

BYLAWS
THE VILLAS AT FALLS RUN CONDOMINIUM
UNIT OWNERS ASSOCIATION

Stafford County, Virginia

ARTICLE I

GENERAL PROVISIONS

Section 1. Applicability. These Bylaws provide for the self-government of The Villas at Falls Run Condominium (the "Condominium") pursuant to the requirements of Chapter 4.2 of Title 55 of the Code of Virginia, as amended ("The Condominium Act"). The name of the Unit Owners Association shall be the "The Villas at Falls Run Condominium Unit Owners Association," and shall be referred to herein as the "Association".

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

Section 4. Definitions. Capitalized terms used herein without definition shall have the meanings ascribed to them in the Declaration, to which these Bylaws are attached as Exhibit C, or, if not defined therein, the meanings ascribed to them in Section 55-79.41 of The Condominium Act.

ARTICLE II

UNIT OWNERS ASSOCIATION

Section 1. Composition. The Association shall consist of all of the Unit Owners. For all purposes the Association shall act merely as an agent for the Unit Owners collectively. The 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 Association by The Condominium Act and the Declaration. Except for those matters that The Condominium Act or the Declaration specifically requires to be decided by a vote of the 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 meetings of the Association shall be held on weekdays (other than legal holidays) at least forty-five days before the beginning of each fiscal year. The first meeting of the Association will be within one year after there is a Unit Owner other than the Declarant.

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

Section 4. Special Meetings.

(a) The President shall call a special meeting of the Association: (i) if so directed by resolution of the Board of Directors; (ii) after the termination of the Declarant Control Period (as defined in Article III, Section 1), upon a petition signed and presented - to the Secretary by Unit Owners of Units representing no less than twenty-five percent (25%) of the total Common Element Interests; or (iii) while the Declarant is a Unit Owner, upon request of the Declarant. The signatures on a petition requesting a special meeting shall be valid for a period of one hundred-eighty (180) days after the date of the first such signature. Such resolution, petition or request must (1) specify the time and place at which the meeting is to be held, (2) either specify a date on which the meeting is to be held which will permit the Secretary to comply with Article II, Section 5 of these Bylaws or else specify that the Secretary shall designate the date of the meeting, (3) specify the purposes for which the meeting is to be held, and (4) be delivered to the Secretary. 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) No later than the termination of the Declarant Control Period (as defined in Article III, Section 1), a special meeting of the Association shall be held at which a majority of the Directors shall be elected by the Unit Owners, including the Declarant if the Declarant owns one or more Units, to serve terms as provided in Article III, Section 4 of these Bylaws. If such election is held prior to the time required by this section, the Directors elected at such election shall not take office until the earlier of the time such election is required to be held or within ten (10) days of the resignation of a Director appointed by the Declarant without appointment of a replacement. The elected Directors shall assume office in the order of the highest number of votes received.

Section 5. Notice of Meetings. The Secretary shall notify each Unit Owner, in writing, of each annual or regularly scheduled meeting of the Unit Owners at least twenty-one (21) but not more than thirty (30) calendar days in advance of such meeting, and of each special meeting of the Unit Owners at least seven (7) but not more than thirty (30) calendar days prior to such meeting. All such notices shall state the time, place and purpose of the meeting. The giving of a notice of meeting in the manner provided in this Section and in Article XII, Section 1 of these Bylaws shall be considered service of notice.

Section 6. Quorum and Adjournment of Meetings. Except as otherwise stated in these Bylaws, the presence in person or by proxy of Unit Owners representing at least twenty-five percent (25%) of the total votes of the Condominium shall be requisite for and shall constitute a quorum for the transaction of business of all meetings of members. If at any meeting of The Association a quorum is not present, Unit Owners of a majority of the Common Element Interests who are present at such meeting in person or by proxy may: (i) recess the meeting to such date, time and place as such Unit Owners may agree, but in no case more than forty-eight (48) hours after the time the original meeting was called or (ii)

adjourn the meeting to a time more than forty-eight (48) hours after the time the original meeting was called, whereupon the Secretary shall make reasonable efforts to notify all Unit Owners of such date, time and place.

Section 7. Order of Business. The order of business at all meetings of the Association shall be as follows: (a) roll call (proof of quorum); (b) proof of notice of meeting; (c) reading of minutes of the preceding meeting; (d) reports of officers; (e) report of the Board of Directors; (f) reports of committees; (g) appointment of inspectors of election (when so required); (h) election of directors (when so required); (i) unfinished business; and (j) new business.

Section 8. Conduct of Meetings. The President shall preside over all meetings of the Association and the Secretary shall keep the minutes of the meeting and record in a minute book all resolutions adopted by the Association at the meeting, as well as a record of all transactions and proceedings occurring at the meeting. The President may appoint a person to serve as parliamentarian at any meeting of the Association. The then-current edition of Robert's Rules of Order (latest edition) or similar set of procedures approved by the Board of Directors shall govern the conduct of all meetings of the Association when not in conflict with The Condominium Act or the Condominium Instruments. Tellers, appointed by the President or other Officer presiding over the meeting, shall supervise the tallying of all votes, and the names and addresses of the tellers shall be recorded in the minutes of the meeting.

Section 9. Voting.

(a) At every meeting of the Association, each Unit shall have the right to cast one vote. Where the ownership of a Unit is in more than one person, the person who shall be entitled to cast the vote of such Unit shall be the person named in a certificate executed by all of the owners of the Unit and filed with the Secretary (if such a certificate is on file) or, in the absence of a named person at the meeting, a person owning such Unit who is present at the meeting. If more than one person owning such Unit is present, then the vote shall be cast only in accordance with those Unit Owners' unanimous agreement pursuant to Section 55-79.77(C) of The Condominium Act. If a Unit Owner is not a natural person (an "Entity Owner"), the vote for such Unit may be cast by any natural person having authority to execute deeds on behalf of the Entity Owner provided, further, that any vote cast by a natural person on behalf of such Entity Owner shall be deemed valid unless successfully challenged prior to adjournment of the meeting at which such vote was cast. All Entity Owners shall file with the Secretary a certificate identifying all persons authorized to vote on behalf of the Entity Owner. A certificate shall be valid until revoked by a subsequent certificate similarly executed and filed. Subject to the requirements of The Condominium Act, wherever the approval or disapproval of a matter by 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 Association. There shall be no cumulative voting.

(b) Except where a greater number is required by The Condominium Act or the Condominium Instruments, a majority vote is required to adopt a decision at any meeting of the Association; provided, however, that in the case of any proposed amendment to the Condominium Instruments that would add any material provisions, or that would materially amend existing provisions relating to any of the following, a two-thirds (2/3) vote (except where a greater number is required by the

Condominium Act) shall be required: (i) assessments, assessment liens or subordination of such liens. (ii)) reserves for maintenance, repair and replacement of common elements; (iii) insurance or fidelity bonds; (iv) right to use the Common Elements, (v) responsibility for maintenance and repair of the Condominium; (vi) leasing of units; (vii) imposition of a right of first refusal or similar restriction on the right of a unit owner to sell, transfer or otherwise convey his or her unit; (viii) any of the actions enumerated in Article IX, Section 7 of these Bylaws. If the Declarant owns or holds title to one or more Units, the Declarant shall have the right at any meeting of the Association to cast the votes to which such Units are entitled.

(c) No Unit Owner may vote at any meeting of the Association or be elected to or serve on the Board of Directors if payment by such Unit Owner of any financial obligation to the Association is delinquent by more than sixty (60) days and if the amount necessary to bring the account current has not been paid at least seventy-two hours (72) hours prior to the time of such meeting.

Section 10. Proxies. A vote may be cast in person or by proxy. Proxies may be granted by or on behalf of a Unit Owner or, in cases where the Unit Owner is more than one person, by or on behalf of all such persons, in favor of another Unit Owner, an Officer, the Declarant, a Mortgagee or any other designated person. Proxies shall be void if not duly executed in writing, witnessed by a person who has signed his/her full name and address dated, signed by a person having authority at the time of the execution thereof to execute deeds on behalf of that person, shall be valid only for the particular meeting designated therein and any continuation thereof, and if it purports to be revocable without notice as hereinafter set forth. Such proxy shall be revocable only upon actual receipt by the person presiding over the meeting of notice of revocation from any of the persons owning such Unit. Except with respect to proxies in favor of a lessee or Mortgagee (as defined in Article IX of these Bylaws), no proxy shall be valid for a period exceeding one hundred and eighty (180) days after its execution, and any proxy shall terminate after the first meeting held on or after the date of that proxy or any recess or adjournment of that meeting held within thirty (30) days. The proxy shall include a brief explanation of the effect of leaving the proxy uninstructed.

Section 11. Litigation.

(a) Proposed litigation relating to the collection of any assessment or monetary charge imposed on a Unit Owner by the Association pursuant to the Condominium Instruments or litigation related to claims under \$5,000 shall be authorized by the Board of Directors or its managing agent on behalf of the Unit Owners Association without prior vote or other prior approval of Unit Owners.

