

BYLAWS OF
WOODLAND PARK AT LEXINGTON
CONDOMINIUM ASSOCIATION, INC.

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BYLAWS OF

WOODLAND PARK AT LEXINGTON CONDOMINIUM ASSOCIATION, INC.

ARTICLE I

Plan of Unit Ownership

Section 1. Applicability. These Bylaws provide for the governance of the Condominium¹ pursuant to the requirements of the Condominium Act. The Condominium, located in the City of Virginia Beach, Virginia, and more particularly described in the Declaration, has been submitted to the provisions of the Condominium Act by recordation simultaneously herewith of the Declaration among the land records of the City of Virginia Beach, Virginia.

Section 2. Compliance. Pursuant to the provisions of Section 55-79.53 of the Condominium Act, every Unit Owner and all those entitled to occupy a Unit shall comply with these Bylaws.

Section 3. Office. The principal office of the Unit Owners Association shall be located at the Condominium or at such other place as may be designated from time to time by the Board of Directors.

ARTICLE II

Unit Owners Association

Section 1. Composition. The Unit Owners Association shall consist of all of the Unit Owners acting as a group in accordance with the Condominium Act pursuant to the Condominium Instruments. The Unit Owners Association shall have the responsibility of administering the Condominium, establishing the means and methods of collecting assessments and charges, arranging for the management of the Condominium and performing all of the other acts that may be required or permitted to be performed by the Unit Owners Association by the Condominium Act and the Condominium Instruments. Except as to those matters which the Condominium Act specifically requires to be decided by the vote of the Unit Owners

¹Capitalized terms used herein without definition shall have the meanings specified for such terms in the Declaration to which these Bylaws are attached as Exhibit D or, if not defined therein, the meanings specified in Va. Code Ann. Section 55-79.41 of the Condominium Act. "FNMA" shall mean the Federal National Mortgage Association. "VA" shall mean the Veteran's Administration. "FHLMC" shall mean the Federal Home Loan Mortgage Corporation. "FHA" shall mean the Federal Housing Administration.

Association, the foregoing responsibilities shall be performed by the Board of Directors or Managing Agent as more particularly set forth in Article III of these Bylaws.

Section 2. Annual Meetings. The annual meeting of the Unit Owners Association shall be held on the first Tuesday in February of each year, or on such other date as determined by the Board of Directors, unless the same shall fall on a legal holiday, in which case the annual meeting shall be held on the next ensuing day which is not a legal holiday. At the first meeting following the expiration of the Period of Declarant Control, the Board of Directors shall be elected by ballot of the Unit Owners in accordance with the Articles of Incorporation. Notwithstanding the foregoing, until the expiration of the Period of Declarant Control, the Declarant shall be entitled to designate and remove the members of the Board of Directors.

Section 3. Place of Meetings. Meetings of the Unit Owners Association shall be held at the principal office of the Unit Owners Association or at such other suitable place convenient to the Unit Owners as may be designated by the Board of Directors.

Section 4. Special Meetings.

(a) The President shall call a special meeting of the Unit Owners Association if so directed by resolution of the Board of Directors or upon a petition signed and presented to the Secretary by Unit Owners of not less than twenty-five percent of the aggregate Percentage Interests. The notice of any special meeting shall state the time, place and purpose thereof. No business shall be transacted at a special meeting except as stated in the notice.

(b) Not later than the expiration of the Period of Declarant Control notice shall be given of a special meeting of the Unit Owners Association at which all of the members of the Board of Directors designated by the Declarant shall resign, and the Unit Owners, including the Declarant if the Declarant owns one or more Units, shall thereupon elect successor members of the Board of Directors.

Section 5. Notice of Meetings. The Secretary shall mail to each Unit Owner a notice of each annual or regularly scheduled meeting of the Unit Owners Association at least twenty-one but not more than sixty days before such meeting, stating the time and place thereof. Notice of any other meeting shall be sent at least ten but not more than sixty days before such meeting, stating the time, place and the purpose thereof. Notwithstanding the foregoing, notice of any meeting at which there shall be voted upon any amendment to the Articles of Incorporation, a plan of merger, a proposed sale of assets pursuant to Va. Code Ann. Section 13.1-900 or the dissolution of the corporation shall be given as required by Va. Code Ann. Section 13.1-842. The mailing of a notice of meeting in the manner provided in this Section and Section 1 of Article XI of these Bylaws shall be considered service of notice.

Section 6. Adjournment of Meetings. If at any meeting of the Unit Owners Association a quorum is not present, Unit Owners holding a majority of the Percentage Interests who are present at such meeting in person or by proxy may adjourn the meeting to a time not less than forty-eight hours after the time the original meeting was called.

Section 7. Title to Units. Title to a Condominium Unit may be taken in the name of one or more Persons in any manner permitted by law. Subject to Section 2 of Article III hereof, the Unit Owners Association may acquire, hold and transfer title to one or more Condominium Units in its own name.

Section 8. Voting. Voting at all meetings of the Unit Owners Association shall be on a Percentage Interest basis and the vote to which each Unit Owner is entitled shall be the Percentage Interest assigned to his Unit. Where the ownership of a Unit is in more than one Person, the Person who shall be entitled to cast the vote appurtenant to such Unit shall be the Person named in a certificate executed by all of the Unit Owners of such Unit and filed with the Secretary or, in the absence of such Person from the meeting, the Person who shall be entitled to cast the vote appurtenant to such Unit shall be the Person owning such Unit who is present. If more than one Person owning such Unit is present, then such vote shall be cast only in accordance with their unanimous agreement pursuant to Section 55-79.77(C) of the Condominium Act. Such certificate shall be valid until revoked by a subsequent certificate similarly executed. Subject to the requirements of Section 55-79.77 of the Condominium Act, wherever the approval or disapproval of a Unit Owner is required by the Condominium Act or the Condominium Instruments, such approval or disapproval shall be made only by the Person who would be entitled to cast the vote of such Unit at any meeting of the Unit Owners Association. Except where a greater number is required by the Condominium Act or the Condominium Instruments, the Owners of more than one half of the aggregate Percentage Interests voting in person or by proxy at one time at a duly convened meeting at which a quorum is present ("Majority of the Unit Owners") is required to render a decision at any meeting of the Unit Owners Association. Any specified percentage of the Unit Owners means the Unit Owners owning such Percentage Interests in the aggregate. If Declarant owns or holds title to one or more Units, Declarant shall have the right at any meeting of the Unit Owners Association to cast the votes to which such Unit or Units are entitled.

Section 9. Proxies. A vote may be cast in person or by proxy. Proxies shall be duly executed in writing by one with authority to execute deeds pursuant to the requirements of Section 55-79.77(D) of the Condominium Act (including without limitation the requirement that the proxy be dated) and must be filed with the Secretary before the appointed time of the meeting. Such proxy shall be deemed revoked only upon actual receipt of notice of revocation by the person presiding over the meeting from any of the Persons owning such Unit. Except with respect to proxies in favor of a Mortgagee, no proxy shall in any event be valid for a period in excess of eleven months after the execution thereof and, in any event, any proxy shall terminate automatically upon the adjournment of the first meeting held on or after the date of the proxy or any recess or adjournment of that meeting. The proxy shall include a brief explanation of the effect of leaving the proxy uninstructed.

