.
- (c) Certificate. The insurance trustee shall be entitled to rely upon a certificate executed by the President or Vice President, and the Secretary, certifying:
- (i) whether the damaged property is required to be reconstructed and repaired;
 - (ii) the name of the payee and the amount to be paid with respect to disbursement from any construction fund or whether surplus funds to be distributed are less than the assessments paid by the Owners; and
 - (iii) all other matters concerning the holding and disbursing of any construction fund. Any such certificate shall be delivered to the insurance trustee promptly after request.

Section 11.4. When Reconstruction Is Not Required

If, in accordance with Section 11.1 and subsection 12.5(a) hereof, the Board of Directors elects not to repair insubstantial damage to improvements located on the Common Area, the Board of Directors shall remove all remains of the damaged improvements and restore the site thereof to an acceptable condition compatible with the remainder of the Common Area and the balance of any insurance proceeds received on account of such damage shall be placed in the reserve account.

ARTICLE 12

MORTGAGES

Section 12.1. Notice to Board of Directors

An Owner who mortgages such Owner's Lot shall notify the Board of Directors of the name and address of the Mortgagee.

Section 12.2. Notice of Default, Casualty, Condemnation or Termination.

The Board of Directors when giving notice to any Owner of a default in paying an assessment for Common Expenses (which remains uncured for sixty days) or any other default, shall simultaneously send a copy of such notice to the Mortgagee of such Lot. Each Mortgagee shall also be promptly notified of

- (i) any casualty when required by Section 10.2(c) hereof, of all actions taken under Article 11;
- (ii) any Taking in condemnation or by eminent domain in accordance with Article 7 of the Declaration and actions of the Association with respect thereto; and
- (iii) any proposal to terminate the Declaration, sixty days before any action is taken to terminate, in accordance with Article 6 of the Declaration.

Section 12.3. Notice of Amendment of Association Documents

The Board of Directors shall give notice to all Mortgagees at least seven days prior to the date on which the Owners materially amend the Articles of Incorporation, the Declaration, or these Bylaws.

Section 12.4. Notice of Change in Managing Agent

The Board of Directors shall give notice to all Mortgagees requesting such notice at least thirty days prior to changing the managing agent.

Section 12.5. Mortgagees' Approvals

The provisions of this section shall not be construed to reduce the percentage vote that must be obtained from Mortgagees or Owners where a larger percentage vote is required by the Act or other provisions of the Association Documents.

- (a) Two-Thirds Vote. Unless at least sixty-seven percent of the Mortgagees and at least sixty-seven percent of the Owners have given their prior written approval, the Association shall not:
- (i) by act or omission seek to abandon, partition, subdivide, encumber, sell or transfer the Common Area (except for the granting of easements for utilities or other public purposes consistent with the intended use of such Common Area);
 - (ii) change the method of determining the obligations, assessments or other charges which may be levied against an Owner;
 - (iii) by act or omission change, waive or abandon any scheme of regulations or their enforcement pertaining to the architectural design or exterior appearance of Lots, the exterior maintenance of Lots, the maintenance of any walls, common fences or driveways in the Common Area, and the Upkeep of lawns and plantings on the Property;
 - (iv) terminate the Declaration or dissolve the Association for reasons other than substantial destruction or condemnation of the Property;
 - (v) fail to maintain fire and extended coverage on insurable Common Area on a current replacement cost basis in an amount at least 100 percent of the insurable value (based on current replacement cost), in accordance with Section 10.2 hereof; or
 - (vi) use hazard insurance proceeds for losses to the Common Area for any purpose other than repair, replacement or restoration of such Common Area substantially in accordance with the Association Documents and the original plans and specifications.
- (b) Majority Vote. Unless at least fifty-one percent of the Mortgagees and at least sixty-seven percent of the Owners have given their prior written approval, the Association shall not:
- (i) take any action to terminate the Declaration or dissolve the Association after any substantial destruction or condemnation of the Property;
 - (ii) fail to employ professional management if professional management has been required by a Mortgagee; or
 - (iii) add or amend any material provisions of the Association Documents which establish, provide for, govern or regulate any of the following:
 - (1) voting;
 - (2) assessments, assessment liens or subordination of such liens;
 - (3) reserves for maintenance, repair and replacement of the Common Area;
 - (4) insurance or fidelity bonds;
 - (5) reallocation of interests in or rights to use of the Common Area;
 - (6) maintenance responsibility;
 - (7) expansion or contraction of the Property or the addition, annexation or withdrawal of real estate to or from the Property;
 - (8) boundaries of any Lot;
 - (9) leasing of Lots;
 - (10) imposition of any right of first refusal or similar restriction on the right of an Owner to sell, transfer, or otherwise convey such Owner's Lot;
 - (11) the convertibility of Lots into Common Area or vice versa;
 - (12) restoration or repair of the Property in a manner other than that specified in the Association Documents; or
 - (13) any provisions which are for the express benefit of Mortgages.
- (c) Non-Material Amendments. Any addition or amendment to the Association Documents shall not be considered material if it is for the purpose of correcting technical errors or for clarification only.
- (d) Presumptive Approval. A Mortgagee who is notified of additions or amendments and who does not deliver or post to the requesting party a negative response within thirty days shall be deemed to have approved such request.