(b) Subject to the rights and warranties provided in Section 55-79.79 of the Condominium Act, no litigation or demand for mediation against Declarant, or its affiliates, shall be initiated on behalf of the Unit Owners Association unless the following conditions precedent have been satisfied:

(1) The Unit Owners Association has fulfilled its maintenance responsibilities as otherwise set forth herein, performance of which shall be documented with written proof of regular and consistent maintenance;

(2) An independent expert (with industry knowledge specific to the subject of a claim whether it be development construction, mechanical related or otherwise) has been hired by the Unit Owners Association to investigate the merits

of each claim and has provided to the Unit Owners Association a written report or opinion acknowledging said claims have merit, the cost of such report to be borne solely by the Unit Owners Association;

(3) Unit Owners representing at least sixty-six and two-thirds percent (66-2/3%) of all Units shall agree to such litigation or mediation by affirmative vote, to be taken at any regular meeting of Unit Owners or at a special meeting called for that specific purpose;

(c) In addition to and prior to the initiation of litigation against Declarant, or its affiliates, the Unit Owners Association must first demand mediation in writing to the adverse party and thereafter submit its claim to mediation in accordance with the Construction Industry Mediation Rules of the American Arbitration Association currently in effect, unless the parties agree otherwise. The cost of the mediator's fee and filing fees are to be borne equally between the disputing parties and the ruling of the mediator shall be non-binding unless otherwise agreed to by all parties. Upon conclusion of the mediation and in the event the claim has not been settled to the mutual satisfaction of the parties, the claim may thereafter be litigated in any court of competent jurisdiction provided, however, such initiation of litigation shall be made within a reasonable time after the claim or dispute arose and in no event later than the date a claim in question is barred by the applicable statute of limitation. In the event of litigation, the prevailing party shall be entitled to reimbursement of reasonable attorney's fees and costs by the non-prevailing party, in no event shall the non-prevailing party be liable for indirect, special or consequential damages of any kind whatsoever and the parties to the dispute hereby waive their right to a trial by jury.

(d) For any cause of action prosecuted as a result of an alleged design flaw for any improvement constructed within the condominium, the Board, Association or Unit Owners shall proceed solely against the architect or engineer or other design consultants responsible for the drafting of the architectural or engineering plans for said improvements and in no event shall the Declarant or general contractors be liable for damages resulting from the architect's or engineer's provision of these services. Further, the full liability for any error and omission in design shall not exceed the lesser of: (i) the amount recoverable under the errors & omissions insurance policies insuring the architect, engineer and other design professionals and consultants, or (ii) the cost of the professional services rendered by said parties and under no circumstances shall the Declarant, general contractors, architect, engineer or other design professionals and consultants be liable to the Board, Association or Unit Owners for indirect, special or consequential damages.

ARTICLE III BOARD OF DIRECTORS

Section 1. Number and Qualification. The affairs of the Association shall be governed by a Board of Directors. Until the sooner to occur of (a) deeds of conveyance representing seventy-five percent (75%) or more of the aggregate Common Element Interests of all Units (including all Units which may be added from the Additional Land) shall have been delivered to Unit Owners by the Declarant or (b) deeds of conveyance representing seventy-five percent (75%) or more of the Units (including all living Units which may be added from the Additional Land) shall have been delivered to Unit Owners by Declarant the Board of Directors shall consist of such persons as may be designated by the Declarant; provided, however,

that the foregoing power of designation shall not extend beyond the maximum time permitted by Section 55-79.74(a) of The Condominium Act (the "Declarant Control Period"). The Board of Directors shall be composed of five (5) persons, all of whom shall be Unit Owners, Mortgagees (or designees of Mortgagees) or designees of the Declarant; provided, however, that anything in these Bylaws to the contrary notwithstanding, during the Declarant Control Period, the Board of Directors shall consist of at least three (3) members, all of whom shall be designated by the Declarant. The Declarant shall have the right in its sole discretion to remove its designated Directors and to designate their successors. The time limit on the period of Declarant's control shall commence upon the settlement of the first Unit to be sold in the Condominium.

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 Association and may take any and all actions that are not by The Condominium Act or the Condominium Instruments required to be taken by the Association. The Board of Directors shall have the right to 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 any and all matters relating to 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 Association that may hereafter be duly adopted, the Board of Directors, on behalf of the Association, shall have the powers and responsibility to:

(a) Prepare and adopt an annual budget in which there shall be expressed the assessments of each Unit Owner for Common Expenses.

(b) Make assessments against Unit Owners to defray the costs and expenses of the Condominium, establish the means and methods of collecting such assessments from the Unit Owners and provide for the installment payment of the annual assessment against the Unit Owners for Common Expenses. Unless otherwise determined by the Board of Directors, the annual assessment against each Unit Owner for his or her proportional share of the Common Expenses shall be payable by twelve (12) equal monthly installments, each such installment to be due and payable in advance on the first day of each month of the fiscal year.

(c) Provide for the operation, care, upkeep and maintenance of all of the property and services of the Condominium.

(d) Designate, hire and dismiss the personnel necessary for the maintenance, operation, repair and replacement of the Common Elements 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, which supplies and equipment shall be deemed part of the property of the Condominium.

(e) Collect the assessments against the Unit 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 Condominium.

(f) Adopt and amend any rules and regulations; provided, however that such rules and regulations shall not be in conflict with The Condominium Act or the Condominium Instruments.

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

(h) Make, or contract for the making of, repairs, additions and improvements to or alterations of the Condominium property and repairs to and restoration of the 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, act on behalf of the Unit Owners with respect to all matters arising out of any condemnation or eminent domain proceeding, and notify the Unit Owners of any litigation against the Association, involving a claim in excess of ten percent (10%) of the amount of the annual Budget (as defined in Article VI, Section 1(b)).

(j) Obtain and continuously maintain insurance against casualties and liabilities, as provided in Article VII of these Bylaws, pay the premiums therefor and adjust and settle any claims thereunder.

(k) Pay the cost of all authorized services rendered to the Association pursuant to Article VI of these Bylaws.

(l) Keep books with detailed accounts in chronological order of all receipts and expenditures affecting the property and the administration of the Condominium, specifying in detail any expenses incurred. Such books of account and records shall be available for examination by the Unit Owners, their attorneys, accountants, Mortgagees and authorized agents during general business hours on business days. All books and records shall be kept in accordance with generally accepted accounting principles, consistently applied, and shall be audited in accordance with Article VI, Section 10 of these Bylaws.

(m) Notify a Mortgagee of any default hereunder by the Unit Owner of the Unit subject to such Mortgage, if such default continues for a period exceeding sixty (60) days after notice of the default to the Unit Owner.

(n) Borrow money on behalf of the Condominium when required for the operation, care, upkeep and maintenance of the Common Elements; provided, however, that (except during the Declarant Control Period) either (i) a majority vote obtained at a special meeting duly called and held for such purpose in accordance these Bylaws or (ii) the written approval of Unit Owners constituting more than fifty percent (50%) of the votes in the Association shall be required to borrow any sum exceeding two percent (2%) of the total annual assessment for Common Expenses for that fiscal year. If any sum borrowed by the Board of Directors on behalf of the Condominium pursuant to the authority contained in this subsection (n) is not timely repaid by the Association, a Unit Owner who pays to the creditor an amount equal to the outstanding balance times the percentage constituting Unit Owner's Common Element Interest shall be entitled to obtain from the creditor a release of any judgment or other lien which such creditor shall have filed or shall have the right to file against such Unit Owner's Unit, and the Association shall not be entitled to assess the Unit for payment of the remaining balance due such creditor.

(o) Acquire, hold and dispose of Units and mortgage the same without the prior approval of the Association if such expenditures and hypothecations are specifically included in the budget adopted by the Association.

(p) Upon receipt of such payment as may be established by the Board of Directors in compliance with Section 55-79.97 of The Condominium Act, furnish the statement required by Section 55-79.97 of The Condominium Act within ten (10) days after the receipt of a written request therefor from any Unit Owner.

(q) Take any other actions not inconsistent with The Condominium Act or the Condominium Instruments and which the Board of Directors may be authorized to do by a resolution of the Association.

Section 3. Managing Agent. The Board of Directors shall employ for the Condominium a "Managing Agent" at a reasonable compensation to be established by the Board of Directors.

(a) Requirements. The Managing Agent shall be a bona fide business enterprise, which may or may not be affiliated with the Declarant, which manages common interest residential communities. Such firm or its principals shall have a minimum of two (2) years experience in real estate community management and shall employ persons possessing a high level of competence in the technical and managerial skills necessary to the proper management of the Condominium. The Managing Agent must be able to advise the Board of Directors capably regarding the operation of the Condominium and to this end shall employ personnel knowledgeable in the areas of condominium insurance, accounting, contract negotiation, labor relations and condominium regulation.

(b) Duties. The Managing Agent shall perform such duties and services as the Board of Directors shall direct. Such duties and services may include, without limitation, the duties listed in Sections 2 (a), (c), (d), (e), (h), (i), (j), (k), (l), (m) and (p) of this Article. 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 Sections 2 (b), (f), (g), (n), (o) and (q) of this Article. The Managing Agent shall perform the obligations, duties and services relating to the management of the Condominium, the rights of 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:

(1) the accrual method of accounting shall be consistently employed and expenses required by these Bylaws to be charged to more than one but fewer than all Unit Owners shall be accounted for and reported separately;

(2) two (2) or more persons shall be responsible for handling cash in order to maintain adequate financial control procedures;

(3) cash accounts of the Association shall not be commingled with any other person's or entity's accounts;

(4) no remuneration shall be accepted by the Managing Agent from vendors, independent contractors or others providing goods or services to the Association whether in the form of commissions, finders fees, service fees or other; any discounts received shall directly benefit the Association;

(5) any financial or other interest which the Managing Agent may have in any firm providing goods or services to the Association shall be disclosed

promptly to the Board of Directors; and

(6) a monthly financial report shall be prepared for the Association containing:

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

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

(C) a "budget report" reflecting any actual or pending obligations which exceed budgeted amounts by an amount exceeding (i) the operating-reserves or (ii) ten percent (10%) of a major budget category (as distinct from a specific line item in an expanded chart of accounts).

(d) Limitations. Subject to the provisions of Section 55-79.74(b) of The Condominium Act, during the period when persons designated by the Declarant constitute a majority of the Board of Directors, the Board of Directors may employ a Managing Agent for an initial term not to exceed one (1) year. The Association and the Board of Directors shall not undertake "self-management" or fail to employ a Managing Agent without the consent of a two-thirds (2/3) vote of the Unit Owners and the written consent of Eligible Mortgagees together holding fifty-one percent (51%) of the Mortgages. Any contract with the Managing Agent must provide that it may be terminated, without payment of a termination fee, (i) without cause on no more than ninety (90) days' written notice and (ii) with cause on no more than thirty (30) days' written notice. The term of such contract may not exceed one (1) year.