Section 10. Quorum. Except as otherwise provided in these Bylaws, the presence in person or by proxy of Unit Owners of twenty-five percent of the aggregate Percentage Interests shall constitute a quorum at all meetings of the Unit Owners Association.

Section 11. Conduct of Meetings. The President shall preside over all meetings of the Unit Owners Association. The Secretary shall keep the minutes of the meeting and record in a

minute book all resolutions adopted and a record of all other transactions occurring at the meeting. The President may appoint a Person to serve as parliamentarian at any meeting of the Unit Owners Association. The Board of Directors may establish reasonable rules and regulations to govern the conduct of all meetings of the Unit Owners Association provided such rules and regulations do not conflict with the Condominium Instruments or the Condominium Act.

ARTICLE III

Board of Directors

Section 1. Number. The affairs of the Unit Owners Association shall be managed under the direction of its Board of Directors. The initial number of persons comprising the Board of Directors shall be three (3) and such number may be changed by amendment to these Bylaws. After the Period of Declarant Control the number of persons comprising the Board of Directors shall be five (5) and such number may be changed by amendment to these Bylaws.

Section 2. Powers and Duties. The Board of Directors shall have all of the powers and duties necessary for the administration of the affairs of the Unit Owners Association and may do all such acts and things as are by the Condominium Act or the Condominium Instruments required to be exercised and done by the Unit Owners Association. To the extent applicable, the Board of Directors may from time to time elect to have the Unit Owners Association treated as a "homeowners association" within the meaning of Section 528 of the Internal Revenue Code of 1954, as amended. The Board of Directors shall have the power to designate those officers authorized to provide statements and waivers to Unit Owners as may be desirable or required pursuant to the Condominium Act and to establish the fees to be charged therefor so long as the same do not exceed the maximum amounts set forth in the Condominium Act, including without limitation Sections 55-79.84, 55-79.85 and 55-79.97 thereof (and, to the extent applicable, to the Condominium generally or to the Unit Owners Association, Va. Code Ann. 55-380). The Board of Directors may delegate to one of its members or to a Person employed for such purpose the authority to act on behalf of the Board of Directors on such matters relating to the duties of the Managing Agent (as defined in Section 3 of this Article), if any, which may arise between meetings of the Board of Directors. In addition to the duties imposed by these Bylaws or by any resolution of the Unit Owners Association that may hereafter be adopted, the Board of Directors shall on behalf of the Unit Owners Association:

(a) Prepare and disseminate an annual budget in which there shall be established the assessments of each Unit Owner in respect of the Common Expenses.

(b) Make assessments against Unit Owners to defray the costs and expenses of the Condominium and determine when the same shall commence as to all Units, establish the means and methods of collecting such assessments from the Unit Owners and establish the period of the installment payments of the annual assessment for Common Expenses. Unless otherwise determined by the Board of Directors, the annual assessment against each Unit Owner for his proportionate share of the Common Expenses shall be payable in equal monthly

installments, each such installment to be due and payable in advance on the first day of each month for such month.

(c) Provide for the operation, care, upkeep, maintenance and servicing of the Common Elements of the Condominium and those portions of Units for which the Unit Owners Association is responsible.

(d) Designate, hire and dismiss the personnel necessary for the maintenance, operation, repair and replacement of the Condominium and provide services for the Condominium and, where appropriate, provide for the compensation of such personnel and for the purchase of equipment, supplies and material to be used by such personnel in the performance of their duties.

(e) Collect the assessments from the Unit Owners, deposit the proceeds thereof in bank depositories designated by the Board of Directors and use the proceeds to carry out the purposes of the Unit Owners Association.

(f) Enact and amend Rules and Regulations from time to time for the use and occupancy of the Units and Common Elements and the conduct of meetings; provided however, that no such Rules and Regulations so adopted shall be in conflict with the Condominium Act, the Condominium Instruments, the Communications Services Agreement or the Deed of Easement; and provided further that no such Rules and Regulations shall bind or be construed so as to impair in any manner the lien of any mortgage or deed of trust with respect to any Unit or the Common Elements.

(g) Open bank accounts on behalf of the Unit Owners Association and designate the signatories thereon.

(h) Make, or contract for the making of, repairs, additions and improvements to or alterations of the Common Elements, and repairs to and restoration of the Common Elements and, in some cases, certain portions of the improvements located within the Units, in accordance with these Bylaws 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 Condominium Instruments and the Rules and Regulations and act on behalf of the Unit Owners with respect to all matters arising out of any eminent domain proceedings.

(j) Obtain and carry insurance as provided in Article VI 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 Unit Owners Association and not billed to Unit Owners of individual Units or otherwise provided for in these Bylaws or pursuant to the Master Declaration.

(l) Keep books with detailed accounts in chronological order of the Unit Owners Association's receipts and expenditures affecting the Condominium and the administration of the Condominium, specifying the expenses of maintenance and repair of the Common Elements and any other expenses incurred. All books and records shall be kept in accordance with generally accepted accounting principles consistently applied (but may be on the cash method of accounting) and shall be open for inspection by Unit Owners in any Condominium Unit.

(m) Acquire, hold and dispose of Condominium Units and mortgage the same if such expenditures and mortgage are included in the budget adopted by the Unit Owners Association or authorized by a majority of the Unit Owners.

(n) Do such other things and acts not inconsistent with the Condominium Act, the Condominium Instruments, the Communications Services Agreement, and the Deed of Easement which the Board of Directors may be authorized to do under the Condominium Act or Condominium Instruments or by a resolution of the Unit Owners Association.

(o) Grant permits, licenses and easements under, through and over the Common Elements for drainage, utilities, roads and access and other purposes which are in accordance with the Deed of Easement or which are reasonably necessary to the ongoing development and operation of the Condominium and the Additional Land.

(p) Suspend a Unit Owner's right to use facilities or services, including utility services, provided directly through the Unit Owners Association for nonpayment of assessments which are more than sixty (60) days past due as more particularly set forth in Va. Code Ann. §55-79.80:2.

(q) Assess charges against any Unit Owner for any violation of the Condominium instruments or of the Rules and Regulations promulgated pursuant thereto for which such Unit Owner or his family members, tenants, guests or other invitees are responsible as more particularly set forth in Va. Code Ann. §55-79.80:2.

Section 3. Managing Agent. The Board of Directors may employ for the Condominium a "Managing Agent" at a compensation to be established by the Board of Directors. Any Managing Agent who handles funds for the Unit Owners Association shall be covered by its own fidelity bond providing for the coverage required by Article VI and naming the Unit Owners Association as an additional obligee.

(a) **Duties.** The Managing Agent shall perform such duties and services as the Board of Directors shall authorize, which may include but are not limited to the duties listed in paragraphs (a), (c), (d), (e), (h), (i), (j), (k), (l), (n), (p) and (q) of Section 2 of this Article III. 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 paragraphs (b), (f), (g), (m) and (o) of Section 2 of this Article III. The Managing Agent may perform the obligations, duties and services relating to management of the Condominium, the rights of Mortgagees and make recommendations concerning the maintenance of reserve funds in compliance with the provisions of these Bylaws.

