

BYLAWS  
MIRROR RIDGE HOMEOWNERS ASSOCIATION

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AMENDED AND RESTATED  
BYLAWS OF  
THE MIRROR RIDGE HOMEOWNERS ASSOCIATION

ARTICLE 1

GENERAL

Section 1. Applicability. These Bylaws provide for the self-government of the Mirror Ridge Homeowners Association (“The Association”) pursuant to the Requirements of Chapter 26 of Title 55 of the Code of Virginia. The Association is located within the County of Loudoun, Commonwealth of Virginia.

Section 2. Compliance. Pursuant to the provisions of Chapter 26 of Title 55 of the Code of Virginia, as amended, every Owner and all those entitled to occupy a lot shall comply with these Bylaws.

Section 3. Office. The office of the Homeowners Associations’ and the Board of Directors shall be located at: 107 East Holly Avenue; Suite 12, Sterling, Virginia 22170 or at such other place as may be designated from time to time by the Board of Directors.

Section 4. Definitions. Capitalized terms used in these Bylaws which are not defined shall have the meaning specified for such terms in Chapter 26 of the Title 55 of The Code of Virginia as amended.

ARTICLE II

HOMEOWNERS ASSOCIATION

Section 1. Compositions. All of the Owners of lots contained in the Association, acting as a group in accordance with the Association, Declaration, statute and these Bylaws, shall constitute the “Homeowners’ Association,” who shall have the means and methods of collecting the contributions to the Common Expenses, arranging for the management of the Associations\ and performing all of the other acts that may be required to be performed b the Homeowners’ Association, by the Bylaws, and the Declaration. Except as to those matters which either the state or the Declaration specifically require to be preformed by the vote of the Owners , the administration of the foregoing responsibly shall be preformed by the Board of Directors as ore particularly set forth in Article III.

Section 2. Annual Meetings. At such time as the HOP comes into existence, the Homeowners Association shall hold at least one annual meeting each year. The annual meetings of the Homeowners Association shall be held during the month oaf April each year on a date selected by the Board of Directors. At such annual meetings the Board of Directors shall be elected by ballot of the Homeowners Association in accordance with the requirements of Section 4 of Article III of these Bylaws.

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

Section 4. Special Meetings. (a) The President shall call a special meeting of the Homeowners Association if so directed by resolution of the Board of Directors, upon a petition signed and presented to the Secretary by Owners of not less than twenty-five percent of the existing lots. The notice of any special meetings shall state the time, place and purpose thereof. No business shall be transacted at t a special meetings except as stated in the notice.

Section 5. Notice of Meetings. It shall be the duty of the Secretary to give written noticed of each annual or special meeting of the Homeowners Association pursuant to the provisions of Section 13.1-842, Code of Virginia, as amended, by mailing b regular United Sates mail or delivery by hand to each Owner of record at the address of his lot or to such other address as may be designated by said Owner at least twenty one (21) days advance notice in the case of any annual meeting and at least ten (10) days advance notice of any special meeting of the Association, except that the notice of an Owners' meeting to act on an amendment of the articles of incorporation, a plan of merger, a proposed sale of assets other than in the regular course of business, or the dissolution of the corporation must be at least twenty five (25) days in advanced.

Section 6. Adjournment of Meetings. If any meetings of the Association cannot be held because a quorum is not present, owners owning a majority of the votes who are present at such meetings, either in person or by proxy, may adjourn the meeting to a time not les than forty eight (48) hours from the time the original meeting was called in which event any business which could have been transacted at the meeting originally called may be transacted without further notice.

Section 7. Order of Business. The order of business of all meetings of the Association shall be as follows:

- a. Roll Call
- b. Proof of Notice of Meetings
- c. Reading of minutes of preceding meetings
- d. Reports of officers and Board of Directors
- e. Report of Management Agent, if any, and if present
- f. Reports of Committees
- g. Election of appointment of inspectors of elections (when so required)
- h. Election of members of the Board of Directors (when so required)

- i. Unfinished business
- j. New business
- k. Adjournment

Section 8. Title to Lots Title to a lot may be taken in the name of one or more Persons, in any manner permitted by law.

Section 9. Voting At every meeting of the Homeowners Association, each of the lots shall have the right to cast a vote proportionate to its lot ownership rights i.e., one vote per lot, as set forth in the Declaration as said Declaration may be amended from time to time. Where the ownership of a lot is in more than one person, the person who shall be entitled to cast the vote of such lot may be an record owner of said lot, unless any other record owner of said lot shall at the time the vote is cast object to the casting of said vote, in which event the person who shall be entitled to cast the vote of such lot shall be the person named in a certificate executed by all record owners of said lot. Any voting certificate similarly executed. In the event that no certificate is supplied, no record owner shall be entitled to cast the vote.

Wherever the approval or disapproval of an Owner is required by the Nonstock Corporation Act, the Property Owners' Association Act, the Declaration or these Bylaws, such approval or disapproval shall be made only by the Person who would be entitled to cast the vote of such lot at any meeting of the Association. Except where a greater number is required by law, the Declaration or these Bylaws, the Owners of more than fifty percent 50% of those lots present and voting in person or by proxy at one time at a duly convened meeting at which a quorum is present ("Majority of the Owners") is required to adopt decisions at any meeting of the Association. Any specified percentage of the Owners means the Owners owning such number of lots in the aggregate. If the Declaring owns or holds title to one or more lots, the Declaring shall have the right at any meeting of the Association to cast the votes to which such lot or lots are entitled. No Owner may vote at any meetings of the Association or be elected to or serve on the Board of Directors if the Homeowners Association has perfected a lien against his lot and the amount necessary to release such lien has not been paid within seventy-two (72) hours prior to the time of such meeting or election. The officer or agent having charge of the record of Owners in the Association shall make, at least ten days before each meeting, a complete list of Owners, with the address of each. The list shall comply with the requirements of Section 13.1-845 of the Nonstock Corporation Act, including making the list available for inspection by the Owners prior to the beginning of the meeting.

Section 10. Proxies. A vote may be cast in person or by proxy. Such proxy may be granted by any Owner in favor of another Owner, a Mortgagee, the Decedent of any other person designated. Proxies shall be dated, duly executed in writing and witnessed by a person who shall sign his full name and address and shall be valid only for the particular meeting designated therein and must be filed with the Secretary before the appointed time of the meetings. Such proxy shall be deemed revoked only upon actual receipt by the person presiding over the meeting of notice of revocation from any of the persons owning such lot. Except with respect to proxies

in favor of a Mortgagee, no proxy shall in any event be valid for a period in excess of one hundred and eight days after the execution thereof. Any proxy which is undated or any proxy on behalf of that person shall be void.

Section 11. Conduct of Meetings. The President shall preside over all meetings of the Homeowners Association and the Secretary shall keep the minutes of the meeting and record in a Minute Book all resolutions adopted by the meeting as well as a record of all transactions of occurring thereat. Robert's Rules of Order (latest edition) shall govern the conduct of all meetings of the Homeowners Association when not in conflict with the Declaration, these Bylaws or the law.