Section 4. Election and Term of Office. At the first annual meeting of the Association after termination of the Declarant period, the term of office of two (2) members of the Board of Directors shall be fixed at three (3) years each, the term of office of two (2) members of the Board of Directors shall be fixed at two (2) years each and the term of office of the remaining member of the Board of Directors shall be fixed at one (1) year. At the expiration of the initial term of office of each member of the initial Board of Directors elected at the first annual meeting, a successor shall be elected to serve for a term of three (3) years. The members of the Board of Directors shall hold office until their respective successors shall have been elected and have held their first meeting.

Section 5. Removal of Members of the Board of Directors. Except with respect to Directors designated by Declarant, at any regular or special meeting of the Association duly called (but only at or after the first annual meeting), any one (1) or more of the Board of Directors may be removed with or without cause by a majority vote of the Unit Owners and a successor may then and there be elected to fill the vacancy thus created. Any Director whose removal has been proposed by the Unit Owners shall be given at least ten (10) days' notice of the calling of the meeting and the purpose thereof and he or she shall be given an opportunity to be heard at the meeting.

Section 6. Vacancies. Except where the Declarant is entitled to replace a Director under these Bylaws and does not waive its right to do so, vacancies on the Board of Directors due to any reason other than the removal of a Director by a majority vote of the Unit Owners shall be filled by a vote of a majority of the remaining Directors at a special meeting of the Board of Directors called and held for

such purpose promptly after the occurrence of the vacancy. Each person so elected shall be a member of the Board of Directors for the remainder of the term of the Director being replaced. Notwithstanding anything to the contrary in this Section or in Section 5 of this Article, so long as the Declarant owns more than twenty-five percent (25%) of the aggregate percentage interests in the Condominium, but in no event after the expiration of the maximum time permitted by Section 55-79.74(a) of The Condominium Act, the Declarant shall designate the successor to a Director previously designated by the Declarant.

Section 7. Organization Meeting. Immediately following the annual meeting of the Association, the Board of Directors elected at the annual meeting shall determine the date, time and place of its first meeting, and no further notice shall be necessary to the newly elected members of the Board of Directors. Such meeting shall occur within thirty (30) days after the annual meeting.

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 two (2) months. Notice of regular meetings of the Board of Directors shall be given to each Director personally, by mail, telephone or telecopy at least upon three (3) business days prior to the date of such meeting.

Section 9. Special Meetings. A Special meeting of the Board of Directors may be called by the President or Secretary or at the written request of at least two (2) Directors three (3) business days' notice to each Director, given personally, by mail, telephone or telecopy, which, notice shall state the time, place and purpose of the meeting.

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 receipt of such notice. Attendance by a Director at any meeting of the Board of Directors shall constitute a waiver of notice by him or her 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 meeting.

Section 11. Fidelity Bonds. The Board of Directors shall require adequate fidelity bonds for all officers and employees of the Condominium handling or responsible for Condominium funds. The premiums for such bonds shall constitute a Common Expense, except for those required to be maintained by the Managing Agent.

Section 12. Compensation. No Director shall receive any compensation from the Condominium for exercising his or her 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 meetings. Robert's Rules of Order (latest edition) or similar set of procedures approved by the Board of Directors shall govern the conduct of the meetings of the Board of Directors when not in conflict with the Declaration, these Bylaws or The Condominium Act.

Section 14. 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 consent in writing to such action. Such written consent shall 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 and be required 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 at any meeting of the Board of Directors less than a quorum is present, a majority of those present may adjourn the meeting from time to time. At any such adjourned meeting at which a quorum of Directors is present, any business which might have been transacted at the meeting originally called may be transacted without further notice.

ARTICLE IV

OFFICERS

Section 1. Designation. The principal officers of the Condominium shall be the President, Vice President, the Secretary and the Treasurer, all of whom shall be elected by the Board of Directors. The Board of Directors may appoint an Assistant Treasurer, an Assistant Secretary and such other officers as in its judgment may be necessary. The President and the Secretary, but no other officers, shall be required to be members of the Board of Directors. The offices of President and Secretary may not be held by the same person.

Section 2. Election of Officers. The officers of the Condominium shall be elected annually by the Board of Directors at the organization meeting of each new Board of Directors, and each officer shall hold office at the pleasure of the Board of Directors and until a successor is elected.

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 his or her successor may be elected at any regular meeting or special meeting of the Board of Directors.

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

Section 5. Vice President. The Vice President shall take the place and perform the duties of the President whenever the President is 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 or her by the Board of Directors or by the President.

Section 6. Secretary. The Secretary shall keep the minutes of all meetings of the Association and of the Board of Directors; he or she shall have charge of such books and papers as the Board of Directors may direct, and he or she shall, in general, perform all the duties incident to the office of the secretary of a stock corporation organized under the Virginia Stock Corporation Act.

Section 7. Treasurer. The Treasurer shall have the responsibility for overseeing the Condominium funds and securities and shall cause the keeping of full and accurate financial records and books of account showing all required financial data; he or she shall oversee the deposit of all monies and other valuable effects in the name of the Board of Directors or the Managing Agent in such depositories 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 Condominium shall be executed by any two (2) officers of the Condominium or by such other person or persons as may be designated by resolution of and authorization by the Board of Directors.

Section 9. Compensation of Officers. No officer shall receive any compensation from the Condominium solely for exercising his or her 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 Association shall indemnify every officer and Director of the Condominium from any and all expenses, including counsel fees, reasonably 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) to which he or she may be a party by reason of being or having been an officer or Director of the Condominium whether or not such person is an officer or director at the time such expenses are incurred. The officers and Directors of the Condominium shall not be liable to the Unit Owners or the Association for any mistake of judgment or act or omission, except for their own individual willful misconduct or conduct in bad faith. The officers and Directors of the Condominium shall have no personal liability with respect to any contract or other commitment made by them, in good faith, on behalf of the Condominium or the Association (except to the extent that such officers or directors may also be owners of Units), and the Association shall indemnify and forever hold each such officer and Director free and harmless from and 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 current or former officer or director of the Condominium 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 interests of the Condominium as a whole. No contract or other transaction between the Condominium and one (1) or more of its Directors or between the Condominium and any corporation, firm or association (including the Declarant) in which one or more of the Directors of the Condominium are directors or officers or are pecuniarily or

otherwise interested, shall be 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 her votes are counted for such purposes, if any of the condition 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 as noted in the minutes, and the Board of Directors authorizes, approves or ratifies the 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 Association or a majority thereof, and it approves or ratifies 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 Condominium 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 authorizes, approves or ratifies any contract or transaction and may vote thereat to authorize any contract or transaction with like force and effect as if he or she was not so affiliated or interested.

Section 3. Insurance Coverage. After expiration of the Declarant control period, or as otherwise agreed to by the Board of Directors at any time, the Board of Directors shall obtain and continuously maintain on behalf of the Condominium such insurance coverages as may be reasonably necessary to effectively indemnify the officers and Directors of the Condominium as provided in Section 1 of this Article V. The cost of such insurance shall constitute a Common Expense and its form and substance shall conform to the insurance policy requirements set forth in Article VII of these Bylaws.

ARTICLE VI

OPERATION OF THE PROPERTY

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

(a) Fiscal Year. The fiscal year of the Condominium shall consist of the twelve (12) month period commencing on the date determined by the Board of Directors, which may thereafter be changed by the Board of Directors of the Unit Owners Association of the Condominium.

(b) Preparation and Approval of Budget. For each fiscal year, at least thirty (30) days before the commencement of the next fiscal year, the Board of Directors shall adopt a budget for the Condominium (the "Budget"). The Budget shall contain 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 Elements and those parts of the Units 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, services, supplies and other expenses that may be declared to be

Common Expenses under The Condominium Act, these Bylaws or a resolution of the Association and which will be required during the ensuing fiscal year for the proper administration, operation, maintenance and repair of the Condominium and the rendering to the Unit Owners of all related services. The Budget may also include:

(i) The cost of maintenance or repair of any Unit if such maintenance or repair is reasonably necessary in the discretion of the Board of Directors to protect the Common Elements or to preserve the appearance of value of the Condominium or is otherwise in the interest of the general welfare of all Unit Owners; provided, however, that no such maintenance or repair shall be undertaken without a resolution by the Board of Directors and reasonable written notice to the Unit Owner of the Unit where the proposed maintenance or repair is to be performed and provided further that the cost thereof shall be assessed against the Unit where such maintenance or repair is performed. A statement for the amount of the assessment shall be rendered promptly to the Unit Owner of the Unit, at which time the assessment shall become due and payable and shall constitute a continuing lien and obligation of the Unit Owner as provided in Article X of these Bylaws. The cost of the maintenance or repair of those parts of the Units 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 terms of this subsection (i).

(ii) Any amount necessary to discharge any lien or encumbrance levied against the Condominium, or any portion thereof, which may, in the judgment of the Board of Directors, constitute a lien against the Common Elements.

(iii) Such reasonable amounts as the Board of Directors considers necessary to provide working funds for the Condominium, a general operating reserve, or reserves for contingencies and replacements.

(c) The Budget may also include a special assessment for Common Expenses benefiting fewer than all of the Units or caused by the conduct of fewer than all those entitled to occupy the same or by their licensees or invitees pursuant to Section 55-79.83.B of The Condominium Act, which may be specially assessed against the Unit or Units involved, in accordance with such reasonable provisions as may be made by the Board of Directors.