(b) Standards. The Board of Directors may impose appropriate standards of performance upon the Managing Agent. Unless the Managing Agent is instructed otherwise by the Board of Directors:

(1) no remuneration shall be accepted by the Managing Agent from vendors, contractors or others providing goods or services to the Unit Owners Association, whether in the form of commissions, finders fees, service fees or otherwise, and any discounts received shall benefit the Unit Owners Association;

(2) any financial or other interest which the Managing Agent may have in any firm providing goods or services to the Unit Owners Association shall be disclosed promptly to the Board of Directors;

(3) a monthly financial report shall be prepared for the Unit Owners Association disclosing:

(A) all income and disbursement activity for the preceding month;

(B) the status of all accounts in an "actual" versus "projected" (budget) format; and

(C) any actual or pending obligations which are in excess of budgeted amounts by an amount exceeding either the operating reserve or ten percent of a major budget category; and

(c) Limitations. Subject to the provisions of Section 55-79.74(B) of the Condominium Act, the Board of Directors may employ a Managing Agent for a term not to exceed two years. Any contract with the Managing Agent must provide that it may be terminated (without payment of a termination fee) upon not less than ninety (90) days written notice to management given not later than sixty (60) days after the expiration of the Period of Declarant Control. The foregoing shall not be deemed to prohibit renewals of the contract in accordance with the Condominium Act and the provisions hereof.

(d) Liaison. The Board of Directors may designate one of its members as liaison officer who shall be authorized to instruct and deal with the Managing Agent on any matter relating to the Condominium.

Section 4. Election and Term of Office. The election and term of office of members of the Board of Directors shall be as follows:

(a) Until the expiration of the Period of Declarant Control (during which time members do not elect the Board of Directors), and thereafter until their successors have been elected by the Unit Owners, the Board of Directors shall consist of persons designated by the Declarant. Declarant shall have the right in its sole discretion to remove directors during the Period of Declarant Control and to designate their successors.

(b) At the first meeting of the Unit Owners Association following termination of the Period of Declarant Control (which meeting shall be held within thirty days after the termination of the Period of Declarant Control), five (5) directors shall be elected. All eligible Members of the Association shall vote on all directors to be elected and the candidate(s) receiving the most votes shall be elected. Two (2) directors shall serve a term of two (2) years, such directors shall constitute Group A Directors, and three (3) directors shall serve a term of one (1) year, such directors shall constitute Group B Directors. At each annual meeting thereafter, members shall elect directors to fill the positions of the terms which are expiring for a term of two (2) years. Members of the Board of Directors shall be elected by oral ballot of the Unit Owners unless any Unit Owner requests written ballot, in which event members of the Board of Directors shall be elected by written ballot.

Section 5. Removal or Resignation of Members of the Board of Directors. Except with respect to directors designated by Declarant, at any meeting called for the purpose of removing a director, any one or more of the members of the Board of Directors may be removed with or without cause by a Majority of the Unit Owners, and a successor may then and there be elected to fill the vacancy thus created. Notice of such meeting shall state that the purpose, or one of the purposes, of the meeting is the removal of the director(s). A member of the Board of Directors may resign at any time in accordance with Va. Code Ann. Section 13.1-859.

Section 6. Vacancies. Vacancies in the Board of Directors caused by any reason other than the removal of a director by a vote of the Unit Owners Association shall be filled by a vote of the majority of the remaining directors at a special meeting of the Board of Directors held for such purpose promptly after the occurrence of such vacancy. Each person so elected shall be a member of the Board of Directors until the next meeting of the Unit Owners Association at which directors are elected. Notwithstanding anything to the contrary in this Section 6 or in the preceding Section 5, until the expiration of the Period of Declarant Control the Declarant shall designate the successor to any resigned or removed director previously designated by the Declarant.

Section 7. Organization Meeting. The first meeting of the Board of Directors following the meeting of the Unit Owners Association at which directors are elected shall be held within thirty days thereafter at such time and place as shall be fixed by the Unit Owners Association at the meeting at which such Board of Directors shall have been elected, and no notice shall be necessary to the newly elected members of the Board of Directors in order to legally constitute such meeting provided that a quorum of the Board of Directors shall be present thereat.

Section 8. 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 twice during each fiscal year following the expiration of the Period of Declarant Control. Notice of regular meetings of the Board of Directors shall be given to each director, by mail or telegraph, at least three business days before the day named for such meeting.

Section 9. Special Meetings. Special meetings of the Board of Directors may be called by the President on three business days notice to each director, given by mail or telegraph, 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 with like notice on the written request of at least two directors.

Section 10. Waiver of Notice. Any director may at any time, in writing signed by such director, waive notice of any meeting of the Board of Directors, and such waiver shall be deemed equivalent to the giving of such notice. Except in the circumstances described in Va. Code Ann. Section 13.1-867(B), attendance by a director at any meeting of the Board of Directors shall constitute a waiver of notice by him 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 11. 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 the vote of a majority of the directors present at a meeting at which a quorum is present shall constitute the decision of the Board of Directors. If at any meeting of the Board of Directors there shall be less than a quorum present, those present may adjourn 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.

Section 12. Compensation. No director shall receive any compensation from the Unit Owners Association for acting as such; however, any director may be reimbursed for actual expenses incurred.

Section 13. 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 members of the Board of 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 IV

Officers

Section 1. Designation. The principal officers of the Unit Owners 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 shall be a member of the Board of Directors. Any other officers may, but need not, be members of the Board of Directors. Pursuant to Section 6.3 of the Articles of Incorporation of Lexington Owners Association, Inc., after the "Period of Developer Control" (as defined in such Articles of Incorporation), the President shall also serve as a director of the board of directors of the Lexington Owners Association, Inc. unless the Board of Directors adopts a resolution appointing such other member of the Board of Directors to serve in such capacity.

Section 2. Election of Officers. The officers of the Unit Owners Association shall be elected annually by the Board of Directors at the organization meeting of each new Board of Directors and shall hold office at the pleasure of the Board of Directors.

Section 3. Removal of Officers. Upon the affirmative vote of a majority 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 of Directors or at any special meeting of the Board of Directors called for such purpose.

Section 4. President. The President shall be the chief executive officer of the Unit Owners Association, preside at all meetings of the Unit Owners Association and of the Board of Directors and have all of the powers and duties which are incident to the office of president of a corporation organized under the Virginia Nonstock Corporation Act. Unless otherwise determined by duly adopted resolution of the Board of Directors, the President shall also serve as the Unit Owners Association representative on the board of directors of the Lexington Owners Association, Inc. after the "Period of Developer Control" as defined in the Articles of Incorporation of Lexington Owners Association, Inc.

Section 5. 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 member of the Board of Directors 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 upon him by the Board of Directors or by the President.

Section 6. Secretary. The Secretary shall keep the minutes of all meetings of the Unit Owners Association and of the Board of Directors, have charge of such books and papers as the Board of Directors may direct, maintain a register setting forth the place to which all notices to Unit Owners and Mortgagees hereunder shall be delivered and, in general, perform all the duties incident to the office of secretary of a corporation organized under the Virginia Nonstock Corporation Act.