Section 12. Quorum. The presence, either in person or by proxy, of members representing at least fifteen 15% of the total votes of the Association shall be requisite for, and shall constitute a quorum for the transaction of business of all meetings of members.

### ARTICLE III

#### BOARD OF DIRECTORS

Section 1. Number and Qualification. The affairs of the Homeowners Association shall be governed by a Board of Directors. The Board of Directors shall be composed of five (5) people, all of whom shall be Owners or spouses of Owners, or Mortgagees (or designees of Mortgagees).

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 Homeowners Association and may do all such acts and things as are not by law, the Declaration or by these Bylaws required to be exercised and done by the Association. The Board of Directors shall have the power from time to time to adopt any Rules and Regulations that such Rules and Regulations shall not be in conflict with the law, the Declaration or these Bylaws. 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 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 as the Board of Directors deems appropriate. In addition to the duties imposed by these Bylaws or by any resolution of the Association that may hereafter be adopted, the Board of Directors shall on behalf of the Homeowners Association:

- a. Prepare an annual budget, in which shall be established the assessments of each Owner for the Common Expenses.
- b. Make assessments against Owner to defray the cost and express 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. Unless otherwise determined by the Board of Directors, the annual assessment against each 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 and maintenance of all of the Property and services of the Association.
- d. Designate, hire and dismiss the personnel necessary for the maintenance, operation, repair and replacement of the Common Areas and provide services for the property 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, which supplies and equipments shall be deemed part of the Property.
- e. Collect the assessments against the Owners, deposit the proceeds thereof in bank depositories designated by the Board of Directors and use the proceeds to carry out the administration of the Property.
- f. Make and amend the Rules and Regulations, subject to the right of Association, pursuant to Section 55-513A of the Virginia Code, to repeal or amend any Rules and Regulations.
- g. Open bank account 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 to the Property and repairs to and restoration for the property, in accordance with these Bylaws, after damage or destruction by fire or other property, 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 Declaration, these Bylaws and the Rules and Regulations and act on behalf of the Owner with respect to all matters arising out of any eminent domain proceedings.
- j. Obtain and carry insurance against casualties and liabilities, as provided in Article VII of these Bylaws, pay the premiums therefore and adjust and settle any claims hereunder.
- k. Pay the cost of all authorized services rendered to the Association and not billed to Owners of individual lots or otherwise provided for, Article VI of these Bylaws.
- l. Keep books with detailed accounts in chronological order of the receipts and expenditures affecting the Property, and the administration of the Association, specifying the expenses of maintenance and repair of the Common Area and any other expenses incurred. Such books and vouchers accrediting the entries thereupon shall be available for examination by the Owners, their duly authorized

agents or attorneys, during general business hours on working days at the time and in the manner set and announced by the Board of Directors for the general knowledge of the Owners. All books and records shall be kept in accordance and generally accepted accounting principles, and the same shall be audited at least once each year by an independent, certified public accountant retained by the Board of Directors who shall not be resident of the Association or Owner. The cost of such audit shall be a Common Expense.

- m. Borrow money on behalf of the Association when required in connections with any instances relating to the operation, care, upkeep and maintenance of the Common Area, provided, however, that the consent of at least two-thirds in number of all Owners, obtained by either a mail ballot or at a meeting duly called and held for such purpose in accordance with the provisions of these Bylaws, shall be required to borrow any sum in excess of Two Thousand Dollars. If any sum borrowed by the Board of Directors on behalf of the Association pursuant to the authority contained in this subparagraph (m) is not repaid by the Association, an Owner who pays to the creditor such proportion thereof as his Common Area Interest bears to the total of Common Area Interest in the Association shall be entitled to obtain from the creditor a release of an judgment of other lien which such creditor shall have filed or shall have the right to file against such Owner's Lot.
- n. Do such other things and acts not inconsistent with the law, the Declaration or these Bylaws which the Board of Directors may be authorized to do by a resolution of the Association.
- o. Negotiate and adjust with any contractor, subcontractor or Declarant any claims on any Common Area made by or on behalf of any Owner or the Association.
- p. Have the owner to act with respect to the Common Areas upon matters related to condemnation or Eminent Domain proceedings.

Section 3. Managing Agent. The Board of Directors shall employ for Association a "Managing Agent" at a compensation established by the Board of Directors.

- a. Requirements. The Managing agent shall be a bona fide business enterprise, which may be affiliated with the Declarant, which manages common interest residential communities. Such firm shall have a minimum of two years experience in real estate community management.
- b. Duties. The Managing Agent shall perform such duties and services as the Board of Directors shall authorize, including, but not limited to, the duties listed in subparagraphs a, c, d, e, h, i, j, k, l, n. and o, 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 subparagraphs b, f, m, and p of Section 2 of this Article III. The Managing Agent

shall perform the obligations, duties and services relating to management of the property, the rights of the Mortgagees and the maintenance of reserve funds in compliance with the provisions of these Bylaws.

- 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, the Managing Agent shall comply with the following standards:
- i. The cash or accrual method of accounting as defined by generally accepted accounting principles shall be employed.
  - ii. Two or more persons shall be responsible for handling cash to maintain adequate financial control procedures.
  - iii. Cash accounts of the Homeowners Association shall not be commingled with any other accounts;
  - iv. 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 Homeowners Association;
  - v. Any financial or other interest which the Managing Agent may have in any firm providing goods or services to the Homeowners Association shall be disclosed promptly to the Board of Directors; and
  - vi. A monthly financial report shall be prepared for the Homeowners Association disclosing:
    1. all receipts and disbursements activity for the preceding month;
    2. the status of all accounts in an 'actual' versus 'projected' (budget) format; and
    3. any actual or pending obligations which are in excess of budgeted amounts by an amount exceeding the operating reserves or ten percent of major budget category (as distinct from a specific lien item in an expanded char of accounts).
    4. Limitations. The Association and the Board of Directors shall not undertake 'self-management' or fail to employ a Managing Agent without the consent of a majority vote and the written consent of Mortgagees together holding sixty-six and two-thirds percent (66-2/3%) of the mortgagees on the lots. Any contract with the Managing

Agent must provide that it may be terminated, without payment of a termination fee, without cause on any more than ninety days written notice and with cause on no more than thirty days written notice, and the term of such contract or agreement may not exceed five (5) years.

Section 4. Election and Term of Office. At the first meeting of the Homeowners Association, the term of office of two members of the Board of Directors shall be fixed at three years, the term of office of two members of the Board of Directors shall be fixed at two years and the term of office of the remaining member of the Board of Directors shall be fixed at one year. AT the expiration of the initial term of office of each member of the initial Board of Directors elected at the first meetings, a successor shall be elected to serve for a tem of three years. The members of the Board of Directors shall hold office until their respective successors shall have been elected and have held their first meetings.