(d) Transmittal of Budget. The Board of Directors or the Managing Agent shall send to each Unit Owner a copy of the Budget in a reasonably itemized form and which sets forth the amount of the Common Expenses payable by each Unit Owner, at least seven (7) days prior to the beginning of the fiscal year to which the Budget applies. The Budget shall constitute the basis for determining each Unit Owner's annual contribution for the Common Expenses of the Condominium.

Section 2. Assessments and Payment of Common Expenses.

(a) Except for those Common Expenses which may be specially assessed against a Unit or Units pursuant to the provisions of Subsection 1(c) of this Article VI and except for those Common Expenses specially assessed pursuant to Section 55-79.83(a) of The Condominium Act, 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 equally, in accordance with its respective undivided interest in the Common Elements,

commencing on the date of recordation of the Declaration or the date of recordation of the Amendment to the Declaration which creates a Unit in subsequent phases. Each assessment shall be a lien against the respective Unit as provided in Section 55-79.84 of The Condominium Act. On or before the first day of each fiscal year and thereafter on or before the first day of each succeeding eleven (11) months of such fiscal year, each Unit Owner shall be obligated to pay to the Board of Directors or the Managing Agent (as determined by the Board of Directors), one-twelfth (1/12) of its assessment for such fiscal year. Any amount accumulated in excess of the amount required for actual expenses and reserves may, if the Board of Directors deems it advisable, be credited according to each Unit Owner's Common Element Interest to the installments due in the succeeding months of that fiscal year.

(b) Repair and Replacement Reserve. The Board of Directors shall obtain on a regular basis from Unit Owners contributions to capital (the "Contributions") which will be used to establish a replacement and repair reserve (the "Replacement Reserve"). Contributions shall be paid monthly and shall be in an amount designated from time to time by the Board of Directors and shall be conclusively deemed a Common Expense. All Contributions shall be deposited in an account separate from all other accounts of the Association with a lending institution, the accounts of which are insured by an agency of the United States of America, or, at the discretion of the Board of Directors, be invested in obligations of, or instruments which are fully guaranteed as to principal by, the United States of America. Contributions, at the discretion of the Board of Directors, may be invested in money market funds which, although not guaranteed by the United States of America, invest solely in the United States securities (or in state bonds which are backed in principal amount by the state). The Replacement Reserve may be expended only for the replacement and repair of the Common Elements, the replacement and repair of those parts of Units as to which the Board of Directors has all powers and responsibility with regard to maintenance, repair, renovation, restoration and replacement, and the replacement and repair of equipment of the Condominium as designated by the Board of Directors. All checks written on the Replacement Reserve account shall be signed by two (2) members of the Board of Directors. The amounts allocated to the Replacement Reserve may be reduced by appropriate resolution of the Board of Directors, upon the accumulation in the Replacement Reserve of a sum equal to the full replacement value of the items for which the Replacement Reserve is established. Full replacement value shall be annually determined by the Board of Directors for casualty insurance purposes. The proportional interest of any Unit Owner in any Replacement Reserve shall be considered an appurtenance of his or her Unit and shall not be separately withdrawn, assigned or transferred or otherwise separated from the Unit to which it appertains and shall be deemed to be transferred with such Unit.

(c) Special Assessments. If extraordinary expenditures not originally included in the annual Budget become necessary during the year, the Board of Directors may at any time levy a special assessment ("Special Assessment"), which shall be assessed against the Units in proportion to the respective Common Element Interest of the Units. The Special Assessment 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 Special Assessment on all Unit Owners by a statement in writing giving the amount and reason therefor. Unless otherwise specified in the notice, the Special Assessment shall become effective with the next monthly payment which is due after the delivery or mailing of the notice of Special Assessment. All Unit

Owners shall be obligated to pay the amount of the Special Assessment in the manner set forth in the notice.

Notwithstanding anything to the contrary herein contained, any Special Assessment in excess of fifteen percent (15%) of the total annual Budget of the Condominium in any twelve (12) month period shall be effective only with the approval of a majority of the Unit Owners.

(d) Initial Assessment. When the initial Board of Directors, elected or designated pursuant to these Bylaws, takes office, it shall determine the Budget for the period commencing thirty (30) days after its election or designation and ending on the last day of the fiscal year in which its election or designation occurs. Assessments shall be levied against the Unit Owners during such period as provided in subsection (a) of this Section. The Board of Directors will levy an Initial Assessment against the initial purchaser of a Unit at the time he or she settles on his or her purchase contract. The Initial Assessment, in an amount equal to two (2) months of condominium assessments and in addition to the regular assessments, shall be utilized for commencing the business of the Association and providing the necessary working funds for it. In addition to the foregoing Initial Assessment, the Board of Directors will levy against the initial purchaser at the time he or she settles on his or her purchase contract a partial monthly assessment payment, prorated from the date of settlement to the end of the month in which the settlement occurs. Declarant is prohibited from using these working funds to defray any of its expenses, reserve contributions or construction costs or to make up any budget deficit during the Declarant Control Period.

(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 any manner of a Unit Owner's obligation to pay his or her 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 the monthly charge at the then-existing monthly rate established for the previous fiscal year until the new annual or adjusted Budget is mailed or delivered.

(f) Accounts. Subject to the provisions of Article VI, Section 2(b), all monies collected by the Board of Directors with respect to assessments against the Unit Owners, may be commingled into a single account of the Condominium, but all monies shall be identified and accounted for in accordance with the respective Common Element Interest of each Unit Owner.

Section 3. Payment of Common Expenses. All Unit Owners shall be obligated to pay their respective shares of the Common Expenses assessed by the Board of Directors pursuant to the provisions of this Article VI, and such obligations not received by the 15th day of each month shall be in default. No Unit Owner shall be liable for the payment of any part of the Common Expenses assessed against his or her Unit subsequent to a sale, transfer or other conveyance of the Unit. The purchaser of a Unit shall be jointly and severally liable with the selling Unit Owner for all unpaid assessments against the latter, including, but not limited to, his or her proportional share of the Common Expenses up to the time of conveyance, without prejudice to the purchaser's right to receive from the selling Unit Owner the amounts paid by the purchaser therefor. Any Unit Owner may be entitled to a statement from

the Board of Directors or Managing Agent setting forth the amount of the unpaid assessments against the Unit Owner pursuant to Section 55-79.84(H) of The Condominium Act. The statement must be furnished or made available within ten (10) days of the request. Any Mortgagee who comes into possession of a Unit by virtue of foreclosure or by deed of assignment in lieu of foreclosure or any purchaser at a foreclosure sale (a "Foreclosure Purchaser") shall take the Unit free of any claims for unpaid Common Expenses which accrue prior to the time such Mortgagee or Foreclosure Purchaser comes into possession of the Unit; provided however the Mortgagee or Foreclosure Purchaser shall be responsible for its *pro rata* share of the Unit's unpaid Common Expenses which are reallocated among all Units, *pro rata*, after the Mortgagee or Foreclosure Purchaser comes into possession of the Unit.

Section 4. Collection of Assessments. The Board of Directors or Managing Agent, as appropriate, shall take prompt action to collect any assessments for Common Expenses due from any Unit Owner which remains unpaid for more than thirty (30) days from the date due for payment thereof.

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

(a) By the Board of Directors. Except as provided in Section 5(b) and Section 5(c) below, the Board of Directors shall be responsible for the maintenance, repair and replacement of all of the Common Elements and Limited Common Elements, whether located inside or outside of the Units. The cost of such maintenance, repair and replacement shall be charged to all Unit Owners as a Common Expense. Provided however, each Unit Owner shall be responsible for the cost of maintenance, repair and replacement which, in the opinion of a majority of the Board of Directors, is necessitated by the negligence, misuse or neglect of the Unit Owner or by the Unit Owner's failure to fulfill its duties under subsection (b) hereof, or which was caused by or originated in or through a Unit or any component thereof without regard to negligence, misuse or neglect.

(b) By the Unit Owner.

(1) Each Unit Owner shall keep his or her Unit and its equipment, appliances and appurtenances in good order, condition and repair and in a clean and sanitary condition, and shall perform all redecorating, painting and varnishing which may at any time be necessary to maintain the good appearance and condition of his or her Unit. In addition, each Unit Owner shall be responsible for all damage to any other Unit(s) or to the Common Elements resulting from his or her failure to make any of the repairs required by this Section. Each Unit Owner shall perform his or her responsibilities in such manner as to not unreasonably disturb or interfere with the other Unit Owners and 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.

(2) The Unit Owner of any Unit to which a Limited Common Element is appurtenant (if any) shall perform the normal maintenance for such Limited Common Element including, without limitation, keeping it in a clean, safe and sanitary condition and shall also make all repairs thereto caused by his or her negligence or misuse or neglect. Except as set forth in Attachment A hereto, all structural repairs or replacements of Limited Common Elements not due to negligence or misuse by the Unit Owner shall be made by the Board of Directors as a Common Expense.

(3) The Unit Owner of any Unit to which a front stoop, porch or stairway, or back patio or deck connects, shall keep such stoop, porch, stairway, patio or deck in a clean, safe and sanitary condition including, without limitation, the removal of any snow or debris. Neglect of this responsibility by the Unit Owner may result in a charge by the Association pursuant to the terms of these Bylaws. Except as set forth in Attachment A hereto, all structural repairs or replacements of stoops, porches and stairways not due to the neglect of the Unit Owner shall be made by the Board of Directors as a Common Expense.

(4) Any Unit Owner permitted by the Board of Directors to use a specific portion of the Common Elements for storage is responsible for the maintenance and care of such portion and shall use such portion in a safe and sanitary manner.

(c) Chart of Maintenance Responsibilities. Notwithstanding the general provisions for maintenance set forth in subsections (a) and (b) above, specific maintenance responsibilities and the costs attributable thereto shall be determined pursuant to the Chart of Maintenance Responsibilities attached as Attachment "A" hereto and made part hereof by reference.