Section 12.6. Right to Cure Defaults

Mortgagees of Lots may, jointly or severally, pay taxes or other charges which are in default and which may or have become a charge against any of the Common Area, and may pay overdue premiums on hazard insurance policies or secure new hazard insurance coverage on the lapse of a policy for the Common Area; provided, however, that such Mortgagees first notify the Association of

any intention to make payments and allow the Association a reasonable time to make the payments before making any payment themselves. Mortgagees giving such notification and making such payments shall be owed immediate reimbursement therefor from the Association.

Section 12.7. Other Rights of Mortgagees

All Mortgagees or their representatives shall have the right to attend and to speak at meetings of the Association. All such Mortgagees shall have the right to examine the Association Documents and the books and records of the Association and to require the submission of annual financial reports and other budgeting information.

ARTICLE 13

COMPLIANCE AND DEFAULT

Section 13.1. Relief

Each Owner shall be governed by, and shall comply with, all of the terms of the Association Documents as any of the same may be amended from time to time. A default by an Owner shall entitle the Association, acting through its Board of Directors or through the managing agent, to the following relief.

- (a) Additional Liability. Each Owner shall be liable to the Association or to any affected Owner for the expense of all maintenance, repair or replacement rendered necessary by such Owner's act, neglect or carelessness or the act, neglect or carelessness of such Owner's tenant or such Owner's (or tenant's) family, guests, invitees, agents or employees, but only to the extent that such expense is not covered by the proceeds of insurance carried by the Board of Directors. Such liability shall include any increase in casualty insurance rates occasioned by use, misuse, occupancy or abandonment of any Lot or its appurtenances. Nothing contained herein, however, shall be construed as modifying any waiver by any insurance company of its rights of subrogation. Any costs, including without limitation legal fees, incurred as a result of a failure to comply with the Association Documents by any Owner or such Owner's tenant or such Owner's (or tenant's) family, guests, invitees, agents or employees may be assessed against such Owner's Lot. If a new Owner does not give the Secretary written notice stating the name and address of the new Owner and the number or address of the Lot within thirty days of acquiring title to a Lot, pursuant to Section 2.1 hereof, then any record keeping costs incurred by the Association, as determined by the Board of Directors, may be assessed against such Owner. The Board may set or change the amount of such assessment from time to time. Such assessment shall be a lien against such Owner's Lot as provided in Section 13.2 hereof.
- (b) Costs and Attorney's Fees. In any proceedings arising out of any alleged default by an Owner, the prevailing party shall be entitled to recover the costs of such proceeding and such reasonable attorney's fees as may be determined by the court.
- (c) No Waiver of Rights. The failure of the Association, the Board of Directors or of an Owner to enforce any right, provision, covenant or condition which may be granted by the Association Documents shall not constitute a waiver of the right of the Association, the Board or the Owner to enforce such right, provision, covenant or condition in the future. All rights, remedies and privileges granted to the Association, the Board of Directors or any Owner pursuant to any term, provision, covenant or condition of the Association Documents shall be deemed to be cumulative and the exercise of anyone or more thereof shall not be deemed to constitute an election of remedies, nor shall it preclude the party exercising the same from exercising such other privileges as may be granted to such party by the Association Documents, the Act or at law or in equity.
- (d) Interest. In the event of a default by any Owner in paying any sum assessed against such Owner's Lot, other than for Common Expenses, which continues for a period in excess of ten days, interest at a rate not to exceed the lower of the maximum permissible interest rate which may be charged by a Mortgagee under a Mortgage at such time or eighteen percent per annum may be imposed in the discretion of the Board of Directors on the principal amount unpaid from the date due until paid.
- (e) Abating and Enjoining Violations by Owners. The violation of any of the Rules and Regulations adopted by the Board of Directors or the breach of any provision of the