Section 5. Removal of Members of the Board of Directors. At any regular or special meetings of the Association duly called, (but only at or after the first annual meeting), any one or more of the Board of Directors may be removed with or without the vacancy thus created. Any director whose removal has been proposed by the Owners shall be given at least ten 10 days' notice of the calling of the meeting and the purpose thereof and he shall be given an opportunity to be heard at the meeting

Section 6. Vacancies. Vacancies in the Board of Directors caused by any reason other than the removal of director by a vote of the Association shall be filled by a vote of a majority of the remaining Directors at special meeting of the Board of Directors so elected shall be members of the Board of Directors until a successor shall be elected at the next annual meeting of the Association.

Section 7. Organization Meetings. The date of the first meeting of the members of the Board of Directors elected at the annual meeting of the Association shall be determined by the Board immediately following the Association meeting no further notice shall be necessary to the newly elected members of the Board of Directors. Such meeting shall occur within thirty (30) days of the annual meetings.

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 at least once every tow months. Notice of regular meetings of the Board of Directors shall be given to each director personally, by mail, telephone or telefax, at least three (3) business days prior to the day named for such meetings.

Section 9. Special Meetings. Special meetings of the Board of Directors may be called by President of three (3) business days' notice to each director, given personally, by mail, telephone or telefax, which notice shall state the time, place and purpose of the meetings. Special meetings for the Board of Directors shall be called by the President of Secretary in like manner and on like notice on the written request of at least two directors.

Section 10. 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 at any meeting of the Board of Directors shall constitute a waiver of notice by him of the time and place 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 meetings.

Section 11. Fidelity Bonds. The Board of Directors shall require adequate fidelity bonds for all officers and employees of the Association handling or responsible for funds. The premium of such bonds shall constitute a Common Expense.

Section 12. Compensation. No director shall receive any compensation from the Association for exercising his duties and obligations as a director.

Section 13. Conduct of Meetings. The President shall preside over all meetings of the Board of Directors, and the Secretary shall keep a Minute Book of the Board of Directors, recording therein all resolutions adopted by the Board of Directors and a record of all transactions and proceedings occurring at such meeting. Robert's Rules of Order (latest edition) shall govern the conduct of the meetings of the Board of Directors when not in conflict with the Declaration, these Bylaws or the law.

Section 14. Action Without Meetings. 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 all individually or collectively consent in writing to such action. Such written consent or consents all be filed with the minutes of the proceedings of the Board of Directors.

Section 15. 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 votes 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 any such adjourned meeting at which a quorum is present, any business which might have been transacted at the meetings originally called may be transacted without further notice.

## ARTICLE IV

### OFFICERS

Section 1. Designation. The principal officers of the Association shall be elected annually from the Board of Directors at the organization meeting of each new Board of Director.

Section 2. Election of Officers. Upon the affirmative vote of a majority of the members of the Board of Directors, any officer may be removed, either with or without cause, and his successor may be elected at any regular meeting of the Board of Directors, or at any special meeting of the Board of Directors.

Section 3. Removal of Officers. Upon the affirmative vote of a majority of the members of the Board of Directors, any officer may be removed, either with or without cause, and his successor may be elected at any regular meeting of the Board of Directors, or any special meeting of Board of Directors.

Section 4. President. The President shall be the chief executive officer of the Association. He shall preside at all meetings of the Homeowners Association and the Board of Directors. He shall have all of the general powers and duties which are incident to the office of President of a nonstock corporation organized under the Virginia Nonstock Corporation Act, including, but not limited to, the power to appoint committees. From among the Owners, subject to the confirmation of the Board of Directors, from time to time, as he may in his discretion decide is appropriate in the conduct of the affairs of the Association.

Section 5. Vice President. The Vice President shall take the place of the President and perform his duties when ever the President shall be absent or unable to act. If either the President not the Vice President is able to ace, 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 Homeowners Association and the Board of Directors he shall have charge of such books and papers as the Board of Directors may direct, and she shall, in general, perform under the Virginia Nonstock Corporation Act.

Section 7. Treasurer. The Treasurer shall have the responsibility for overseeing the Association funds and securities and shall cause the keeping of full and accurate financial records and books of account showing all required financial data; he shall also oversee the deposit of all monies and other valuable effects I n the name of the Board of Directors, the Association, or the Managing Agent, in such depositors as may from time to time be designated by the Board of Directors.

Section 8. Agreements, Contracts, Deeds, etc. All agreements, contracts, deeds, leases, and other instruments of the Association shall be executed by any two (2) officers of the Association or by such other person or person as may be designated by the Board of Directors.

Section 9. Compensation of Officers. No officer shall receive any compensation from the Association solely for exercising his duties and obligations as an officer.

## ARTICLE V

### LIABILITY AND INDEMNIFICATION OF OFFICERS AND DIRECTORS

Section 1. Liability and Indemnification of Officers and Directors. The Homeowners Association shall indemnify every officer and director of the Association against any and all expenses, including counsel fees, reasonable incurred by or imposed upon any officer or director in connection with any action, suit or other proceeding (including settlement of any suit or proceeding if approved by the Board of Directors of the Association) to which he may be a party by reason of being or having been an officer or director of the Association whether or not such person is an officer or director at the time such expenses are incurred. The officers and directors of the Association shall not be liable to the Owners for any mistake of judgment, negligence or otherwise, except for their own individual willful misconduct or bad faith. The officers and directors of the Association shall have no personal liability with the respect to any contract or other commitment made by them, in good faith, on behalf of the Association and the Association shall indemnify and forever hold each such officer and director free and harmless against any and all liabilities to others on account of any such contract or commitment. Any right to indemnification provided herein shall not be exclusive of any other rights to which any officer or director of the Association of Former officer or director of the Association may be entitled.

Section 2. Common or Interested Directors. The Directors shall exercise their powers and duties in good faith and with a view to the interest of the Association. No contract or other transaction between the Association and one or more of its Directors, or between the Association and any corporation, firm or association (including the Declarant) in which one or more of the Directors of the Association are directors or officers or are pecuniary or otherwise interested, is either void or voidable because such Director or Directors are present at the meeting of the Board of Directors or any committee thereof which authorizes or approves the contract or transaction, or because his or their votes are counted for such purposes, if any of the conditions specified in any of the following subparagraphs exist.

- a. The fact of 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 vote sufficient for the purpose; or
- b. The fact of the common directorate or interest is disclosed or known to the Homeowners Association, or a majority thereof, and they approve or ratify the contract or transaction in good faith or by a vote sufficient for the purpose; or
- c. The contract or transaction is commercially reasonable to the Association at the time it is authorized, ratified, approved or executed.

Common or interested Directors may be counted in determining the presence of a quorum of any meeting of the Board of Directors or committee thereof which authorized, approves or ratifies any contractor transaction, and may vote thereat to authorized, any contract or

transaction with like force and effect as if he were not such director or officer of such Association or not so interested.