Section 7. Treasurer. The Treasurer shall have the responsibility for Unit Owners Association funds and securities and shall be responsible for keeping full and accurate financial records and books of account showing all receipts and disbursements, and for the preparation of all required financial data, and be responsible for the deposit of all monies and other valuables in the name of the Unit Owners Association in such depositories as may from time to time be designated by the Board of Directors and, in general, perform all the duties incident to the office of treasurer of a corporation organized under the Virginia Nonstock Corporation Act.

Section 8. Compensation of Officers. No officer shall receive any compensation from the Unit Owners Association for acting as such; however, any officer may be reimbursed for actual expenses incurred as such officer.

ARTICLE V

Operation of the Property

Section 1. Determination of Common Expenses and Assessments Against Unit Owners.

(a) Fiscal Year. The fiscal year of the Unit Owners Association shall be the calendar year unless otherwise determined by the Board of Directors.

(b) Preparation and Approval of Budget.

(1) At least forty-five days before the beginning of the fiscal year, the Board of Directors shall adopt a budget for the Unit Owners Association containing an estimate of the total amount considered necessary to pay the cost of maintenance, management, operation, repair and replacement of the Common Elements which the Association is obligated to maintain and those parts of the Units as to which it is the responsibility of the Unit Owners Association to maintain, repair and/or replace, and the cost of wages, materials, insurance premiums, services, supplies and other expenses that may be declared to be Common Expenses by the Unit Owners Association and which will be required during the ensuing fiscal year for the administration, operation, maintenance or repair of the Condominium and the rendering of all related services. Following its adoption, the budget shall be disseminated to the Unit Owners.

(2) Such budget shall also include such amounts as the Board of Directors considers necessary to provide working capital, a general operating reserve and reserve for contingencies and replacements. At least thirty days before the beginning of the fiscal year, the Board of Directors shall send to each Unit 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 Unit Owner. Such budget shall constitute the basis for determining each Unit Owner's assessment for the Common Expenses of the Unit Owners Association.

(c) Assessment and Payment of Common Expenses. Subject to the provisions of Section 1(a) of Article IX hereof, the total amount of the estimated funds required for the operation of the Condominium set forth in the budget adopted by the Board of Directors shall be assessed against each Unit Owner in proportion to his respective Percentage Interest and shall be a lien against each Unit Owner's Unit as provided in Article IX, Section 2, of these Bylaws. Notwithstanding the foregoing, and except as provided in Subsection 2(b) of Article VII, if the amount of the proposed budget is in excess of 125% of the budget for the preceding fiscal year, (after first projecting the preceding budget to a full 12 months if the preceding budget covered a period of less than 12 months and after first projecting the preceding budget to cover all of the land and improvements then constituting the Condominium if, as a consequence of expansion, the Condominium is now larger than at the time of adoption of the preceding budget) the proposed budget shall be approved by Unit Owners holding a majority of the Percentage Interests present at the regular or a special meeting of the Unit Owners held for this purpose. Within 90 days after the end of each fiscal year, the Board of Directors shall supply to all Unit Owners 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. Any amount accumulated in excess of the amount required for actual expenses and reserves shall, if the Board of Directors deems it advisable, be credited according to each Unit Owner's Percentage Interest to the next monthly installment(s) due from Unit Owners under the current fiscal year's budget, until exhausted. Any net shortage shall be assessed promptly against the Unit Owners in accordance with their Percentage Interests and shall be payable as the Board of Directors may determine.

(d) Reserves. The Board of Directors shall, as a part of the Common Expenses and regular assessments therefor, build up and maintain a reserve for periodic maintenance, repair and replacement of the Common Elements and to cover the amount of any insurance deductible; however, the Board of Directors and the Declarant shall not be personally liable for the inadequacy of any reserve. Extraordinary expenditures not originally included in the annual budget but which become necessary during the year shall be charged first against such reserve. If the reserve is inadequate for any reason, including nonpayment of any Unit Owner's assessment, the Board of Directors may at any time levy a further assessment which shall be assessed against the Unit Owners according to their respective Percentage Interests and which may be payable in a lump sum or in installments as the Board of Directors may determine. The Board of Directors shall serve notice of any such further assessment on all Unit Owners by a statement in writing giving the amount and reasons therefor, and such further assessment shall, unless otherwise specified in the notice, become effective with the next monthly payment which is due more than ten days after the delivery of such notice of further assessment. All Unit Owners shall be obligated to pay the adjusted monthly amount or, if such further assessment is not payable in installments, the amount of such assessment. Such assessment shall be a lien as of its effective date as set forth in Article IX, Section 2 of these Bylaws.

(e) Initial Budget. Upon taking office, the first Board of Directors shall determine the budget and level of assessments to the date of expiration of the first fiscal year, as defined in this Section, and the date the assessments shall commence as to all Units. Assessments shall be levied and become a lien against the Unit Owners during such period as provided in this Section and in Article IX, Section 2.

(f) 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 a Unit Owner's obligation to pay his 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 Unit Owner shall continue to pay each monthly installment at the rate established for the previous fiscal year until notice of the monthly payment which is due more than ten days after such new annual or adjusted budget shall have been delivered.

(g) Accounts. All sums collected with respect to assessments against the Unit Owners or from any other source may be commingled into a single fund.

Section 2. Payment of Common Expenses. Each Unit Owner shall pay the Common Expenses assessed by the Board of Directors pursuant to the provisions of Section 1 of this

Article V. No Unit Owner may exempt himself from liability for his contribution toward Common Expenses by waiver of the use or enjoyment of any of the Common Elements or by abandonment of his Unit. No Unit Owner shall be liable for the payment of any part of the Common Expenses assessed against his Unit and due subsequent to the date of recordation of a conveyance by him in fee of such Unit to a successor Unit Owner (except a conveyance as security for the performance of an obligation). Each Unit Owner waives the benefit of the homestead exemption as to any assessments levied hereunder against either the Unit or the Unit Owner. Each such assessment, together with the interest, late charges and costs of collection (including attorney's fees) shall also be the personal obligation of the Unit Owner at the time the assessment fell due. The personal obligation for delinquent assessments shall not pass to successors in title or interest unless assumed by them.

Section 3. Collection of Assessments. The Board of Directors, or the Managing Agent at the request of the Board of Directors, may take action to collect any assessments due from any Unit Owner. Any assessment, or installment thereof, not paid within ten days after due shall incur a late charge of \$30.00 or such other amount as established by a duly adopted resolution of the Board of Directors and shall bear interest at the rate of 18% per annum. Each defaulting Unit Owner shall also pay all costs of collection, including without limitation attorney's fees, incurred in the collection of any unpaid assessment and shall also pay any expense incurred as a result of a check being returned to the Association without payment. The Board of Directors shall have the power to accelerate all remaining installments of any annual assessment in the event an assessment is not paid within 30 days of its due date.