Association Documents shall give the Board of Directors the right, in addition to any other rights set forth in the Association Documents:

- (i) to enter the Lot on which, or as to which, such violation or breach exists and summarily to abate and remove, at the expense of the defaulting Owner, any structure, thing or condition that may exist therein contrary to the intent and meaning of the provisions of the Association Documents, and the Board of Directors shall not thereby be deemed guilty in any manner of trespass;
 - (ii) to use self-help to remove or cure any violation of the Association Documents on the Common Area or on any Lot (including without limitation the towing of vehicles); or
 - (iii) to enjoin, abate or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any such breach; provided, however, that before any construction may be altered or demolished (except in emergencies) judicial proceedings shall be instituted.
- (f) Legal Proceedings. Failure to comply with any of the terms of the Association Documents shall be grounds for relief, including without limitation an action to recover any sums due for money damages, injunctive relief, foreclosure of the lien for payment of all assessments, any other relief provided for in the Association Documents and any other relief afforded by a court of competent jurisdiction, all of which relief may be sought by the Association, the Board of Directors, the managing agent or, if appropriate, by any aggrieved Owner and shall not constitute an election of remedies.
- (g) Charges. The Board of Directors and the Covenants Committee may levy reasonable charges against Owners for violations of the Association Documents by the Owner or such Owner's tenants or such Owner's (or tenant's) family, guests, invitees, agents or employees. No charge may be levied for a single violation in an amount more than the lesser of
- (i) fifty dollars or
 - (ii) twenty percent of such Owner's annual assessment.

Each day a violation continues after notice is given to such Owner is a separate violation. Charges are special assessments and shall be collectible as such.

- (h) Other Remedies. The Board of Directors may suspend an Owner's voting rights pursuant to subsection 2.12(e) hereof. The Board may also suspend the right to use the Common Area for a reasonable period not to exceed sixty days for any violation of any provision of any of the Association Documents or for any period during which any assessment against an Owner's Lot remains unpaid; provided, however, that the Association shall have no right to suspend the right of any Person to use the Common Area for necessary, ordinary and reasonable pedestrian ingress and egress to and from an Owner's Lot (or where appropriate vehicular ingress and egress and parking), or to suspend any easement over the Common Area for storm water drainage, electricity, water, sanitary sewer, natural gas, television reception, telephone service or similar utilities and services to the Lots.
- (i) Due Process. The Board of Directors or the Covenants Committee, before imposing any charge or before taking any action affecting one or more specific Owners, shall afford such Owners the following basic due process rights.
- (1) Notice. An Owner shall be afforded written notice of any action and, if notice is of default or violation, an opportunity to cure which is reasonable under the circumstances, prior to the imposition of any sanction.
 - (2) Hearing. If an Owner requests in writing a hearing before any charge is imposed or action taken, then the imposition of the charge or the taking of the action shall be suspended until the Owner has an opportunity to be heard at a hearing at which the Board of Directors or Covenants Committee, as appropriate, discusses such charge or action.
 - (3) Appeal. Upon receipt of a written request therefor, within ten days after the date of an action by the Covenants Committee, the Board of Directors may afford an Owner deemed by the Board to have standing as an aggrieved party the right to appeal to the Board, and the Board may modify or reverse any action taken by the Covenants Committee.
 - (4) Fairness. The Board of Directors and the Covenants Committee shall treat all Owners equitably, based upon decision making procedures, standards and guidelines which shall be applied to all Owners consistently.