Section 3. Insurant Coverage. The Board of Directors shall obtain on behalf of the Association such insurance coverage as may be reasonably necessary in order to effectively indemnify the officers and directors of the Association as provided in Section 1 or this Article V. The cost of said insurance shall constitute a Common Expense.

## ARTICLE VI

### OPERATION OF THE PROPERTY

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

- a. Fiscal Year. The fiscal year of the Association shall consist of the twelve (12) month period commencing on the date determined by the Board of Directors of the Homeowners Association.
- b. Preparation and Approval of Budget. Each year on or before thirty (30) days before the commencement of the next fiscal year, the Board of Directors shall adopt a budget for the Association containing an estimate of the total amount which it considers necessary to pay the cost of utility services, maintenance, management, operation, repair and replacement of the Common Areas and those parts of the lots as to which the Board of Directors has all powers and responsibility with regard to maintenance, repair, renovation, restoration and replacement, and the cost of wages, materials, insurance premiums, service, supplies and other expenses that may be declared to be Common Expenses by these Bylaws or a Resolution of the Homeowners Association, and which will be required during the ensuing fiscal year for the administration, operation, maintenance and repair of the Association and the rendering to the Owner of all related services. The budget may also include.
  - i. The cost of maintenance or repair of any lot in the event such maintenance or repair is reasonably necessary in the discretion of the Board of Directors to protect the Common Areas or to preserve the appearance of value of the project or is otherwise in the interest of the general welfare of all Owners; provided, however, that no such maintenance or repair shall be undertaken without a resolution by the Board of Directors and not without reasonable written notice to the Owner of the lot proposed to be maintained and provided further that the cost thereof shall be assessed against the lot on which time the assessment shall become due and payable and a continuing lien and obligation of said Owner in all respects as provided in Article X of These Bylaws. The cost of the maintenance or repair of those parts of the lots to which the Board of Directors has all powers and responsibility with

regard to maintenance, repair, renovation, restoration and replacement shall not be a cost controlled by the tem of the subparagraph.

- ii. Any amount necessary to discharge any lien or encumbrance levied against the project, or any portion thereof, which may, in the opinion of the Board of Directors, constitute a lien against the Common Areas.
  - iii. Such budget may also include such reasonable amounts as the Board of Directors considers necessary to provide working funds for he Association, a general operating reserve, or reserves for contingencies and replacements.
  - iv. Any Common Expenses benefiting less than all of the lots or caused by the conduct of less than all those entitled to occupy the same or by their licensees or invitees and any amounts as may be required to discharge any lien levied upon any lot pursuant to the Declaration of the Covenants, Conditions and Restrictions may be specially assessed against the lot or lots involved, in accordance with such reasonable provision as may be made by the Board of Directors for such cases.
  - v. Any amount necessary to discharge any lien levied against any lot by the Association, pursuant to any Declaration.
- c. Transmittal of Budget. The Board of Directors shall send to each Owner a copy of the budget, in a reasonably itemized form, which sets forth the amount of the Common Expenses payable by each Owner, at least seven (7) days prior to the beginning of the fiscal year to which the budget applies. The said budget shall constitute the basis for determining each Owner's contribution for the Common Expenses of the Association.

Section 2. Assessment and Payment of Common Expenses.

- a. Except for those Common Expenses which may be specially assessed against a lot or lots involved pursuant to the provisions of subparagraph b iv of Section 1 of this Article I, the total amount of the estimated funds required for the operation of the Property set forth in the budget for the fiscal year adopted by the Board of Directors shall be assessed against each lot in proportion to its respective proportionate undivided interest in the Common Areas (i.e., its Common Area Interest) as set forth in the Declaration covenants as the same may be amended from time to time. Said assessment shall be a lien against each Owner's lot, as provided by law. Each owner shall be obligated to pay to the Board of Directors or the managing agent one-fourth (1/4) of the assessment for such fiscal year on January 1 and subsequent payments of one-fourth (1/4) of such assessment on April 1, July 1 and October 1, of such fiscal year. Any amount accumulated in excess of the amount require\d for actual expenses and reserves may, if the Board of Directors deems it advisable, be credited according to each Owner's Undivided

Interest in the Common Areas to the installments due in the succeeding months of the fiscal year.

In the event any legal action is required to collect assessments hereunder, then and at the direction of the Board of Directors, the entire balance of assessments due on account of said lot for the remainder of the fiscal year shall be due in full.

- b. Right of Acceleration. The payment and collection of the assessments made pursuant to this Article VI shall be in accordance with the terms providing for the payment and collection of assessments in these Bylaws and the law, including without limitation the right reserved to the Board of Directors to accelerate payment of assessments and the right to recover reasonable attorney's fees and costs along with the right to assess a late charge for delinquent accounts as provided for the Declarations of Covenants, Conditions and Restrictions.
- c. Repair and Replacement Reserve. The Board of Directors may obtain from members contributions to capital on a regular basis, which contributions will be used to establish a replacement and repair reserve. Such contributions may be paid monthly or quarterly and is in an amount to be designated from time to time by the Board of Directors. Such funds shall be conclusively deemed to be a Common Expense. Such funds shall be deposited in an account with a lending institution, the accounts of discretion of the Board of Directors, be invested in obligations of, or fully guaranteed as to principal by, the United States of America, Such funds also may, in the discretion of the Board of Directors, be invested in Money Market Funds which, although they themselves are not guaranteed by the US Government, invest solely in US Government securities (or in State bonds which are backed in principal by replacement and repair of the Common Areas; the replacement and repair of those parts of lots as to which the Board of Directors has all powers and responsibility with regard to maintenance, repair, renovation, restoration and replacement; the replacement and repair of equipment of the Association as designated by the Board of Directors, The amounts required to be allocated to the replacement reserve may be reduced by appropriate resolution of the Board of Directors, upon the accumulation in such replacement reserve of a sum equal to the full replacement value of the times for which the reserve is established, Full replacement value shall be annually determined by the Board of Directors for casualty insurance purposes. The payment and collection of the assessment made pursuant to the foregoing provisions shall be in accordance with the terms providing for payment and collection of assessments in these Bylaws and existing law which may apply, and including without limitation, the right reserved reasonable attorney's fees and costs.
- d. Special Assessments. In addition to annual assessments, the Board of Directors may levy a special assessment, for the purpose of defraying, in whole or in a described capital improvement upon the Common Area, including the necessary fixtures and personal property related thereto, provided that any such assessment shall have the assent of two-thirds (2/3) of the votes of members voting in person

or by proxy at a meeting duly called for this purpose. Written notice of such a meeting shall be sent to all Owners not less ten (10) day or more then fifty (50) days in advance of the meeting and shall set forth the purpose of the meeting. Said special assessments 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 special assessment on all Owners by a statement in writing giving the amount and reason therefore, and such special assessment shall, unless otherwise specified in the notice, become effective with the next monthly payment which is due after the delivery of mailing of such notice of special assessment. All Owners shall be obligated to pay the adjusted monthly amount or, if the special assessment is not payable in installments, the amount of such assessment. The payment and collection of the assessment made pursuant to the foregoing provisions shall be in accordance with the terms providing for payment and collection of assessments in these Bylaws and existing law, including without limitation, the right reserved to the Board to accelerate payment of assessments and the right to recovery of reasonable attorney's fees and costs.