(d) Manner of Repair and Replacement. All repairs and replacements shall be substantially similar in design to the original construction and installation (unless such design was faulty or defective) and shall be of substantially similar quality. The method of approving payment vouchers for all repairs and replacements shall be determined by the Board of Directors.

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 Elements shall require additions, alterations or improvements costing a sum in excess of fifteen percent (15%) of the total annual Budget for any consecutive twelve (12) month period, the making of such additions, alterations or improvements must be approved by at least the number of Units representing a majority of the Common Element Interests.

Subject to the provisions of Article VI, Section 2(c) of these Bylaws, any additions alterations or improvements to the Condominium costing a sum equal to or less than fifteen percent (15%) of the total annual Budget for any consecutive twelve month period may be made by the Board of Directors without the approval of the Unit Owners, and the cost thereof shall constitute a Common Expense.

Notwithstanding the foregoing, if in the opinion of a majority of the members of the Board of Directors, such additions, alterations or improvements to the Condominium are exclusively or substantially exclusively for the benefit of the Unit Owner(s) requesting the same, the requesting Unit Owner(s) shall be assessed therefor in such proportions as the requesting Unit Owner(s) jointly approve or, if they are unable to agree, in such proportions as determined by the Board of Directors.

Section 7. Additions, Alterations, or Improvements by the Unit Owners. No Unit Owner shall make or cause to be made any structural addition, alteration or improvement in or to a Unit without the prior written consent of the Board of Directors. No Unit Owner shall paint or cause to be painted or altered all or any portion of the exterior of any Unit; including, without limitation the doors and windows without the prior written consent of the Board of Directors. The Board of Directors

shall be obligated to answer any written request by a Unit Owner for approval of a proposed structural addition, alteration or improvement to the Unit within forty-five (45) days after receipt of such request, and failure to do so within the stipulated time shall constitute a consent by the Board of Directors to the proposed structural addition, alteration or improvement. If any application to any governmental authority for a permit to make any such structural addition, alteration or improvement in or to any Unit requires execution by the Association, and provided consent has been given by the Board of Directors, then the application shall be executed on behalf of the Association by the Board of Directors, without, however, incurring any liability on the part of the Board of Directors or any of them individually to any contractor, subcontractor or materialman on account of such addition, alteration or improvement or to any person having claim for injury to person or damage to property arising therefrom. Subject to the approval of the Mortgagees of the respective affected Units, the Board of Directors and any affected Unit Owner, a Unit may be subdivided or altered so as to relocate the boundaries between such Unit and any adjoining Units. The Secretary, at the cost of the Unit Owner, shall record any necessary amendment to the Declaration to effect such action as provided in Sections 55-79.69 or 55-79.70 of The Condominium Act. The provisions of this Section 7 shall not apply to Units owned by the Declarant until deeds of conveyance for such Units shall have been recorded.

Section 8. Easements in Favor of Association.

(a) Easements are reserved to the Association through each of the Units for the benefit of any adjoining Unit as may be required for structural repair and maintenance of electrical lines and conduits, gas lines, heating, air conditioning and ventilating ducts, water lines, drain pipes and other appurtenances to such utility system in order to adequately serve each of the Units.

(b) There is reserved to the Association or its delegate, the right of entry to any Unit and an easement for access therein, as provided by Section 55-79.79(a) of The Condominium Act, when and as necessary, in connection with any repairs, maintenance, landscaping or construction for which the Association is responsible or for which any Unit Owner is responsible hereunder. Any damage caused by such entry shall be repaired at the expense of the Association; provided, however, that requests for entry are made in advance and that 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.

(c) The Board of Directors may charge each Unit Owner for the expense of maintenance, repair or replacement to the Common Elements and to any part of a Unit which the Association is responsible for maintaining and repairing, that is rendered necessary by the Unit Owner's act or omission or the act, or omission of any member of his or her family, household, employee, agent, licensee, guest or lessee. The payment and collection of any charge made pursuant to this subsection 8(c) shall be in accordance with the terms, providing for payment and collection of assessments in these Bylaws and The Condominium Act.

Section 9. Tenant Eviction. If the tenant of any Unit shall breach his or her lease 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 Unit Owner to secure the eviction of the tenant.

Section 10. Annual Audit. Once the Condominium consists of fifty (50) Units,

an audit of the accounts of the Association shall be made annually by an independent public accountant retained by the Board of Directors and who shall not be a resident of the Condominium or a Unit Owner. The cost of the audit shall be a Common Expense. The audited financial statement will be available within one hundred twenty (120) days of Association's fiscal year-end.

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 Condominium shall be purchased by the Board of Directors. Neither the Board of Directors nor the Managing Agent nor the Declarant shall be liable for failure to obtain any coverages required by this Article VII or for any loss or damage resulting from such failure if such failure is due to the unavailability of required coverages from reputable insurance companies or if the required coverages are available only at a demonstrably unreasonable cost.

(b) All insurance policies required by Article V and by this Article VII shall provide that:

(1) The insurer waives its right of subrogation to any claims against the Board of Directors, the Association, the Managing Agent or the Unit Owners and their respective agents, employees, guests and, in the case of Unit Owners, the members of their households.

(2) Such policy cannot be cancelled, invalidated or suspended on account of the conduct of any member of the Board of Directors, officer or employee of the Board of Directors, a Unit Owner (including his or her invitees, agents and employees) or the Managing Agent without a prior demand in writing that the Board of Directors or the Managing Agent cure the conduct constituting a default under the policy and the allowance of a reasonable time thereafter within which the default may be cured.

(3) Such policy may not be cancelled or substantially modified without at least sixty (60) days prior written notice to the Board of Directors and the Managing Agent and to all Mortgagees listed as a scheduled holder of a first mortgage in the policy. Additionally, with respect to fidelity coverage, the insurer must provide notice of cancellation or substantial modification to the FNMA servicer, on behalf of FNMA.

(4) The named insured under any such policies shall be as follows: The Villas at Falls Run Condominium Unit Owners Association for the use and benefit of the individual Unit Owners. The policies may also be issued in the name of an authorized representative of the Unit Owners Association, for the use and benefit of the individual Unit Owners, including any trustee with which the Association has entered into an insurance trust agreement or any successor trustee (any of the foregoing, the "Insurance Trustee"), who shall be designated in the policy as "Trustee for the Unit Owners of THE VILLAS AT FALLS RUN CONDOMINIUM," and who shall have exclusive authority to negotiate losses under these policies.

Furthermore, the Declarant, so long as Declarant shall own any Unit, shall be protected by all such policies as a Unit Owner. Loss payable shall be in favor of the Unit Owners Association or Insurance Trustee, as trustee for each Unit Owner and Unit Owner's Mortgagee.

(c) All policies of insurance shall be written by reputable companies licensed to do business in the Commonwealth of Virginia and holding a "B" or better general policyholder's rating or a "6" or better financial performance index rating in Bests Insurance Reports. Physical damage policies shall be in the form and substance acceptable to Mortgagees.

(d) The coverage provided to the Declarant under the insurance policies obtained in compliance with this Article VII shall not be deemed to protect or be for the benefit of any general contractor engaged by the Declarant against liability for (and shall not waive any rights with respect to) warranty claims.

(e) Such policies shall also provide that:

(1) The insurer of the Master Policy (as defined in Section 2 of this Article) shall issue to each Unit Owner or his or her Mortgagee upon request a certificate of insurance or subpolicy specifying the portion of the Master Policy allocated to each Unit and the Unit Owner's undivided interest in the Common Elements.

(2) Until the expiration of thirty (30) days after the insurer gives notice in writing to the Unit Owner's Association or Insurance Trustee and each First Mortgagee named in the mortgage clause, the Mortgagee's insurance coverage will not be affected or jeopardized by any action of any Unit Owner, the Board of Directors or any of their agents, employees, lessees, licensees or household members nor cancelled for non-payment of premiums.

(3) The net proceeds of such policies, if greater than Twenty-five Thousand Dollars (\$25,000.00), shall be payable to the Insurance Trustee, if any is designated.

(4) The Master Policy shall contain a standard mortgage clause in favor of each Mortgagee of a Unit to the extent of the portion of the coverage of the Master Policy allocated to such Unit, which shall provide that the loss, if any, thereunder shall be payable to such Mortgagee and the Unit Owner as their respective interests may appear, subject, however, to the loss payment and adjustment provisions in favor of the Board of Directors and the Insurance Trustee, if one is designated, and must additionally name as Mortgagee either FNMA or the servicers for mortgages held by FNMA. When a servicer is named, its name shall be followed by "its successors and assigns".

(f) The Master Policy shall contain a "no control" clause which states that coverage must not be prejudiced by (a) any act or omission of the Unit Owners when such act or omission is not within the control of the Association or (b) any failure of the Association to comply with any warranty or condition regarding any portion of the Condominium over which the Association has no control.

Section 2. Physical Damage Insurance.

(a) The Board of Directors shall obtain and maintain a "master" or

"blanket "all risk" policy of property insurance (the "Master Policy") equal to the full replacement value of the project improvements (i.e., 100% of current "replacement cost," exclusive of land, foundation, excavation and other items normally excluded from coverage) including Common Elements and Limited Common Elements with an "Agreed Amount Endorsement", which includes all building service equipment, air conditioning equipment and the like, personal property and supplies belonging to the Association, any fixtures or equipment within a Unit including all kitchen and bathroom fixtures initially installed therein by the Declarant and any replacements thereto installed by the Declarant, but not including furniture, wall coverings, furnishings or other personal property supplied or installed by Unit Owners. Furthermore, a "Demolition and Contingent Liability from Operation of Building Laws Endorsement" and an "Increased Cost of Construction Endorsement" shall be procured as required. Unless a higher maximum amount is required by state law, the maximum deductible amount shall be the lesser of \$10,000.00 or one percent (1 %) of the policy face amount. Funds to cover the deductible amount shall be included in the Association's operating reserve account. The amount of coverage is to be redetermined annually by the Board of Directors with the assistance of the insuring company. The All Risk Policy must afford protection against at least the following:

(1) 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 at the discretion of the Board of Directors, water damage.