Section 13.2. Lien for Assessments

- (a) Lien. The total annual assessment of each Owner for Common Expenses, including Limited Common Expenses, any additional assessment, any special assessment or any other sum duly levied (including without limitation charges, interest, late charges, etc.), made pursuant to these Bylaws, is hereby declared to be a lien levied against any Lot owned by any Owner. Until fully paid and satisfied, the lien shall apply to and encumber all of the Lots that were owned, as of the date when payment was due, by the Owner from whom payment was due, and shall also apply to and encumber any and all Lots thereafter acquired by that Owner from the time such Owner becomes the Owner thereof. With respect to annual assessments, the lien is effective on the first day of each fiscal year of the Association and, as to additional assessments, special assessments and other sums duly levied, on the first day of the next payment period which begins more than seven days after delivery to the Owner of notice of such additional assessment, special assessment or levy. The Board of Directors or the managing agent may file or record such other or further notice of any such lien, or such other or further document, as may be required to confirm the establishment and priority of such lien. The lien created by this section shall be prior to all liens and encumbrances hereafter recorded except Mortgages securing Mortgagees. The personal obligation of the Owner to pay such assessment shall, in addition, remain such Owner's personal obligation and a suit to recover a money judgment for non-payment of any assessment or installment thereof, levied pursuant to these Bylaws, may be maintained without foreclosing or waiving the lien herein created to secure the same.
- (b) Acceleration. In any case where an assessment against an Owner is payable in installments, upon a default by such Owner in the timely payment of any two consecutive installments, the maturity of the remaining total of the unpaid installments of such assessment may be accelerated, at the option of the Board of Directors, and the entire balance of the annual assessment may be declared due and payable in full by the service of notice to such effect upon the defaulting Owner and such Owner's Mortgagee by the Board of Directors or the managing agent.
- (c) Enforcement. The lien for assessments may be enforced and foreclosed in any manner permitted by the laws of Virginia for foreclosure of mortgages or deeds of trust containing a power of sale, pursuant to Section 13.3 hereof or an action in the name of the Board of Directors, or the managing agent, acting on behalf of the Association. During the pendency of any action the Owner shall be required to pay a reasonable rental for the Lot for any period prior to sale pursuant to any judgment or order of any court having jurisdiction over such sale. The plaintiff in such proceeding shall have the right to the appointment of a receiver, if available under the laws of Virginia.
- (d) Remedies Cumulative. A suit to recover a money judgment for unpaid assessments may be maintained without foreclosing or waiving the lien securing the same, and a foreclosure may be maintained notwithstanding the pendency of any suit to recover a money judgment.

Section 13.3. Supplemental Enforcement of the Lien

In addition to the proceedings at law or in equity for the enforcement of the lien established by the Association Documents, all of the Owners may be required by the Declarant or the Board of Directors to execute bonds conditioned upon the faithful performance and payment of the installments of the lien established thereby and may likewise be required to secure the payment of such obligations by recording a declaration of trust in the Land Records granting unto one or more trustees appropriate powers to the end that, upon default in the performance of such bond such declaration of trust may be foreclosed by such trustees acting at the direction of the Board of Directors. If any such bonds have been executed and such declaration of trust is recorded, then any subsequent purchaser of a Lot shall take title subject thereto and shall assume the obligations provided for therein.