- e. Effect of Failure to Prepare or Adopt Budget. The failure or delay of the Board of Directors to prepare or adopt the annual budget for any fiscal year shall not constitute a waiver or release in a manner of a Owner's obligation to pay his allocable share of the Common Expense 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 the quarterly charge at the then existing quarterly relate established for the previous fiscal period until the new annual or adjusted budget shall have been mailed or delivered.
- f. Accounts. All sums collected by the Board of Directors with respect to assessments against the Owners may be commingled into a single fund, but shall be identified and accounted for each Owner in accordance with the respective Common Area Interests of each Owner as set forth in the Declaration of Covenants, as the same may be amended from time to time.

Section 3. Payment of Common Expenses. All Owners to the extent set forth shall be obligated to pay the Common Expenses assessed by the Board of Directors pursuant to the provisions of this Article VI and such expenses not paid by the 30<sup>th</sup> day of first month in any calendar quarter shall be in default. No Owner shall be liable for the payment of any part of the Common Expenses assessed against his lot subsequent to a sale, transfer or other conveyance by him of such lot, The purchaser of a lot shall be jointly and severally liable with the selling Owner for all unpaid assessments against the latter for his proportionate share of the Common Expenses assessed against his lot subsequent to a sale, transfer or other conveyance by him of such lot. The purchaser of a lot shall be jointly and severally liable with the selling Owner for all unpaid assessments against the latter for his proportionate share of the Common Expenses up to the time of conveyance, without prejudice to the purchaser's right to receive from the selling Owner the amounts paid by the purchaser therefore. Any Owner may be entitled, upon written request, to a statement from the Board of Directors or Managing Agent setting forth the amount of the unpaid assessments against the Owner, The statement must be furnished or made available with in five

(5) business days of the request. Provided, further, that each Mortgagee who comes into possession of a lot by virtue of foreclosure or by deed of 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 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.

Section 4. Collection of Assessments. The Board of Directors shall take prompt action to collect any assessments for Common Expenses due from any Owner which remains unpaid for more than thirty (30) days from the date due for payment thereof. The Board of Directors shall assess an automatic late fee of fifteen percent (15%) to any account that is delinquent during any quarter, i.e., said late fee being assessed each quarter that an account is delinquent. The automatic late fee will be computed and assessed in an amount determined by multiplying the delinquent outstanding balance existing on the last day of the first month of each quarter by fifteen percent (15%). In addition the Board of Directors shall collect a processing fee from each owner who is delinquent for two consecutive quarters of \$25.00 to help defray the cost of collection processing. Delinquent assessments are in addition to provisions allowing the recovery of court costs and attorney fees which are recoverable in the event of a delinquent account.

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

- a. By the Board of Directors. The Board of Directors shall be responsible for the maintenance, repair and replacement (unless, if in the opinion of not less than a majority of the Board of Directors, such expense was necessitated by the negligence, misuse or neglect of an Owner) of all the Common Areas as defined herein or in the Declaration, the cost of which shall be charged to all Owners as a Common Expense.
- b. By the Owner
  - i. Each Owner shall keep his lot and appurtenances 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 lot. In addition, each Owner shall be responsible for all damage to the Common Areas resulting from his failure to make any of the repairs required by this Section. Each Owner shall perform his responsibility in such manner as shall not unreasonably disturb or interfere with the other Owners. Each 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.
  - ii. The Owner of any lot to which a patio, or deck, is appurtenant (if any) shall perform the normal maintenance for such patio or deck including keeping permitted by his negligence, misuse or neglect.

- c. Manner of Repair and Replacement. All repairs and replacements shall be substantially similar to the original construction and installation and shall be of first-class quality.

Section 6. Additions, Alterations or Improvements by Board of Directors. Except for the initial Board of Directors, established pursuant to Article III, Section 1, whenever in the judgment of the Board of Directors the Common Areas shall require additions, alterations or improvements costing a sum in excess of fifteen percent (15%) of the total annual budget of the Association for any consecutive twelve (12) month period, the making of such additions, alterations or improvements shall be approved by at least a majority of Owners.

Subject to the provision of Article VI, Section 2(d) of these Bylaws, any additions, alterations, or improvements costing a sum less than fifteen percent (15%) of the total annual budget of the Association for any consecutive twelve month period may be made by the Board of Directors without approval of the Owners and the cost thereof shall constitute part of the Common Expenses

Where any such additions, alterations, or improvements to the Common Areas of the Association have an effect on the exterior appearance of the structure or grounds of the Association, the Board of Directors shall be required to obtain the voting consent of sixty percent (60%) of the total votes of the Mirror Ridge Hoa, prior to any additions, improvements or alterations being made to the common areas in accordance with the Declaration of Covenants, Conditions, Restrictions and Reservation of Easements.

Notwithstanding the fore going, if in the opinion of not less than a majority of the members of the Board of Directors, such additions, alterations or improvements are exclusively or substantially exclusively for the benefit of the Owner or Owners requesting the same, such requesting the same, such requesting Owner or Owners shall be assessed therefore in such proportions 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 the Owners. No Owners shall make any structural addition, alteration or improvement in or to his lot without the prior written consent of the Architectural Review Committee (hereinafter referred to as 'ARC'). No Owner shall paint or alter the exterior of any building, without the prior written consent of the ARC. The ARC shall be obligated to answer any written request by a Owner for approval of a proposed structural addition, alteration or improvement in such Owner's lot within thirty (30) days after such request, and failure to do so within the stipulated time shall constitute a consent by the ARC 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 provided consent has been given by the ARC, then the application shall be executed on behalf of the Association by the Board of Directors only, without, however, incurring any liability on the part of the ARC or any of them to any contractor, subcontractor or material man on account of such addition, alteration or improvement, or improvement, or to any person having claim for injury to person or damage to property arising there from.

Section 8. Easements in Favor of Association.

- a. Easements are reserved to the Association through each of the lots for benefit of any adjoining lot as may be required for structural repair and maintenance of electrical lines and conduits, gas lines, heating , air conditioning and ventilation ducts, water lines, drain pipes and other appurtenances to such utility systems in order to adequately serve each of such lots
- b. The Board of Directors may charge each Owner for the expense of all maintenance, repair or replacement to the Common Areas, or to those parts of lots as to which the Association has the responsibility to maintain and repair, rendered necessary by his act, neglects or carelessness. Pr the act. Neglect or carelessness of any member of his family or employees, agents. Licensees or guest of lessees. The payment and collection of any charge made pursuant to the foregoing provision shall be in accordance with the terms providing for payment and collection of assessments in these Bylaws, including, without limitation, the right reserved to the Board to accelerate payment of assessments and the right to recovery of reasonable attorney's fees and costs.