(2) Such other risks as are customarily covered in similar condominium projects in Northern Virginia.

(b) The All Risk Policy shall also provide:

(1) That despite any provisions giving the carrier the right to elect to restore damage in lieu of a cash settlement, such restoration shall not be exercisable (A) without the prior written approval of the Association (or any Insurance Trustee) or (B) when it conflicts with the provisions of any insurance trust agreement to which the Association may be a party or any requirement of law.

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

(3) A "no other insurance" clause expressly excluding 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' policy 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 required by law.

Section 3. Liability Insurance. The Board of Directors shall obtain and continuously maintain commercial general liability (including, libel, slander, false arrest and invasion of privacy coverage) and liability coverage for the acts and omissions of the Association, officers and Directors of the Association, for bodily injury and property damage insurance in a limit no less than One Million Dollars

(\$1,000,000.00) per occurrence, insuring the Association, each member of the Board of Directors, the Managing Agent, each Unit Owner, and those entitled to occupy any Unit, against any liability to the public or to the Unit Owners (and their invitees, agents and employees) arising out of or incidental to the ownership and/or use of the Common Elements and any other areas under the Association's supervision, commercial space owned and leased by the Association (if any) and public ways of the Condominium, and additionally insuring against legal liability arising out of lawsuits related to employment contracts of the Association. 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 or her action against another named insured; (ii) hired and non-owned vehicle coverage; (iii) host liquor liability coverage with respect to events sponsored by the Association; (iv) deletion of the normal products exclusion with respect to events sponsored by the Association; and (v) a "severability of interest endorsement which shall, preclude the insurer's denial of a Unit Owner's claim because of negligent acts or omissions of the Association or of another Unit 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 (\$1,000,000.00) covering all claims for bodily injury or property damage arising out of one occurrence. Reasonable amounts of "umbrella" liability coverage in excess of the primary limits may also be obtained.

Section 4. Other Insurance. The Board of Directors and the Managing Agent (with respect to its officers, directors; agents and employees) shall obtain and continuously maintain:

(a) adequate fidelity coverage to protect against dishonest acts on the part of officers, directors, trustees and employees of the Association and all others who handle, or are responsible for handling, funds of the Association, including the Managing Agent and its employees. 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 condominium assessments for the year or the current amount required by the Mortgagees, the Department of Housing and Urban Development, 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 similar expression. Premiums on such bonds, except those maintained by the Managing Agent, shall be a common expense;

(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 to the extent necessary to meet the requirements of law:

(d) broad-form machinery and pressure vessel explosion insurance in an amount not less than One Hundred Thousand Dollars (\$100,000.00) per accident per location; and

(e) such other insurance as the Board of Directors may determine or

as may be required from time to time by a majority of the Unit Owners or a mortgage insurer or guarantor.

Section 5. Separate Insurance. Each Unit Owner or any tenant of such Unit Owner should, at his or her own expense, obtain additional insurance for his or her own Unit and for his or her own benefit and obtain insurance coverage upon his or her personal property, for any "betterments and improvement" made to the Unit and for his or her personal liability, provided that no Unit Owner or tenant shall acquire or maintain such additional insurance coverage so as to decrease the amount which the Board of Directors, on behalf of all Unit Owners, may realize under any insurance policy which it may have in force for the Condominium at any particular time or to cause any insurance coverage maintained by the Board, of Directors to be brought into contribution with such additional insurance coverage obtained by the Unit Owner. All such additional policies shall contain waivers of subrogation. No Unit Owner or tenant shall obtain separate insurance policies, except as provided in this Section 5. Any Unit Owner who obtains individual insurance policies covering any portion of the Condominium other than personal property belonging to such Unit Owner must file a copy of such individual policy or policies with the Board of Directors within thirty (30) days after the purchase of such insurance and must also promptly notify, in writing, the Board of Directors of cancellation of such insurance.

Section 6. Insurance Trustee.

(a) The Board of Directors shall have the right (but not the obligation) to designate any bank, trust company, management agent, savings and loan association, building and loan association, insurance company, institutional lender or the Association as the Insurance Trustee, and all parties beneficially interested in such insurance coverage shall be bound thereby. The Insurance Trustee shall acknowledge that the policies and any proceeds therefrom will be held in accordance with the terms of these Bylaws. Any insurance policy shall be required to recognize an Insurance Trustee if one is appointed.

(b) The Insurance Trustee shall not be liable for the payment of premiums, the renewal of the policies, the sufficiency of coverage, the form or content of the policies, the correctness of any amounts received by it on account of the proceeds of any insurance policies, nor the failure to collect any insurance proceeds. The sole duty of the Insurance Trustee shall be to receive the proceeds paid to it and to hold the same in trust for the purposes elsewhere stated in these Bylaws, for the benefit of the Unit Owners and their respective Mortgagees.

Section 7. Board of Directors as Agent. The Board of Directors or any Insurance Trustee designated by the Board of Directors, is hereby irrevocably appointed the agent for each Unit Owner and for each Mortgagee and for each owner of any interest in the Condominium to collect and dispose of insurance proceeds, to adjust all claims arising under insurance policies purchased by the Board of Directors, to execute and deliver all necessary documents and releases upon the payment of claims, and to perform all other acts necessary to accomplish such purpose.

Section 8. Premiums. Premiums upon all insurance policies purchased by the Board of Directors shall constitute 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 VIII, in the event of damage to or destruction of all or any portion of the Condominium 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 same (including any damaged Units and the floor coverings, kitchen or bathroom fixtures, and appliances initially installed therein by the Declarant, and replacements thereof installed by Declarant, but not including any furniture, furnishings; fixtures, equipment or other personal property supplied or installed by the Unit Owner(s). Notwithstanding the foregoing, each Unit Owner shall have the right to supervise the redecoration of his or her own Unit.

Section 2. Procedure for Reconstruction and Repair.

(a) Cost Estimates. Immediately after a fire or other casualty causing damage to the Condominium, the Board of Directors shall obtain reliable and detailed estimates of the cost of repair and restoration, including any damaged Unit but not including any furniture, furnishings, fixtures or equipment installed by the Unit Owners, to a condition as good as that existing before such casualty. Such costs may also include professional fees and premiums for such bonds as the Board of Directors determines to be necessary.

(b) Assessments. If the proceeds of insurance are not sufficient to defray the 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 of the Units according to the respective Common Element Interests as set forth in the Declaration as the same may be amended from time to time. Notwithstanding anything to the contrary in these Bylaws, the Association shall not be responsible for any items of repair, replacement, maintenance or consequential damage to any Unit for which it would not otherwise be responsible under the provisions of these Bylaws unless the loss or consequential damage caused to a Unit was occasioned through the fault of the Association. This provision shall be deemed to include the payment by the Unit Owner(s) of any deductible amount under any Association insurance policy.

(c) Plans and Specifications. Any reconstruction or repair shall be substantially in accordance with the plans and specifications under which the Condominium was originally constructed, unless the approval of 51% of all First Mortgagees is obtained.

(d) Encroachments. Encroachments upon or in favor of Units which may be created as a result of reconstruction or repair shall not constitute a claim or basis for any proceeding or action by the Unit Owner upon whose property such encroachment exists, provided that such reconstruction was substantially in accordance with the architectural plans under which the Condominium was originally constructed. Such encroachments shall be allowed to continue in existence for so long as the reconstruction shall stand.

Section 3. Disbursements of Construction Funds.

(a) Construction Fund. The net proceeds of insurance collected and the funds collected by the Board of Directors from assessments against Unit Owners on account of a casualty shall constitute a construction fund which shall be disbursed for the cost of reconstruction and repair in the manner set forth in this Section 3. 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 Unit 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 Unit Owners.

(d) Common Elements. When the damage is to both Common Elements and Units, the insurance proceeds shall be applied first to the cost of repairing the Common Elements and the balance to the cost of repairing the Units.

(e) Certificate. The Insurance Trustee (if any) shall be entitled to rely upon a certificate executed by the President or Vice President, and the Secretary certifying:

(i) whether or not the damaged property is to be reconstructed and repaired;

(ii) the name of the payee and the amount to be paid with respect to disbursements from any construction fund held by it 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 disbursement of any construction fund held by it.

(iv) any such certificate shall be delivered to the Insurance Trustee, if any, promptly after request.

Section 4. When Reconstruction is Not Required. In the event the Board of Directors, in its sole discretion, elects not to repair insubstantial damage to the Common Elements, any insurance proceeds received on account of such damage shall be distributed among all Unit Owners in proportion to their respective Common Element Interests. If the Condominium is 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 Common Element 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 or her Unit in the order of priority of such liens.

ARTICLE IX

MORTGAGES

Section 1. Notice to Board of Directors. A Unit Owner who mortgages his or her Unit shall notify the Board of Directors through the Managing Agent of the name and address of his Mortgagee. The Board of Directors shall maintain such information in a book entitled "Mortgagees of Units."

Section 2. Notice of Unpaid Assessments. The Board of Directors, whenever so requested in writing by a Mortgagee, shall promptly report any then-unpaid assessments due from, or any other default by, the Unit Owner of the mortgaged Unit when such delinquency has continued for a period of 60 days.

Section 3. Notice of Default. The Board of Directors shall give written notice to a Unit Owner of any default by the Unit Owner in the performance of any obligations under The Condominium Act or Condominium Instruments. If such default is not cured within sixty (60) days of the sending of the notice, the Board of Directors shall promptly send a copy of such notice to each Mortgagee for such Unit whose name and address has theretofore been furnished to the Board of Directors.