Section 4. Statement of Common Expenses and Access to Records. The Unit Owners Association shall promptly provide any Unit Owner, contract purchaser or Mortgagee so requesting the same in writing with a written statement of all unpaid assessments for Common Expenses due from such Unit Owner. The Board of Directors may impose a reasonable charge for the preparation of such statement to the extent permitted by the Condominium Act. The Unit Owners Association shall make available during normal business hours for inspection, upon request by Unit Owners, lenders and the holders, insurers and guarantors of the mortgage on any Unit, and prospective purchasers, and their authorized agents current copies of the Condominium Instruments and any Rules and Regulations governing the Condominium and other books, records and financial statements of the Unit Owners Association (including, if such is prepared, the most recent annual audited financial statement of the Unit Owners Association). If and so long as there is no audited statement available, any Mortgagee may have an audited statement prepared at its expense.

Section 5. Maintenance, Repair, Replacement and Other Common Expenses.

(a) By the Unit Owners Association. The Unit Owners Association shall be responsible for the maintenance, repair and replacement (unless such expense was necessitated by the negligence or willful misconduct of a Unit Owner or his tenant or guests) of all of the Common Elements and Limited Common Elements, whether located inside or outside of the Units, and shall be responsible for periodic painting and structural repair of the exterior of doors and the exterior of windows other than glass and for the periodic cleaning of the exterior side of window glass, the aggregate cost of which shall be charged to all Unit Owners as a Common

Expense. The Common Elements and Limited Common Elements shall be kept in good order, condition and repair and in a clean and sanitary condition.

(b) By the Unit Owner. Each Unit Owner shall keep his Unit (except for the painting of the exterior of doors and the exterior of windows other than glass and except for the periodic cleaning of the exterior side of window glass) and its equipment, appliances and window glass in good order, condition and repair and in a clean and sanitary condition, and shall do all redecorating, painting and varnishing which may at any time be necessary to maintain the good appearance and condition of his Unit. Each Unit Owner shall also keep any porch or other area visible to others and assigned to his Unit as a Limited Common Element in a neat and clean condition, free of debris and unsightly accumulations. In the event of a Unit Owner's failure to perform in accordance with this Subsection 5(b), the Unit Owners Association may effect the same and any expense thus incurred shall be paid by the affected Unit Owner as a special assessment against his Unit secured and collectible in the same manner as other assessments hereunder. Each Unit Owner shall be responsible for replacing light bulbs in any Limited Common Element assigned to his Unit. In addition, each Unit Owner shall be responsible for all damage to his or any other Units or to the Common Elements resulting from his failure to make any of the repairs required by this Section or due to such Unit Owner's (or his tenant's or guest's negligence or willful act, except to the extent covered by insurance maintained by the Unit Owners Association). Each Unit Owner shall perform his responsibility in such manner as shall not unreasonably disturb the other Unit Owners. Each Unit Owner shall promptly report to the Board of Directors or the Managing Agent any defect or need for repairs for which the Board of Directors is responsible. Nothing herein shall be deemed to release any insurer of its obligations under any insurance policy or to create rights of subrogation against any Unit Owner.

(c) Manner of Repair and Replacement. All repairs and replacements shall be substantially similar to the original construction and installation and shall be of good quality. The method of approving payment vouchers for repairs and replacements shall be determined by the Board of Directors.

Section 6. Additions, Alterations or Improvements by Board of Directors. Whenever in the judgment of the Board of Directors the Common Elements shall require additions, alterations or improvements not previously budgeted for and costing in excess of Twenty-five Thousand Dollars during any period of twelve consecutive months, the making of such additions, alterations or improvements shall be approved by Unit Owners holding a majority of the Percentage Interests, and upon approval, the Board of Directors shall proceed with such additions, alterations or improvements and shall assess all Unit Owners for the cost thereof as a Common Expense. Any additions, alterations or improvements to the Common Elements contemplated in the budget and/or costing Twenty-five Thousand Dollars or less during any period of twelve consecutive months may be made by the Board of Directors without approval of the Unit Owners and the cost thereof shall constitute a Common Expense. Notwithstanding the foregoing, if, in the opinion of not less than two-thirds of the members of the Board of Directors, such additions, alterations or improvements to the Common Elements are exclusively or substantially exclusively for the benefit of the Unit Owner or Unit Owners requesting the same, such requesting Unit Owners shall be assessed therefor in such proportion as they jointly approve

or, if they are unable to agree thereon, in such proportions as may be determined by the Board of Directors.

Section 7. Additions, Alterations or Improvements by Unit Owners. No Unit Owner shall make any structural or exterior addition, alteration or improvement in, on or to his Unit without the prior written consent of the Board of Directors. No Unit Owner shall paint or alter the aspects of his Unit visible from the exterior, including the doors and windows, without the prior written consent of the Board of Directors. If any application to any governmental authority for a permit to make any addition, alteration or improvement in or to any Unit requires execution by the Unit Owners Association, and provided consent has been given by the Board of Directors, then the application shall be executed on behalf of the Unit Owners Association without however incurring any liability on the part of the Unit Owners Association or its Board of Directors or officers 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 injury to person or damage to property arising therefrom.

Section 8. Right of Access. By acceptance of a deed to his Unit, each Unit Owner thereby grants a right of access to his Unit as provided by Section 55-79.79(a) of the Condominium Act to the Unit Owners Association or the Managing Agent, or any other Person authorized by the Board of Directors or the Managing Agent, or any group of the foregoing, for the purpose of enabling the exercise and discharge of their respective powers and responsibilities, including without limitation making inspections, correcting any condition originating in the Unit and threatening another Unit or the Common Elements, and performing the services set forth in Section 5(a) above; provided however, that requests for entry are made in advance and that any such entry is at a time reasonably convenient to the Unit Owner. In case of an emergency, such right of entry shall be immediate, whether the Unit Owner is present at the time or not. The Unit Owners Association shall repair any damage to a Unit caused by its exercise of rights hereunder. Without limiting the generality of the foregoing, each Unit is also subject to the easements and reserved rights set forth in Article III of the Declaration, including but not limited to, the easements reserved in Section 8 of Article III for the benefit of the Declarant and the Lexington Owners Association, Inc., and to the easements and reserved rights set forth and described in the Master Declaration.

Section 9. Utility and Trash Disposal Charges. The cost of utilities serving the Condominium and not individually metered to each Unit shall be a Common Expense. If provided through the Unit Owners Association, the cost of trash disposal shall be a Common Expense.

Section 10. Use of Common Elements. No Unit Owner shall place or cause or permit to be placed on or in the Common Elements assigned to that Unit Owner's Unit any objects of any kind except with the approval of the Board of Directors.

ARTICLE VI

Insurance

Section 1. Authority to Purchase.

(a) Except as otherwise provided in Section 5 of this Article VI, all insurance policies relating to the Condominium (and not the individual Units) shall be purchased by the Unit Owners Association. Neither the Board of Directors nor the Managing Agent nor the Declarant shall be liable for failure to obtain any coverage required by this Article VI or for any loss or damage resulting from such failure if such failure is due to the general unavailability of such coverage from reputable insurance companies, or if such coverage is available only at unreasonable cost.

(b) Each such policy shall provide that:

(1) The insurer waives any right to claim (i) by way of subrogation against the Declarant, the Unit Owners Association, the Board of Directors, the Managing Agent or the Unit Owners, and their respective agents, employees and tenants, and (ii) invalidity arising from acts of the insured.