Section 9. Tenant Eviction. In the event that the tenant of any Owner shall breach his leas by failing to comply with any of the terms of the Declaration, these Bylaws and the Rules and Regulations, the Board of Directors may require the Owner to secure the eviction of his tenant.

ARTICLE VII

INSURANCE

Section 1. Authority to Purchase.

- a. Except as otherwise provided in Section 5 of this Article VII, all insurance policies relating to the common property shall be purchased by the Board of Directors. Neither, the Board of Directors not the Managing Agent shall be liable for failure to obtain any coverage's required by this requirement or for any loss or damage resulting from such failure if such failure is due to the unavailability of such coverage from reputable insurance companies or if such coverage's are availability of such coverage from reputable insurance companies or if such coverage's are available only at a demonstrably unreasonable cost.
- b. Each such policy shall provide that:
  - i. The insurer waives its right of subrogation to any claims against the Board of Directors, the Homeowners Association, and the Managing Agent of the Owners and their respective agents, employees, guests and in the case of Owners, the members of their household.

- ii. Such policy cannot be canceled, invalidated or suspended on account of the conduct of any member of the Board, officer or employee of the Board of Directors, Owner (including his invitees, agents and employees) or the Managing Agent cure the defect and the allowance of a reasonable time thereafter within which the defect may be cured.
  - iii. Such policy may not be canceled or substantially modified without at least sixty (60) days prior written notice to the Board of Directors and the Managing Agent.
  - iv. The named insured under any such policies shall be the Homeowners' Association of the project, as a trustee for the Owners of the Association may enter into any insurance Trust Agreement, or any successor trustee, each of which shall be referred to as the "Insurance Trustee" who shall have exclusive authority to negotiate losses under these policies.
- c. All policies of insurance shall be written by reputable companies licensed to do business in the Commonwealth of Virginia, and holding a financial size rating of class XI or better by Best Insurance Reports, if available, and if not available the best comparable rating available.

Section 2. Physical Damage Insurance.

- a. The Board of Directors shall obtain and maintain a "master" or "blanket" "All Risk" policy of property insurance equal to full replacement value (i.e., 100% of current "replacement cost", with a reasonable deductible amount, exclusive of land, foundation, excavation and other items normally excluded from coverage) of common grounds contained within the Association. Furthermore a Demolition and Contingent Liability from Operation of Building Laws Endorsement and an Increased Cost of Construction Endorsement shall be procured as required. The amount of coverage is to be redetermined annually by the Board of Directors with the assistance of the insuring company. The Master Insurance Policy must afford protection for common grounds against at least the following
  - i. loss or damage by fire and other hazards covered by the standard extended coverage endorsement and by sprinkler leakage, debris removal, cost of demolition, vandalism, malicious mischief, windstorm and to the extent determined by the discretion of the Board of Directors, water damage:
  - ii. Such other risks as are customarily covered in similar association projects.
- b. Such policy shall also provide:
  - i. That despite any provisions giving the carrier the right to elect to restore damage in lieu of a cash settlement, such operation shall not be exercisable

without the prior written approval of the Homeowners Association (or any Insurance Trustee) or when in conflict with provisions of any Insurance Trust Agreement to which the Association may be a party, or any requirement of law.

- ii. The following endorsements (or equivalent): (i) “no control”; (ii) “contingent liability from operation of building laws or codes”; (iii) “increased cost of construction” or “replacement cost”; and (iv) “agreed amount” or elimination of co-insurance clause.

Section 3. Liability Insurance: The Board of Directors shall obtain and maintain comprehensive general liability libel, slander, false arrest and invasion of privacy coverage and liability coverage for acts of the Homeowners Association, Officers and Directors of the Homeowners Association, and property damage insurance in a limit no less than \$1,000,000.00 per occurrence, insuring the Homeowners Association, each member of the Board of Directors, the Managing Agent, each Owners, those entitled to occupy any lot, against any liability to the public or to the Owners (and their invitees, agents and employees) arising out of or incidental to the ownership and/ or use of the Common Areas. 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: (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 iv) a “severability of interest” endorsement which shall preclude the insurer from denying liability to a Owner because of negligent acts of the Homeowners’ 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. Reasonable amounts of “umbrella” liability insurance in excess of the primary limits shall also be obtained.

Section 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 Homeowners’ 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 current amount required by the Mortgages, the Federal National Mortgage Association or 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
- 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. workmen's compensation insurance if and to the extent necessary to meet the requirements of law;
- d. such other insurance as the Board of Directors may determine or as may be requested from time to time by a Majority of the Owners.

Section 5. Board of Directors as Agent: The Board of Directors is hereby irrevocably appointed the agent for each Owner of a lot and for each Mortgagee of a lot and for each Owner of any interest in the Association to adjust all claims arising under insurance policies purchased by the Board of Directors and to execute and deliver releases upon the payment of claims.

Section 6. Premiums: Premiums upon all insurance policies purchased by the Board of Directors shall be deemed to be a Common Expense.

## ARTICLE VIII

### REPAIR AND RECONSTRUCTION AFTER FIRE OR OTHER CASUALTY

Section 1. When Repair and Reconstruction are Required. Except as otherwise provided in Section 4 of this Article, in the event of damage or destruction of all or any of the common grounds buildings or facilities, if any, as a result of fire or other casualty, the Board of Directors, or the Insurance Trustee, if any, shall arrange for and supervise the prompt repair and restoration of the Buildings, unless the Association votes to terminate the Association in accordance with the procedures established in the Virginia Nonstock Corporation Act.

Section 2. Procedure for Reconstruction and Repair:

- a. Cost Estimates. Immediately after a fire or other casualty causing damage to a common grounds building or facility, the Board of Directors shall obtain reliable and detailed estimates of the cost of repairing and restoring the building.
- b. Assessments. If the proceeds of insurance are not sufficient to defray the said estimated costs of reconstruction and repair as determined by the Board of Directors, or if at any time during reconstruction and repair, or upon completion of reconstruction and repair, the funds for the payment of the costs thereof are insufficient, assessments necessary to cover such insufficiency shall be made against all the Association lots according to the respective Common Area Interests as set forth in the Declaration of the covenants, as the same may be amended from time to time. Notwithstanding anything to the contrary herein contained, the Association shall not be responsible for any items of repair, replacement, or maintenance or consequential damage to any lot, for which it would not otherwise be responsible under the provisions of these Bylaws unless the loss or consequential damage caused to said lot and requiring repair,

replacement, or maintenance, was occasioned through the fault of the Association. This provision shall be deemed to include the payment by the Owner or Owners of any deductible amount under any Association insurance policy.