Section 4. Notices of Damages, Condemnation. The Board of Directors shall timely notify: (i) the Mortgagee of a Unit if such Mortgagee has made a written request for notification to the Unit Owners Association, whenever damage to the Unit covered by the mortgage exceeds One Thousand Dollars (\$1,000) or whenever the Unit or portion thereof is made the subject matter of any condemnation or eminent domain proceeding or is otherwise sought to be acquired by a condemning authority; and (ii) all Mortgagees whenever damage to the Common Elements exceeds Ten Thousand Dollars (\$10,000) or whenever the Common Elements or any portion thereof is made the subject matter of any condemnation or eminent domain proceeding or is otherwise sought to be acquired by a condemning authority. For purposes of this Section, the Board of Directors, when giving notice to any Mortgagee, shall also notify the Federal Home Loan Mortgage Corporation (FHLMC), the Federal National Mortgage Association (FNMA) or any other public or private secondary mortgage market entity participating in purchasing or guarantying mortgages of Units, if the Board of Directors has notice of such participation.

Section 5. Notice of Termination of Management Contracts. The Board of Directors shall notify all First Mortgagees in writing of the termination of any management contract within ten (10) days of receipt or issuance of any notice of such termination by either the Association or the Managing Agent. Notwithstanding the foregoing, the prior written approval of at least fifty-one percent (51%) of all Eligible First Mortgagees (based upon one vote for each first mortgage owned) shall be required to effectuate any decision by the Association to terminate professional management and assume self-management of the Condominium.

Section 6. Audited Financial Statement. Each First Mortgagee, and any

agency or corporation having an interest or prospective interest in a Unit as a holder, guarantor or insurer of a mortgage, shall be entitled to receive, upon written request, a copy of the annual audited financial statement within one hundred twenty (120) days following the end of the Association's fiscal year, subject to the provisions of Article VI, Section 10. If no audited statement is available, the Association shall prepare and furnish one at the expense of the requesting party within one hundred twenty (120) days of the request.

Section 7. Rights of First Mortgagees. Unless at least fifty-one percent (51%) of Eligible First Mortgagees (based upon one vote for each first mortgage owned) have given their prior written approval, the Association shall not amend the provisions of the Declaration or these Bylaws to:

(a) change or reallocate any Units Common Element Interest except as permitted by the Declaration;

(b) expand or contract the Condominium, or add or withdraw land from the Condominium project, except as permitted by the Declaration;

(c) change the boundaries of, or partition or subdivide any Unit or that Unit's Common Element Interest, or abandon, partition, subdivide, encumber, sell, transfer or change the Common Elements (including Limited Common Elements) (the granting of easements for public utilities or for other public purposes consistent with the intended use of the Common Elements shall not be deemed a transfer within the meaning of this clause) or convert Units into Common Elements, or vice-versa, except as may be permitted by the Declaration;

(d) modify the parties responsible for maintenance of the several portions of the Condominium;

(e) modify the method of determining and collecting assessments, the priority of assessment liens, or increase assessments by more than 25% above current assessment levels, or modify the allocation of distributions of casualty insurance proceeds or condemnation awards;

(f) use the proceeds of casualty insurance for any purpose other than the replacement, repair or reconstruction of the Units or Common Elements except as permitted by the Condominium Declaration and Bylaws or The Condominium Act;

(g) modify existing insurance provisions;

(h) change the voting rights of any Owner;

(i) change the use of any Unit or any of the Common Elements, or the rights to use any of the foregoing;

(j) restrict the easement rights appertaining to any Unit;

(k) modify the provisions of the Condominium Declaration and Bylaws governing reserves for maintenance, repair and replacement of Common Elements, to the extent modifications seek to reduce such reserves; or

(l) impose restrictions on a Unit Owner's right to sell or lease his or her Unit.

Section 8. "First Mortgagee", "Mortgagee", "Mortgage" and "Eligible

Mortgagee". As used in this Article and generally in the Declaration and Bylaws, "First Mortgagee" and the term "Mortgagee" shall mean the holder, insurer or guarantor of a note secured by a first deed of trust or mortgage encumbering a Unit and recorded among the land records of the County of Stafford, Virginia. The term "Mortgagee" includes any mortgage or deed of trust on a Unit which is recorded among such land records. "Eligible First Mortgagee" or "Eligible Mortgagee" shall mean a holder, insurer or guarantor of a first mortgage on a Unit who has submitted a written request to the Unit Owners Association (including the Unit Number upon which it holds an interest and the mortgage holder's address and contact for receipt of notice) that the Association notify them of proposed actions requiring Mortgagee consent.

Section 9. 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. Additionally, all Mortgagees and all mortgage guarantors shall have the right to examine the books and records of the Condominium and require the submission of annual financial reports and other budgetary information. Upon written request to the Association, which shall include the Mortgagee's name and address, and the address of the Unit upon which the Mortgagee holds an interest, a Mortgagee shall be entitled to timely written notice of:

(a) Any lapse, cancellation or material modification of any insurance policy maintained by the Association; and

(b) Any condemnation loss or other casualty loss which affects a material portion of the Condominium, or which affects the Unit on which the Mortgagee has an interest.

Section 10. Amendment to the Declaration or to the Bylaws of the Association. Except as otherwise permitted by the Condominium Instruments, the prior written approval of fifty-one percent (51%) of all institutional holders of First Mortgages, as well as the approval of any governmental guarantor (whose regulations so require) will be required for any material amendment to the Declaration or Bylaws of the Association.

Section 11. Termination of Condominium. Any action to terminate the Condominium shall be taken in accordance with Section 55-79.72:1 of the Condominium Act and additionally shall require the prior written consent of sixty-seven percent (67%) of Eligible First Mortgagees.

ARTICLE X

COMPLIANCE AND DEFAULT

Section 1. Relief. As set forth in Section 55-79.53 of The Condominium Act, each Unit Owner 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. Failure to comply with any provision of the foregoing shall constitute a default. A default by a Unit 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, an action to recover 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 may be sought by the Association, the Board of Directors, the Managing Agent or, if appropriate, by an aggrieved Unit Owner.

(b) Additional Liability. Each Unit Owner shall be liable for the expense of all maintenance, remediation, repair or replacement rendered necessary by his or her act, omission or negligence or reckless or willful misconduct or the act, omission or negligence or reckless or willful misconduct of any member of his household or employee, agent, licensee, guest or lessee, but only to the extent that such expense is not covered by the proceeds of insurance carried by the Board of Directors. Such liability shall include any increase in fire insurance rates occasioned by use, misuse, occupancy or abandonment of any Unit or its appurtenances. Nothing contained herein, however, shall be construed as modifying any waiver by an insurance company of its rights of subrogation.

(c) Cost and Attorneys' Fees. In any proceeding arising out of an alleged default by a Unit Owner, the prevailing party shall be entitled to recover the costs of the proceeding and such reasonable attorneys' fees and costs as may be determined by the court.

(d) No Waiver of Rights. The failure of the Association, the Board of Directors or a Unit 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 Unit 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 Unit 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 thereof shall not be deemed to constitute an election of remedies, nor shall it preclude the party exercising the same from exercising such privileges as may be granted to the party by the Declaration, these Bylaws or the rules and regulations or at law or in equity.

(e) Interest. In the event of a default by any Unit Owner in paying any sum assessed against the Unit (other than for Common Expenses) which continues for a period in excess of fifteen (15) days, interest at a rate not to exceed the lower of (i) the maximum permissible interest rate which may be charged by a Mortgagee under a Mortgage at such time or (ii) eighteen percent (18%) *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) Right of Acceleration. The payment and collection of any assessment made pursuant to Article VI shall be in accordance with the terms providing for the payment and collection of assessments in these Bylaws and The Condominium Act, including, without limitation, the right reserved to the Board of Directors to accelerate payment of assessments and the right to recover attorneys' fees and costs.

(g) Late Charges. Any assessment levied pursuant to the Declaration or these Bylaws, or any installment thereof, which is not paid within fifteen (15) days after it is due, may at the option of Board of Directors be subject to a late charge of

not less than ten dollars (\$10.00) per month for each monthly assessment in arrears or such other amounts as the Board of Directors may fix. 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 amounts as are provided in these Bylaws for the collection of assessments.

(h) Abatement and Enjoinment of Violations by Unit Owners. The violation of any rule or regulation adopted by the Board of Directors, the breach of any bylaw or the breach of any provision of the Declaration shall give the Board of Directors the right, in addition to any other rights set forth in these Bylaws: (1) to enter the Unit 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 structure, thing or condition that may exist therein contrary to the intent and meaning of the provisions hereof, and the Board of Directors shall not thereby be deemed guilty in any manner of trespass; provided, however, that before any item of construction can be altered or demolished, judicial proceedings must be instituted; or (2) to enjoin, abate or remedy by appropriate legal proceedings, either at law or in equity, the continuation of any such breach.

(i) Failure by a Unit Owner to pay monthly dues or any other assessment levied pursuant to the Declaration for The Villas at Falls Run Condominium or these Bylaws may, at the option of the Board of Directors, result in the loss of privilege to use the recreational facilities of the Falls Run community.

(j) Other Penalties. Failure by a Unit Owner to comply with any of the terms of the Declaration, these Bylaws and the rules and regulations shall subject the Unit Owner to other penalties that may be established by duly adopted resolution of the Board of Directors, including, but not limited to, the imposition of monetary charges.

Section 2. Lien for Assessments.

(a) The total annual assessment of each Unit Owner for Common Expenses or any Special Assessment or any other sum duly levied hereby declared to be a lien levied against the Unit as provided in Section 55-79.84 of The Condominium Act.

(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 Association.

(c) A suit to recover a money judgment for unpaid contributions may be maintained without foreclosing or waiving the lien securing the same, and a foreclosure may be maintained notwithstanding the pendency of any suit to recover a money judgment.