(2) Such policy may not be cancelled, not renewed or substantially modified without at least 45 days prior written notice (15 days if due to non-payment of premium) to the Unit Owners Association and the Managing Agent and, in the case of physical damage and fidelity insurance, to all Unit Owners and Mortgagees and mortgage loan servicers.

(c) The Declarant, so long as Declarant shall own any Unit, shall be protected by all such policies as a Unit Owner.

(d) All policies of insurance shall be written by reputable companies licensed to do business in the Commonwealth of Virginia and, in the case of the physical damage insurance, holding a rating of B/LX or better by Best's Insurance Reports.

Section 2. Physical Damage Insurance.

(a) The Unit Owners Association shall obtain and maintain a policy of insurance against fire and such other hazards within the meaning of "all risk" insuring the Common Elements, and naming the Unit Owners Association as insured and the Unit Owners Association or Insurance Trustee as loss payee and as trustee for the use and benefit of all Unit Owners and their Mortgagees, as their interests may appear [with standard mortgagee clause naming as Mortgagee where applicable FNMA, VA, FHLMC and FHA and any mortgage servicer, its successors and assigns], subject, however, to the loss payment and adjustment provisions in favor of the Board of Directors and the Insurance Trustee contained in Sections 6 and 7 of this Article VI, in an amount equal to not less than one hundred percent (100%) of the then current replacement cost of the improvements to the Common Elements (exclusive of land, excavations, foundations and other items usually excluded from such coverage but including all building

service equipment and any fixtures and equipment and including personal property and supplies owned by the Unit Owners Association), such amount to be redetermined annually by the Board of Directors with the assistance of the insurance company affording such coverage. Any deductible shall not exceed the lesser of \$1,000 or 1% of the replacement cost.

(b) Such policy shall also provide (unless otherwise provided):

(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"; (ii) "contingent liability from operation of building laws", "demolition cost" and "increased cost of construction"; (iii) "agreed amount" or its equivalent and "inflation guard," if available.

(3) That any "no other insurance" clause expressly excludes individual Unit 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 Unit 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 Unit Owners or their Mortgagees, unless otherwise required by law.

(4) The right of subrogation against Unit Owners (if applicable) shall be waived.

(5) Any agreement with an Insurance Trustee pursuant to Section 6 of this Article VI will be recognized.

(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 so requesting at least 10 days prior to expiration of the then current policy. Before 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 of Directors may determine, of the current replacement cost of the improvements to the Common Elements (exclusive of the land, excavations, foundations and other items usually excluded from such coverage), for the purpose of determining the amount of physical damage insurance to be secured pursuant to this Section 2. All Mortgagees shall be notified of any event giving rise to a claim under such policy in excess of \$10,000 in the case of damage to the Common Elements.

(d) The Unit Owner's Association shall not obtain a policy where (i) under the terms of the carrier's charter, bylaws or policy, contributions or assessments may be made against the Unit Owner or Mortgagee or become a lien on the Condominium; or (ii) by the terms of the carrier's charter, bylaws or policy, loss payments are contingent upon action by the carrier's board of directors, policyholders or members; or (iii) the policy includes any limiting

clauses (other than insurance conditions) which could prevent the Unit Owners Association, Unit Owners or Mortgagees from collecting insurance proceeds.

Section 3. Liability Insurance. The Unit Owners Association shall obtain and maintain commercial general public liability and property damage insurance in such limits as the Board of Directors may from time to time determine (but not less than \$1,000,000 for bodily injury or property damage for any single occurrence), insuring each member of the Board of Directors, the Managing Agent, each Unit Owner and the Declarant against any liability to the public or to the Unit Owners (and their invitees, agents and employees) arising out of, or incident to the ownership or use of the Common Elements or the provision of the services set forth in Article V, Section 5(a) above, including, to the extent applicable, host liquor liability insurance, employer's liability insurance, comprehensive automobile liability insurance, all-written contractual liability insurance, garage keeper's liability and bailee's liability. 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 his action against another named insured; and (ii) a "severability of interest" endorsement which shall preclude the insurer from denying liability to a Unit Owner because of negligent acts of the Unit Owners Association or of another Unit Owner. The Board of Directors shall review such limits once each year. "Umbrella" liability insurance in excess of the primary limits may also be obtained.

Section 4. Other Insurance. The Unit Owners Association shall obtain and maintain:

(a) Adequate fidelity coverage to protect against dishonest acts on the part of officers, directors and employees of the Unit Owners Association and all others who handle, or are responsible for handling, funds of the Unit Owners Association, including the Managing Agent and its employees. Such fidelity bonds shall: (i) name the Unit Owners Association as an obligee; (ii) be written in an amount to cover the maximum funds that will be in the custody of the Unit Owners Association or the Managing Agent at any time and in any event not less than three (3) months' aggregate assessments on all Units plus reserve; 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) Workmen's compensation insurance if and to the extent necessary to meet the requirements of law and which, if carried, shall name the Managing Agent as an additional insured; and

(c) Such other insurance as the Board of Directors may determine or as may be requested from time to time by Unit Owners holding a majority of the Percentage Interests.

Section 5. Separate Insurance. Each Unit Owner shall at his own expense, obtain insurance for his own Unit and for his own benefit and each Unit Owner shall obtain adequate insurance coverage upon his personal property and Unit betterments and improvements; provided, however, that no Unit Owner shall be entitled to exercise his right to acquire or maintain such insurance coverage so as to decrease the amount which the Unit Owners Association, on behalf of all Unit Owners, may realize under any insurance policy maintained by

the Unit Owners Association or to cause any insurance coverage maintained by the Board of Directors or Unit Owners Association to be brought into contribution with insurance coverage obtained by a Unit Owner. Each Unit Owner shall obtain liability insurance with respect to his Unit in the amount of at least \$100,000. All such policies shall contain waivers of subrogation as against other Unit Owners, the Unit Owners Association and its Board of Directors, the Declarant and the Managing Agent, and their respective agents, employees and tenants. No Unit Owner shall obtain separate insurance policies in conflict with this Section 5. In the event of damage or destruction to one or more elements of a building located within a Unit for which the Unit Owners Association is obligated to maintain pursuant to Article V, Section 5(a) above, the Unit Owner shall promptly submit a claim or claims to the Unit Owner's insurer for the cost of repairing or reconstructing the damage to such element(s), and the Unit Owners Association shall not be obligated to repair or reconstruct such element(s) unless and until the Unit Owners Association has received an assignment of insurance proceeds from the Unit Owner and the Unit Owners Association has received payment thereunder. In no event shall the Unit Owners Association be responsible for effecting any repairs and/or replacements to such elements to the extent the cost of effecting such repairs and replacements exceeds the amount of any insurance received by and paid to the Unit Owners Association in connection with the same.

Section 6. Insurance Trustee.