- c. Plans and Specifications. Any such reconstruction or repair shall be substantially in accordance with the plans and specifications under which the property was originally constructed, and later restored by the Declarant.
- d. Encroachments. Encroachments upon or in favor of lots which may be created as a result of such reconstruction or repair shall not constitute a claim or basis for any proceedings or action by the Owner upon whose property such encroachment exists, provided that such reconstruction was substantially in accordance with the Architectural Plans under which the Property was originally constructed. Such encroachments shall be allowed to continue in existence for so long as the reconstructed building shall stand.

### Section 3. Disbursements of Construction Funds.

- a. Construction Fund. The net proceeds of insurance collected on account of a casualty and the funds collected by the Board of Directors from assessments against Owners on account of such casualty shall constitute a construction fund which shall be disbursed in payment of the cost of reconstruction and repair in the manner set forth, in this Section. If the net proceeds of insurance collected on account of a casualty exceeds Twenty-Five Thousand Dollars (\$25,000.00), then the funds collected by the Board of Directors from assessments against the Owners shall be deposited by the Board of Directors with the Insurance Trustee, if, any, and the entire construction fund shall be held by the Insurance Trustee and disbursed as ordered by the Board of Directors.
- b. Method of Disbursement. The construction fund shall be paid by the Board of Directors or the Insurance Trustee, as the case may be, in appropriate progress payments, to such contractor(s), supplier(s) and personnel performing the work of supplying the materials or services for the repair and reconstruction of the building as is designated by the Board of Directors
- c. 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 the costs of the reconstruction and repair for which the fund is established, such balance shall, at the determination of the Board of Directors, either be deposited in the Association general operating account or rebated to the Owners.

Section 4. When Reconstruction is Not Required. In the event the Board of Directors elects not to repair insubstantial damage to the Common Areas, any insurance proceeds received on account of such damage shall be distributed among all Owners in proportion to their respective Common Area Interests. If the Association shall be terminated the net assets of the

Association 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 Owners in proportion to their respective Common Area Interests, after first paying out of the share of each Owner to the extent sufficient thereof, the amount of any unpaid liens on his lot in the order of priority of such liens.

## ARTICLE IX

### MORTGAGES

Section 1. Notice of Unpaid Assessments. The Board of Directors, whenever so requesting in writing by a First Mortgagee, shall promptly report any then unpaid assessments due from, or any other default by, the owner of the mortgaged lot.

Section 2. Notice of Default. The Board of Directors shall give written notice to a Owner of any default by the Owner in the performance of any obligations under the Act or Association Instruments, and, if such default is not cured within 60 days may promptly send a copy of such notice to such holder of a mortgage covering such lot whose name and address has theretofore been furnished to the Board of Directors.

Section 3. Examination of Books. Each Owner and each First Mortgagee shall be permitted to examine the books of account of the Association at reasonable times and upon reasonable notice, on a business day, but not more often than once a month.

Section 4. Audited Financial Statement. Each First Mortgagee shall be entitled to receive, upon request, a copy of the annual audited financial statement (an independent examination of receipts and disbursements of the Association) within sixty (60) days following the end of the Association's fiscal year.

Section 5. "First Mortgagee", "Mortgagee", and "Mortgage". As used in this Article and generally in the Declaration and By-laws, "First Mortgagee" and the term "Mortgagee" includes the holder of a note secured by a First Deed of Trust of Mortgage encumbering a lot and recorded among the land records of the jurisdiction in which the Association is located, and the term "Mortgage" includes and Deed of Trust recorded among the said land records.

Section 6. Other Mortgagees Rights. All mortgagees or their representatives shall be entitled to attend meetings of the Association and shall have the right to speak thereat. In addition thereto, all Mortgagees shall have the right to examine the books and records of the Association and require the submission of annual financial reports and other budgetary information.

## ARTICLE X

### COMPLIANCE AND DEFAULT

Section 1. Relief. As set forth in Section 55-515, Code of Virginia, as amended, each Owner of a lot shall be governed by, and shall comply with, all of the terms of the Declaration, these Bylaws and the Rules and Regulations, and any amendments of the same. 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. Legal Proceedings. Failure to comply with any of the terms of the Declaration, these Bylaws and the Rules and Regulations shall be grounds for relief which may include, without limitation to, 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 Association, the Board of Directors, the Managing Agent, or, if appropriate, by an aggrieved owner.
- b. Additional Liability. Each 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 employees, agents, licensees, guests, or lessees, 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 an increase in fire insurance rates occasioned by use, misuse, occupancy or abandonment on any lot or appurtenances. Nothing contained herein, however, shall be construed as modifying any waiver by an insurance company of its rights or subrogation.
- c. Cost and Attorney Fees. In any proceedings arising out of any alleged default by an Owner, the prevailing party shall be entitled to recover the costs of the proceeding, and such reasonable attorneys' fees as may be determined by the Court.
- d. 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 Declaration, these Bylaws or the Rules and Regulations shall not constitute a waiver of the right of the Association, the Board of Directors, 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 Declaration, these Bylaws, or the Rules and Regulations shall be deemed to be cumulative, and the exercise of any one or more remedies, nor shall it preclude the party exercising the same from exercising such privileges as may be granted to such party by the Declaration, these Bylaws or the Rules and Regulations, or by law or in equity.

- e. Interest. In the event of a default by any Owner in paying any sum assessed against the Association which continues for a period in excess of fifteen days, interest at a rate of six percent (6%) per annum may be imposed in the discretion of the Board of Directors on the principal amount unpaid from the date due until paid.
- f. Other Charges. Failure by a Homeowner to comply with any of the terms of the Declaration, these Bylaws and the Rules and Regulations, shall subject such Owner to other penalties that may be established by resolution of the Board of Directors, including, but not limited to, the assessment of charges. Any such resolution duly adopted by the Board of Directors shall be adopted in accordance with currently existing law.
- g. Suspension of Rights. If an Owner fails to pay assessments, the Board has the power to suspend such Owner's right to use facilities or nonessential services offered by the Association to the extent that access to the Owner's lot through the Common Areas is not precluded. Written notice of such suspension of rights shall be delivered by hand or by mail to the Owner whose rights shall be suspended. The Board may adopt hearing and notice procedures which govern suspension of rights of Owners for nonpayment of assessments.

Section 2. Lien for Assessments.

- a. The total annual assessment of each Owner for Common Expenses of any special assessment or any other sum duly levied, made pursuant to these Bylaws is hereby declared to be a lien levied against the lot of such Owner as provided by law.
- b. The lien for assessments may be enforced and foreclosed in the manner provide 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 Association.
- c. A suit to recover a money judgment for unpaid contributions may be maintained without foreclosing o waiving the lien securing the same, and a foreclosure may be maintained notwithstanding any pending suit to recover a money judgment
- d. Late Fees. Any assessment levied pursuant to the Declaration or these Bylaw, or any installment thereof, which is not paid within thirty (30) days after it is due, will be as provided for herein subject to a late fee for each quarter the assessment is in arrears as provided in Article, VI, Section 4 of these Bylaws or such other amounts as the Board of Directors may fix, and in addition, the Board of Directors may declare the installments which would otherwise be due during the remaining fiscal year immediately due and payable and may take those actions to collect such accelerated amount as are provided in these Bylaws for the collection of assessments.

