

BYLAWS
OF
BAY BREEZE HOMEOWNER'S ASSOCIATION

COPY

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BYLAWS
OF
BAY BREEZE HOMEOWNER'S ASSOCIATION

ARTICLE I
PLAN OF OWNERSHIP

Section 1.1. Applicability. These Bylaws provide for the governance of Owners' Association a Virginia nonstock corporation (the "Association"). Capitalized terms used herein without definition shall have the meanings specified for such terms in the Articles of Incorporation of the Association (the "Articles") or in the Declaration of Covenants, Restrictions, Reservations and Easements, dated _____, 1998, and recorded in the Clerk's Office of the Circuit Court of the City of Norfolk, Virginia in Deed Book _____ at page ____, (the "Declaration").

Section 1.2. Compliance. Every Owner and all those entitled to occupy a Lot or Parcel shall comply with these Bylaws.

Section 1.3. Office. The principal office of the Association shall be located at the Properties or at such other place as may be designated from time to time by the Board of Directors.

ARTICLE II
MEMBERSHIP

Section 2.1. Membership. Every Owner of a Lot or Parcel shall be a Member of the Association. Membership shall be appurtenant to, and shall not be separated from, ownership of any Lot or Parcel. Upon the recordation of a deed to any lot or parcel, the membership of the selling owner shall cease and the purchasing Owner shall become a member of the Association.

Section 2.2. Classes of Members. There shall be two (2) classes of Members of the Association.

Class A. All Owners of Lots and Parcels other than the Declarant, (until such time as the Declarant becomes a Class A member upon termination of Class B membership), shall be Class A Members.

Class B. The Declarant shall be the Class B Member. The Class B membership shall terminate upon the earlier of (i) the date on which the Declarant, or any successor Declarant, ceases to own any of the Properties and the Additional Area, (ii) the date on which the

Declarant executes and records in the aforesaid Clerk's Offices an amendment to the Declaration terminating the Class B membership, or (iii) on December 31, 2007.

Section 2.3. Voting Rights.

(a) **Class A Voting Rights.** Each Class A Member shall be entitled to cast one (1) vote for each Lot owned.

(b) **Class A Voting Rights for Parcels.** Each Class A member shall be entitled to cast one (1) vote for each Lot possible to be developed under the current Zoning Ordinance for any Parcel owned.

(c) **Class B Voting Rights.** The Declarant as the only Class B Member shall be entitled to cast three (3) votes for each Lot owned and three (3) votes for each Lot, condominium unit or Apartment unit created or constructed or possible to be created or constructed on the Additional Area.

(d) **Suspension of Voting Rights.** The Board of Directors may suspend the voting rights of any Member during the period when any assessment shall remain delinquent, but upon payment in full of such assessment the voting rights of such Member shall be automatically restored.

ARTICLE III MEETINGS OF MEMBERS

Section 3.1. Annual Meetings. The annual meeting of Members of the Association shall be held no later than December 1st of each year, on a date set by the Board of Directors.

Section 3.2. Special Meetings.

(a) **Called by Directors or Required percentage of Owners.** The President shall call a special meeting of the Association if so directed by resolution of the majority of the Board of Directors or upon a petition signed and presented to the Secretary by Owners holding not less than twenty-five percent (25%) of the Class A membership votes. The notice of any special meeting shall state the time, place and purpose thereof. Only business within the purpose or purposes described on the notice of a special meeting shall be transacted at the meeting.

(b) **On Expiration of Declarant Control Period.** Within ninety (90) days after the expiration of the Period of Declarant Control, notice shall be given of a special meeting of the Members of Association at which all of the members of the Board of Directors designated by the Declarant shall resign, and the Owners, including the Declarant if the Declarant owns one (1) or more Lots or Parcels, shall thereupon elect success members of the Board of Directors as provided in the Articles.

Section 3.3 Place of Meetings. Meetings of the Members shall be held at the

principal office of the Association or at such other suitable place as may be designated by the Board of Directors.

Section 3.4 Notice of Meetings. The Secretary shall mail to each Owner a notice of each annual or regularly scheduled meeting of the Association at least fourteen (14) but not more than sixty (60) days before such meeting, stating the time, date and place thereof. Notice of any other meeting shall be given at least twenty-five (25) but not more than sixty (60) days prior to such meeting, stating the time, place and the purpose thereof. Notwithstanding the foregoing, notice of any meeting at which there shall be voted upon any amendment to the Articles, a plan of merger, a proposed sale of assets pursuant to Section 13.1-900 of the Virginia Code or the dissolution of the Association shall be given as required by Section 13.1-842 of the Virginia Code. The mailing or personal delivery of a notice of meeting in the manner provided in these Bylaws shall be considered service of notice.

Section 3.5. Adjournment of Meetings. If at any meeting of the Members a quorum is not present, Owners holding a majority of the votes who are present at such meeting in person or by permitted proxy may adjourn the meeting to a time not less than forty-eight (48) hours after the time the original meeting was called. Notice of an adjournment of any meeting of the Association shall be posted at a conspicuous location and shall state the time and place for the meeting to be reconvened.