(a) All physical damage insurance policies purchased by the Unit Owners Association shall be for the benefit of the Unit Owners Association, the Unit Owners, and their Mortgagees, as their interests may appear, and shall provide that, with respect to any single loss, if the proceeds thereof exceed One Hundred Thousand Dollars then all such proceeds shall be paid in trust to such lending institution in the general area of the Condominium with trust powers as may be designated by the Board of Directors (which trustee is herein referred to as the "Insurance Trustee"). If such proceeds equal or do not exceed One Hundred Thousand Dollars, then all such proceeds shall be paid to the Board of Directors to be applied pursuant to the terms of Article VII.

(b) Following a casualty as to which participation by the Insurance Trustee is required, the Board of Directors shall enter into an Insurance Trust Agreement with the Insurance Trustee which may provide that the Insurance Trustee shall not be liable for payment of premiums, the renewal of policies, the sufficiency of coverage, the form or contents of policies, the correctness of any amounts received on account of the proceeds of any insurance policies or the failure to collect any insurance proceeds. 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 and for the benefit of the insureds.

Section 7. Board of Directors as Agent. The Board of Directors is hereby irrevocably appointed the agent and attorney-in-fact for each Unit Owner, each Mortgagee, other named insureds and their beneficiaries and any other holder of a lien or other interest in the Condominium to adjust and settle all claims arising under insurance policies purchased by the Unit Owners Association and to execute and deliver releases upon the payment of claims and to pursue and settle all claims arising out of the taking by way of eminent domain of any of the Common Elements.

ARTICLE VII

Repair and Reconstruction of Common Elements After Fire or Other Casualty

Section 1. When Repair and Reconstruction of Common Elements are Required. Except as otherwise provided in Section 4 of this Article, in the event of damage to or destruction of all or any of the improvements to the Common Elements as a result of fire or other casualty, the Board of Directors, under the direction of the Insurance Trustee where applicable, shall arrange for and supervise the prompt repair and restoration of the improvements.

Section 2. Procedure for Reconstruction and Repair.

(a) Cost Estimates. Immediately after a fire or other casualty causing damage to any improvements within the Common Elements, the Board of Directors (under the direction of the Insurance Trustee where applicable) shall obtain reliable and detailed estimates of the cost of repairing and restoring such improvements to a condition as good as that existing before such casualty. Such costs may also include professional and consulting fees and premiums for such bonds as the Board of Directors or 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 Common Expenses and a special assessment therefor (not subject to the approval of Unit Owners) shall be levied against all Unit Owners in accordance with their respective Percentage Interests.

(c) Plans and Specifications. Any such reconstruction or repair shall be substantially in accordance with the original construction of the improvements.

Section 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 Board of Directors or Insurance Trustee from collections of assessments against Unit 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 or equal to One Hundred Thousand Dollars, then the construction funds shall be disbursed in payment of such costs upon order of the Board of Directors.

(2) If the estimated cost of reconstruction and repair is more than One Hundred Thousand Dollars, then the construction fund shall be disbursed in payment of such

costs upon approval of an architect or engineer 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 or engineer 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 and stating that: (a) 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; (b) there is no other outstanding indebtedness known to such architect or engineer for the services and materials described (other than retention pursuant to the construction contract); and (c) the cost as estimated by such architect or engineer 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. It shall be presumed that 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, at the direction of the Board of Directors such balance shall be divided among all Unit Owners and their Mortgagees as their interests may appear and in proportion to their Percentage Interests.

(c) Common Elements. The insurance proceeds shall be applied to the cost of repairing the Common Elements.

(d) Certificate. The Insurance Trustee shall be entitled to rely upon a certificate executed by the President or Vice President certifying: (i) whether the damaged Property is required to be reconstructed or 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 Unit 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 4. When Reconstruction is Not Required. In the event of insubstantial damage to the Common Elements not materially affecting the use or occupancy of any Unit and if the Board of Directors shall elect not to repair the same, then in such event any insurance proceeds received on account of such damage shall be distributed among all Unit Owners and their Mortgagees as their interests may appear and in proportion to their respective Percentage Interests. If the Condominium shall be terminated pursuant to Section 55-79.72:1 of the Condominium Act, the net assets of the Condominium together with the net proceeds of insurance policies, if any, shall be divided by the Board of Directors or the Insurance Trustee, as the case may be, among all Unit Owners in proportion to their respective Percentage Interests, after first paying out of the share of each Unit Owner, to the extent sufficient therefor, the amount of any unpaid liens on his Unit in the order of priority of such liens.

ARTICLE VIII

Mortgages

Section 1. Notice to Board of Directors. A Unit Owner who mortgages his Unit shall notify the Board of Directors of the name and address of his Mortgagee and shall file a certified true copy of the note and deed of trust with the Board of Directors. Any Mortgagee may give written notice to the Unit Owners Association of its name and address and the Unit number and building or the address of the Unit to which its mortgage applies.

Section 2. Notice of Default, Casualty or Condemnation. Upon request, the Unit Owners Association shall give notice to any Mortgagee of a default in paying an assessment or any other default with respect to that Mortgagee's Unit which has not been cured within sixty days. Each Mortgagee shall also be promptly notified of any casualty giving rise to a possible claim under any insurance purchased by the Unit Owners Association to the extent required by subsection 2(c) of Article VI, of all actions taken under Article VII, of any taking in condemnation or by eminent domain and actions of the Unit Owners Association with respect thereto, any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Unit Owners Association and any proposed action that requires the consent of a specified percentage of Mortgagees.

Section 3. Notice of Amendment of Declaration or Bylaws. The Board of Directors shall give to all Mortgagees requesting same notice seven days prior to the date for any meeting at which the Unit Owners, in accordance with the provisions of these Bylaws, may amend the Condominium Instruments.

Section 4. Mortgagees' Approvals. Except as provided in Section 55-79.44 of the Condominium Act, unless 67% of the Mortgagees holding first liens on Units (voting on the basis on one vote for each Mortgage owned except as provided below), or Unit Owners (other than Declarant), have given their prior written approval, the Unit Owners Association shall not be entitled to:

- (a) By act or omission, seek to abandon or terminate the Condominium; or
- (b) Change the Percentage Interest of a Unit (except as a consequence of expansion of the Condominium); or
- (c) By act or omission, seek to abandon, partition, subdivide, encumber, sell or transfer the Common Elements (except that the granting of easements for utilities or for other public purposes consistent with the intended use of the Common Elements by the Condominium, the Communications Services Agreement and the Deed of Easement shall not be deemed a transfer within the meaning of this clause and except that the foregoing shall be deemed waived to the extent necessary to allow expansion of the Condominium in accordance with Article VIII of the Declaration); or

(d) Use hazard insurance proceeds for losses to any portion of the Condominium for other than the repair, replacement or reconstruction of the Common Elements of the Condominium.

Section 5. Other Rights of Mortgagees. Upon request, any Mortgagee shall be entitled to receive written notice of meetings of the Unit Owners Association and all Mortgagees or their designees shall be entitled to attend meetings of the Unit Owners Association and shall have the right to speak thereat. All Mortgagees shall have the right to examine the books and records of the Unit Owners Association.