Section 3. Subordination and Mortgage Protection. 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, once perfected, have priority over all other lien except (1) Real Estate Tax Lien, (2) Liens recorded prior to recordation of the declaration and (3) sums unpaid on any first mortgage of first Deeds of Trust recorded prior to the perfection of said lien for assessments and securing institutional lenders. The provision will in no way affect mechanics or materialmans liens.

Section 4. Arbitration and Alternative Dispute Resolution. Disputes between the Association and Owners may, by mutual consent, be subject to arbitration or other means of alternative dispute resolution. Any such arbitration shall be held in accordance with the provisions of the Virginia Property Owners' Association Act and Chapter 21 (8.01-577 et seq.) of Title 8.01 of the Virginia Code, as amended. The place of such arbitration or alternative dispute resolution shall be in the country in which the Property is located, or as mutually agreed by the parties. Should the Association prevail in such arbitration or other method of alternative dispute resolution, the Association shall be entitled to collect its costs and reasonable attorney's fees.

## ARTICLE XI

### USE RESTRICTIONS OF LOTS AND COMMON AREA

Section 1. Use Restrictions. Each lot and the Common Area shall be occupied and used as follows:

- a. Except for the areas of the Association designated for recreational use and except as provided in the Declaration, no lot shall be used for other than housing and the related common purposes for which the Property was designed. Nothing in these Bylaws shall be construed to prohibit the Declarant from using any lot owned by Declarant for Promotional, marketing, administrative office, display or other related purposes.
- b. Nothing shall be done or kept in any lot or in the Common Area which will increase the rate of insurance for the Property or any part 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 in his lot or in the Common Areas which will result in the cancellation of insurance on the Property or any part thereof or which would be in violation of any law,, regulation or administrative ruling. No was will be committed in the Common Area.
- c. No immoral, improper, offensive or unlawful use shall be made of the Property or any part thereof, and all valid laws, zoning ordinances and regulations of orders, rules, regulations or requirements of any governmental agency having jurisdiction thereof relating to any portion of the Property shall be complied with, by the obligation to maintain or repair such portion of the Property, and if the latter, then the cost of such compliance shall be Common Expense.

- d. No Owner shall obstruct any of the Common Area nor shall any Owner place or cause or permit anything to be placed on or in any of the Common Area (except those areas designated for such storage by the Board of Directors) without the approval of the Board of Directors. Nothing shall be altered or constructed in or removed from the Common Area except upon the prior written consent of the Board of Directors.
- e. The sidewalks, entrances, passages, and all of the Common Area must not be obstructed or encumbered.
- f. No lot shall be rented for transient or hotel purposes or leased for any period less than six (6) months. No Owner shall lease a lot other than on a written form of lease requiring the lessee to comply with the Association Instruments and Rules and Regulations, and providing the failure to comply constitutes a default under the lease. Each Owner of a lot shall, promptly following the execution of any lease of a lot, provide the name(s) and telephone number(s) of the tenant(s) to the Board of Directors. Nothing in these Bylaws shall be construed to prohibit the Declarant from using any lot owned by the Declarant or Common Area of the Homeowners Association for promotional, marketing, administrative office, display or other related purposes.
- g. Trailers, campers, recreational vehicles or boats may be parked on the Property only in parking areas designated exclusively for such purposes by the Board of Directors. The Board of Directors may determine not to permit parking of such vehicles of the Property. No vehicles shall remain on the premises unless it has current state license plates, country tags and a current inspection sticker. The types of repairs to vehicles located on any of the common areas within the Association are subject to the restrictions set forth in the policy regarding parking set forth by the Board of Directors.
- h. No sign of any kind larger than one (1) foot square shall be displayed to the public view on any lot, except temporary signs not more than five (5) feet square in area advertising the property for sale or rent and except for temporary signs erected by Declarant in connection with the construction, lease, or sale of the buildings and lots.
- i. The Common Area which may comprise the recreational facilities of the Association may be used for general recreational purposes by Owners, their families, tenants and guests. The Board of Directors may, from time to time, promulgate reasonable rules and regulations regarding the use of any such recreational facilities and all parties using same shall abide by such rules and regulations.
- j. Refuse and garbage shall be kept in tightly secured plastic bags or trash cans, within the confinements of each lot's backyard

- k. No clothing, laundry or wash shall be aired or dried on any portion of the properties in any area other than the rear yards of the lot.
- l. No Owner shall make or permit any disturbing noises by himself, his family, his servants, employees, agents, visitors and licensees not do or permit anything by such persons that will interfere with the rights, comforts or convenience of other Owners.
- m. No noxious or offensive activity shall be carried on upon any portion of the residential property, not shall anything be done thereon which may be or become a nuisance or annoyance to the neighborhood. No exterior lighting shall be directed outside the boundaries of a lot.
- n. Any other use which the Association deems harmful to the Common Area may be restricted in accordance with the Declaration and these Bylaws.

Section 2. Rules and Regulations. Each lot and the Common Area shall be occupied and used in compliance with the Rules and Regulations which may be promulgated and amended by the Board of Directors. Copies of the Rules and Regulations shall be furnished by the Board of Directors to each Owner. Amendments 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.

Section 3. Utility Charges. The cost of utilities serving the Association not individually metered to a lot shall be Common Expenses.

Section 4. Parking Spaces. Parking spaces located in areas adjacent to and which serve the Association, are subject to the provisions in the parking policy as may be adopted and/or amended by the Board of Directors.

## ARTICLE XII

### MISCELLANEOUS

Section 1. Notices. All notices, demands, bill statements or other communications under these Bylaws shall be in writing and shall be deemed to have been duly given if delivered personally or if sent by regular mail, first class, prepaid.

- a. 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

- b. If to the Association, the Board of Directors, or the Managing Agents, at the principal office of the Managing Agent, or at such other address as shall be designated by the notice in writing to the Owners pursuant to this Section.

Section 2. Invalidity. The invalidity of any part of these Bylaws shall not impair or affect in any manner the validity, enforceability or effect of the balance of these Bylaws.

Section 3. Interchangeable Terms. As used in these Bylaws, the terms “mortgage” and “deed of trust” are interchangeable with the each other, and the terms “mortgagee” and “deed of trust note holder” are interchangeable with each other and the term “Association” is interchangeable with Homeowners Association.

### ARTICLE XIII

#### AMENDMENTS TO BYLAWS

Section 1. Amendments. These Bylaws may be modified or amended only by agreement of Homeowners of lots to which two-thirds of the votes in the Association appertain, Agreement of the required majority of Owners to any amendment of the Bylaws shall be evidenced by their execution of the amendments, or ratifications thereof, and the same shall become effective when a copy of the amendment is recorded together with a certification, signed by the President or Secretary of the Association, that the requisite majority of Owners signed the amendment or ratifications thereof.