Section 3. 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 or the like) shall be subordinate to and shall in no way affect the rights of a good faith Mortgagee; provided, however, that such subordination shall apply only to assessments which have become due and payable prior to a sale or transfer of such Unit pursuant to foreclosure, or any proceeding in lieu of foreclosure (a "Foreclosure

Event"). Such sale or transfer shall not relieve the purchaser of the Unit at a Foreclosure Event from liability for any assessments thereafter becoming due, nor from the lien of any subsequent assessment, which lien shall have the same effect and be enforced in the same manner as provided herein.

ARTICLE XI

CONDEMNATION

In the event of a taking in condemnation or by eminent domain, the provisions of Section 55-79.44 of The Condominium Act shall govern. The Unit Owners Association shall represent all Unit Owners in condemnation proceedings and negotiations, settlements and agreements with any condemning authority with respect to the Common Elements and the. Board of Directors is hereby irrevocably appointed the agent for each Unit Owner and for each Mortgagee in connection therewith. Any award or proceeds received as a result of condemnation shall be payable to the Unit Owners Association to be held in trust for Unit Owners and their Mortgagees, as their interests may appear.

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, postage prepaid:

(a) 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 Owner's Unit; or

(b) If to the Association, the Board of Directors or the Managing Agent, at the principal office of the Managing Agent or at such other address as shall be designated by notice in writing to the Unit Owners.

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

Section 3. Resale by Purchaser. The Association shall furnish to the purchaser of a Unit, prior to the contract date, the statements required pursuant to Section 55-79.97 of The Condominium Act. The Board of Directors may charge the seller of the Unit up to the maximum amount allowed by law for producing the statements in compliance with Sections 55-79.84.H and 55-79.85 of The Condominium Act. In addition, the Board of Directors may fix such other amounts as required in complying with Section 55-79.97 of The Condominium Act.

Section 4. Interchangeable Terms. As used in these Bylaws, the terms "Mortgage" and "Deed of Trust" are interchangeable with each other, and the terms "Mortgagee" and "Deed of Trust Noteholder" are interchangeable with each other.

Section 5. Certain Contracts Of Declarant. Any employment contract or lease of recreational facilities or parking areas, or any contract or lease to which Declarant or an affiliate of Declarant is a party, entered into by the Declarant on behalf of the Association during the period within which Declarant is in control of the Association, shall provide that it may, at the option of the Association, be terminated without penalty upon not more than ninety (90) days notice to all parties to the contract or lease.

ARTICLE XIII
AMENDMENTS TO BYLAWS

Section 1. Amendments. These Bylaws may not be modified or amended except as provided in Section 55-79.71 of The Condominium Act; provided however, that until the expiration of the maximum time permitted by Section 55-79.74(a) of The Condominium Act Section 2 of Article II, Section 9 of Article II. Section 1 of Article III and Section 1 of this Article XIII may not be amended without the written consent of the Declarant, so long as the Declarant shall be the Unit Owner of Units representing more than twenty-five percent (25%) of the aggregate Common Element Interests. Notwithstanding the foregoing, no amendment to the Bylaws may be adopted which would eliminate, modify, prejudice, abridge, or otherwise adversely affect any rights, benefits, privileges or priorities granted or reserved to Declarant without the prior written consent of the Declarant.

Section 2. Approval of Mortgagees. These Bylaws contain provisions concerning various rights, priorities, remedies and interests of Mortgagees. Such provisions in these Bylaws are to be construed as covenants for the protection of such Mortgagees on which they may rely in making loans secured by Mortgages. Accordingly, no amendment or modification of these Bylaws or of the Declaration impairing or materially affecting such rights, priorities, remedies or interests of a Mortgagee shall be adopted unless such amendment or modification is made in accordance with Article IX, Section 10 of these Bylaws.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Declarant has caused these Bylaws to be executed on behalf of the Condominium Unit Owners Association this 11 day of March 2005.

DEL WEBB COMMUNITIES OF VIRGINIA, INC.
An Arizona corporation

By: _____
Name: Dennis A. Ouellette, General Manager
and Vice President of Operations

COMMONWEALTH OF VIRGINIA COUNTY/CITY OF Stafford,

to-wit:

The foregoing Instrument was acknowledged before me this 11 day of March, 2005, by Dennis A. Ouellette, as General Manager and Vice President of Operations, Del Webb Communities of Virginia, Inc., an Arizona corporation, on behalf of said corporation.

Notary Public Johanna M. Gauard

My Commission expires: 6/30/05

**ATTACHMENT "A" TO BYLAWS
THE VILLAS AT FALLS RUN CONDOMINIUM
SCHEDULE OF MAINTENANCE RESPONSIBILITIES**

This chart and the title and headings herein are not intended to describe or encompass all maintenance functions nor to delineate all respective responsibilities between the Unit Owners, severally and the Association. The placement of responsibility under any specific column does not always accurately reflect the precise character and nature of ownership. The appropriate sections of the Declaration determines ownership.

Column I. Items. Items appearing in this column are illustrative and not exhaustive.

Column II. General Common Elements Under Association Responsibility. Responsibility for determining and providing for the maintenance, repair and replacement requirements of the General Common Elements and determining the costs thereof shall be primarily the responsibility of the Board of Directors and such designees to which it may delegate certain such responsibilities.

Column III. Limited Common Elements Under Association Responsibility. Responsibility for determining the maintenance, repair and replacement requirements of the Limited Common Elements shall be a shared responsibility between the Board of Directors and the Unit Owner of a Unit to which a specific Limited Common Element is exclusively appurtenant; provided, however, that the Board shall have the final responsibility for determining the need for and accomplishing such maintenance, repair and replacement activities.

Column IV. Unit Components Under Association Responsibility. The items in this column are legally and by definition a part of a Unit but are attached or directly connected to or associated with the General Common Elements and Common Expense items in such a way that a clear distinction between Unit Owner and Association responsibility cannot be made. Moreover, such items frequently involve matters of concern relative to the general health, safety and welfare of all of the occupants of the building. Thus, certain costs which appear to benefit a single Unit Owner but which affect other Unit Owners are declared a Common Expense, especially when the correct functioning of an activity or element is integral to or supportive of the legally defined Common Elements and Common Expense.

Column V. Certain Other Components Under Unit Owner's Responsibility Without respect to Ownership of the Component. The Items In this column are not intended to be exclusive and all-encompassing and do not affect responsibilities otherwise expressly provided for.

I	II	III	IV	V
Items	General Elements Under Association Responsibility	Common Elements Under Association Responsibility	Unit Components Under Association Responsibility	Certain Other Components Under Unit Owner's Responsibility Without Respect to Ownership of the Component
Plumbing and related systems and components thereof	All, in all regards, including fire sprinkler system.	Repairs to portions of plumbing system outside boundaries of the Unit but serving only one Unit, except for damage or malfunction caused by the occupants of the Unit	Only to the extent that a malfunction or threat of same has originated outside the Unit in which the malfunction occurs or may occur. Also damage caused to such Unit from causes initially occurring outside the Unit.	All portions within a Unit serving only that Unit, including fixtures and appliances attached thereto. Water damage to a Unit and water damage to other Units resulting from leaks or clogs originating in any part of a Unit.
Electrical and related systems and components thereof, including fixtures	All, in all regards			All electrical and related systems and components thereof serving only one Unit, including exterior fixtures serving primarily one Unit.
Heating and Cooling Systems				Systems serving only one Unit, all in all regards. Maintenance of condensate drain line.
Building, exterior roof, vertical walls, dry-in and siding and associated cornice, foundations, retaining wall.	All, in all regards.			
Building entry doors, sliding or French glass doors. Garage parking located within the Unit.	All, in all regards except as noted in Column V.		Painting of exterior of Unit entry door and portions of door and door frame.	Unit entry doors, including hardware, weather stripping and door sill. Sliding glass doors. Cleaning, repair and maintenance of parking garage. Maintenance of sliding glass doors or French doors.
Rear Decks and Patios, if any Driveways		Snow removal, repairs and maintenance on driveways		Snow removal, routine cleaning and maintenance within or on any deck or patio.

Windows and Screens				Routine cleaning and repair of window frames and mechanism and replacement of glass and screening
Grounds, including all landscaped and paved areas and other improvements thereon including outside the main walls of the buildings with the exceptions noted herein.	All, in all regards, with the exception of limited common area rear yard areas, patios or decks and as noted in Column V.	Paving and repair of driveways and lead walks; snow removal on driveways, lead walks and stoops.		Routine cleaning and snow removal of front stoops, porches and stairways connecting to each Unit if any.
Exterminating	All, in all regards	All, in all regards		Extermination of pests located within a Unit
Fireplace and fireplace flues, if any			Any exterior maintenance and any inspections to be performed by Association at Unit Owner's expense. Installation of screens or doors.	Routine cleaning, repair, replacement.
Privacy fence, Enclosure Fence, if any (option)	Replacement only.			Routine cleaning, maintenance and repair
Limited private areas, if any		Maintenance of Declarant-installed landscaping		Maintenance of owner installed landscaping

COMMONWEALTH OF VIRGINIA
COUNTY OF STAFFORD TO-WIT:

IN THE OFFICE OF THE CLERK OF THE CIRCUIT COURT FOR
THE COUNTY OF STAFFORD THE 21 DAY OF MARCH 2005
THE FOREGOING DEED OF DECLARATION AND PLATS WAS PRESENTED AND
WITH THE CERTIFICATE ANNEXED ADMITTED TO RECORD AT 15:09
AND INDEXED AFTER PAYMENT OF \$ -- TAX IMPOSED BY
58.1.800.,ET,SEQ.

TESTE:

BARBARA G. DECATUR, CLERK
BY MILDRED F. KORDICK