Section 13.4. Subordination and Mortgage Protection

Notwithstanding any other provisions hereof to the contrary, the lien of any assessment levied pursuant to these Bylaws upon any Lot (and any penalties, interest on assessments, late charges or the like) shall be subordinate to, and shall in no way affect the rights of the holder of a Mortgage made in good faith for value received; provided, however, that such subordination shall apply only to assessments which have become due and payable prior to a sale or transfer of such Lot pursuant to foreclosure, or any proceeding in lieu of foreclosure. Such sale or transfer shall not relieve the purchaser of the Lot at such sale from liability for any assessments thereafter becoming due, nor from the lien of any such subsequent assessment, which lien shall have the same effect and be enforced in the same manner as provided herein.

ARTICLE 14

AMENDMENTS TO BYLAWS

Section 14.1. Method of Amendment

These Bylaws may be amended by a Majority Vote of the Owners if the proposed amendment has been inserted in the notice of meeting or all of the Owners are present in person or by proxy. No amendment to these Bylaws may diminish the rights of the Declarant hereunder without the prior written consent of the Declarant. No amendment to the Bylaws shall be effective until such amendment has been recorded by the Secretary among the Land Records.

Section 14.2. Approval of Mortgagees

These Bylaws contain provisions concerning various rights, priorities, remedies and interests of Mortgagees. Such provisions in these Bylaws are to be construed as covenants for the protection of such Mortgagees on which they may rely in making loans secured by Mortgages. Accordingly, no amendment or modification of these Bylaws materially impairing or affecting such rights, priorities, remedies or interests of a Mortgagee shall be adopted without the prior written consent of such Mortgagee.

ARTICLE 15

NOTICES

Except as specifically provided otherwise in the Act or the Association Documents, all notices, demands, bills, statements or other communications under these Bylaws shall be in writing and shall be deemed to have been duly given if delivered personally or sent by United States mail, postage prepaid pursuant to Section 13.1-810 of the Act, or if notification is of a default or lien, sent by registered or certified United States mail, return receipt requested, postage prepaid,

- (i) if to an Owner, at the address which the Owner shall designate in writing and file with the Secretary or, if no such address is designated, at the address of the Lot of such Owner, or
- (ii) if to the Association, the Board of Directors or to the managing agent, at the principal office of the managing agent or at such other address as shall be designated by notice in writing to the Owners pursuant to this section. If a Lot is owned by more than one Person, each such Person who so designates an address in writing to the Secretary shall be entitled to receive all notices hereunder.

ARTICLE 16

BOOKS AND RECORDS

Section 16.1. Maintenance

The Association shall keep books and records as be required by Section 13.1-932 of the Act. All books and records shall be kept in accordance with generally accepted accounting principles, and the same shall be reviewed at least once a year by an accountant retained by the Board of Directors who shall not be an Owner or an occupant of a Lot. The cost of such review shall be a Common Expense.

Section 16.2. Availability

The books and records of the Association shall be available for examination by the Owners, their attorneys, accountants, Mortgagees and authorized agents during general business hours on business days at the times and in the manner established by the Board of Directors for the general knowledge of the Owners in accordance with Section 13.1-933 of the Act. The list of Owners required by Section 2.7 hereof shall be available for inspection for a period of ten days prior to the meeting. Such list shall also be available at the meeting for inspection by the Owners. Pursuant to Section 12.7 hereof, all Mortgagees or their representatives shall have the right to examine the books and records of the Association on the same terms and conditions as the Owners. The Board of Directors may fix from time to time a reasonable charge to cover the direct and indirect costs of providing any documents to an Owner or Mortgagee.