ARTICLE IX

Compliance and Default

Section 1. Relief. Each Unit Owner shall be governed by, and shall comply with, all of the terms of the Condominium Instruments and the Condominium Act as any of the same may be amended from time to time. In addition to the remedies provided in Section 55-79.53 of the Condominium Act, a default by a Unit Owner shall entitle the Unit Owners Association, acting through its Board of Directors or through the Managing Agent, to the following relief:

(a) Additional Liability. Each Unit Owner shall be liable for the expense of all maintenance, repair or replacement rendered necessary by his act, neglect or carelessness or the act, neglect or carelessness of any member of his family or his employees, agents, licensees, tenants and guests. Such liability shall include any increase in insurance rates occasioned by use, misuse, occupancy or abandonment of any Unit or the Common Elements.

(b) Costs and Attorney's Fees. In any proceedings arising out of any alleged default by a Unit Owner, the Unit Owners Association, if it prevails, 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 Unit Owners Association, the Board of Directors or a Unit Owner to enforce any right, provision, covenant or condition which may be granted by the Condominium Instruments or the Condominium Act shall not constitute a waiver of the right of the Unit Owners Association, the Board of Directors or the Unit Owner to enforce such right, provision, covenant or condition in the future. All rights, remedies and privileges granted to the Unit Owners Association, the Board of Directors or any Unit Owner pursuant to any term, provision, covenant or condition of the Condominium Instruments or the Condominium Act shall be deemed to be cumulative and the exercise of any one 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 Condominium Instruments or the Condominium Act or at law or in equity.

(d) Interest. In the event of a default by any Unit Owner in paying any sum assessed against his Condominium Unit (other than for Common Expenses) which continues for

a period in excess of ten days, then the amount unpaid shall incur a late charge of \$30.00 (or such other amount as established from time to time by a duly adopted resolution of the Board of Directors) and shall bear interest at the rate of 18% per annum and the Unit Owner is responsible for costs and attorneys' fees incurred in collection of the assessment.

(e) Abating and Enjoining Violations by Unit Owners. The violation of any of the Rules and Regulations adopted by the Board of Directors, the breach of any Bylaw contained herein or the breach of any provision of the Declaration or the Condominium Act shall give the Board of Directors the right, in addition to any other rights set forth in these Bylaws: (a) to enter the portion of the Condominium in which, or as to which, such violation or breach exists and summarily to abate and remove, at the expense of the defaulting Unit Owner, any condition that may exist therein contrary to the intent and meaning of the provisions hereof or of the Declaration (however, judicial proceedings shall be instituted before any items of construction are altered or demolished), and the Board of Directors shall not thereby be deemed guilty in any manner of trespass; or (b) to enjoin, abate or remedy by appropriate legal proceedings, either at law or in equity the continuance of any such breach.

(f) Legal Proceedings. Failure to comply with any of the terms of the Condominium Instruments and the Rules and Regulations 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 these Bylaws or any combination thereof and any other relief afforded by a court of competent jurisdiction, all of which relief may be sought by the Unit Owners Association, the Board of Directors, the Managing Agent or by any aggrieved Unit Owner (who shall also have a right of action with respect to decisions of the Unit Owners Association made pursuant to authority granted it by such documents) and shall not constitute an election of remedies.

Section 2. Lien for Assessments.

(a) The total annual assessment of each Unit Owner for Common Expenses or any special assessment made pursuant to these Bylaws, together with any interest or late charge applicable to such assessment and together with any costs of collection (including attorney's fees), is hereby declared to be a lien against the Condominium Unit of such Unit Owner as provided in Section 55-79.84 of the Condominium Act, which lien shall, with respect to annual assessments, be effective on the first day of each fiscal year of the Condominium and, as to special assessments, on the first day of the next month which begins more than ten days after delivery to the Unit Owner of notice of such special assessment. The Board of Directors or the Managing Agent may file or record such other or further notice or memorandum of any such lien, or such other or further document, as may be required by the aforesaid Section of the Condominium Act or by the laws of the Commonwealth of Virginia to confirm the establishment and priority of such lien.

(b) The lien for assessments may be enforced and foreclosed in the manner provided by the laws of the Commonwealth of Virginia by action in the name of the Board of Directors, or the Managing Agent, acting on behalf of the Unit Owners Association. The plaintiff

in such proceeding shall have the right to the appointment of a receiver under the laws of the Commonwealth of Virginia.

(c) A suit to recover a money judgment for unpaid contributions may be maintained without foreclosure 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 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 Declaration, these Bylaws or the Condominium Act, any Unit Owner may be required by the Board of Directors to execute a bond 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 a deed of trust upon his Condominium Unit recorded among the appropriate land records, granting unto a trustee or trustees appropriate powers to the end that, upon default in the performance of such bond such deed of trust may be foreclosed by such trustee or trustees acting at the direction of the Board of Directors. In the event any such bond has been executed or such deed of trust is recorded, then any subsequent purchaser of a Unit shall take title subject to the obligations therein provided for.

Section 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 Unit (and any penalties, interest on assessments, late charges and the like) shall be subordinate to, and shall in no way affect the rights of a Mortgagee who is an institutional lender secured by a first deed of trust recorded before perfection of the Association's lien for assessments; provided however, that such subordination shall apply only to assessments which have become due and payable before a conveyance of such Unit pursuant to a foreclosure or deed in lieu of foreclosure. Such conveyance shall not relieve the purchaser of the Unit 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 X

Amendments to Bylaws

Section 1. Amendments. These Bylaws may not be modified or amended except as provided in Sections 55-79.71 and 55-79.72:1 of the Condominium Act and except as provided in the Declaration; provided however, that until the expiration of the Period of Declarant Control (i) Section 2 of Article II, (ii) Section 8 of Article II, (iii) Section 1 of Article III, and (iv) this Section 1 of this Article X may not be amended without the consent in writing of the Declarant. To the extent any such amendment would be inconsistent with the Declaration or the Master Declaration, such amendment shall be adopted in the same fashion as an amendment to the Declaration or the Master Declaration, as applicable. All amendments to the Bylaws shall be prepared and recorded by the Secretary.

ARTICLE XI

Miscellaneous

Section 1. Notices. 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 (pursuant to Section 55-79.75 of the Condominium Act) or if sent by United States Mail (or otherwise as the Condominium Act may permit), (i) if to a Unit Owner, at the address which the Unit Owner shall designate in writing and file with the Secretary or, if no such address is designated, at the address of the Unit of such Unit Owner, or (ii) if to the Unit Owners Association, the Board of Directors or to the Managing Agent, at the principal office of the Managing Agent (or if there is no Managing Agent, at the principal office of the Declarant) or at such other address as shall be designated by notice in writing to the Unit Owners pursuant to this Section, or (iii) if to a Mortgagee, to the address provided by the Unit Owner or to such other address as the Mortgagee may specify by written notice to the Unit Owners Association.

Section 2. Captions. The captions herein are inserted only as a matter of convenience and for reference, and in no way define, limit or describe the scope of these Bylaws or the intent of any provision thereof.

Section 3. Gender. The use of the masculine gender in these Bylaws shall be deemed to include the feminine and neuter genders and the use of the singular shall be deemed to include the plural, and vice versa, whenever the context so requires.

Section 4. Construction. These Bylaws are intended to comply with all of the applicable provisions of the Condominium Act and shall be so interpreted and applied.

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