Section 3.6. Voting. Voting at all meetings of the Association shall be on the basis set forth in these bylaws. Where the ownership of a Lot or Parcel is in more than one (1) person, the person who shall be entitled to cast the vote appurtenant to such Lot or Parcel shall be the person named in a certificate executed by all of the Owners of such Lot or Parcel and filed with the Secretary or, in the absence of such person from the meeting, the person entitled to cast the vote appurtenant to such Lot or Parcel shall be the person owning such Lot or Parcel who is present. If more than one (1) person owning such Lot or Parcel is present, then such vote shall be cast only in accordance with their unanimous agreement, and absent such unanimous agreement, the vote appurtenant to such Lot or Parcel may not be cast at such meeting. Such certificate shall be valid until revoked by a subsequent certificate similarly executed. Wherever the approval or disapproval of an Owner is required by the Declaration, the Articles or these Bylaws, such approval or disapproval shall be made only by the person who would be entitled to cast the vote of such Lot or Parcel at any meeting of the Association. Except where a greater number is required by law, the Declaration, the Articles or these Bylaws, the Class B Member, (so long as the Class B membership exists), and Owners holding more than one-half ($\frac{1}{2}$) of the aggregate Class A membership votes present in person or by proxy at a duly conveyed meeting at which a quorum is present, ("Majority of Owners"), are required to adopt decisions at any meeting of the Association. If Declarant owns or holds title to one (1) or more Lots or Parcels, Declarant shall have the right at any meeting of the Association to cast the Class A membership votes to which it is entitled as the owner of such Lot(s) or Parcel(s). Declarant shall also have the right to cast the Class B membership vote so long as the Class B membership has not terminated. Declarant, as a Member of the Association, shall not be required to disqualify itself in any vote which may come before the Association upon any management contract or other agreement, lease or matter between Declarant or any individual, partnership, or corporation having an identity of interest with Declarant and the Association.

Section 3.7. Proxies. A vote may be cast in person or by proxy. Proxies shall be duly executed in writing by one with authority to execute deeds pursuant to the requirements of Section 13.1-847 of the Virginia Code, and must be filed with the Secretary before the appointed time of the meeting. Such proxy shall be deemed revoked only upon actual receipt of notice of revocation by the person presiding over the meeting from any of the persons owning such Lot or Parcel. Except with respect to proxies in favor of a Mortgagee (hereinafter defined), no proxy shall in any event be valid for a period in excess of eleven (11) months after the execution thereof and, in any event, any proxy shall terminate automatically upon the adjournment of the first meeting held on or after the date of the proxy.

Section 3.8. Quorum. Except as otherwise provided in these Bylaws, the presence in persons or by proxy of the Class B Member, (so long as the Class B membership exists), and owners holding twenty-five percent (25%) of the aggregate Class A membership votes shall constitute a quorum at all meetings of the Members of the Association. Should a meeting be adjourned due to lack of a quorum and be reconvened as set forth in Section 3.5 above, a quorum for the purpose of the adjourned meeting shall be the presence in persons or by proxy of the Class B Member, (so long as the Class B membership exists), and owners holding sixteen and 67/100 percent (66.67%) of the aggregate Class A membership votes.

Section 3.9. 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 and a record of all other transactions occurring, at the meeting. The President may appoint a person to serve as parliamentarian at any meeting of the Association. The then current edition of Robert's Rules of Order shall govern the conduct of all meetings of the Association when not in conflict with the Declaration, the articles, these bylaws or applicable law.

ARTICLE IV BOARD OF DIRECTORS

Section 4.1. Number and Election. The affairs of the Association shall be amended under the direction of its Board of Directors. During the Period of Declarant Control, the Board of Directors shall consist of at least three (3) director, but not more than five (5) directors, none of whom need be Members. During the Period of Declarant Control, Declarant shall have the right to appoint or remove any member or members of the Board of Directors. At the special meeting of the Association to be held after the expiration of the Period of Declarant Control, as provided in the Articles, the Directors appointed by Declarant shall resign and the Class A members, (including Declarant if it owns one or more Lots or Parcels), shall elect five (5) to five (5) members of the Board of Directors. The method of nominating and electing such directors at the special meeting and at subsequent annual meetings and the term for which each director is to be elected shall be as provided in the Articles. The removal of directors and the filing of vacancies in the Board of Directors after the expiration of the Period of Declarant Control shall also be as provided in the Articles.

Section 4.2. Powers and Duties. The Board of Directors shall have all of the powers

RESOLUTION 2003-1
BAY BREEZE POINT HOMEOWNERS' ASSOCIATION
NORFOLK, VIRGINIA
RESOLUTION CONCERNING DIRECTORS' TERMS OF OFFICE

~~WHEREAS~~, ARTICLE I, Section 1.2. Compliance of the By-laws of Bay Breeze Point Homeowners' Association states, Every owner and all those entitled to occupy a Lot or Parcel shall comply with these Bylaws "and,

WHEREAS, ARTICLE IV Section 4.2. Powers and Duties. states, The Board of Directors shall have all of the powers and duties necessary for the administration of the affairs of the Association and may do all such acts and things as are applicable by law, the Declaration, the Articles or by these Bylaws required to be exercised and done by the Association. The Board of Directors shall have the power from time to time to adopt any rules and regulations deemed necessary for the benefit and enjoyment of the Common Areas; provided however, such rules and regulations shall not be in conflict with the Declaration, the Articles or these Bylawsand;


WHEREAS, neither the Declaration, the Articles or these Bylaws set a term which Directors shall serve, and:

WHEREAS, it is the intent of the Board of Directors to establish terms which the Directors shall serve;

Now, THEREFORE BE IT RESOLVED THAT the term for which each Director is be elected shall be as follows:

1. Directors elected at each annual meeting in November shall serve for a term of one year.
2. Directors term's will run from January first to December thirty first.

Adopted this 21ST Day of October 2003 by the Board of Directors,
Bay Breeze Point Homeowners' Association.



Jay Burdon President

and duties necessary for the administration of the affairs of the Association and may do all such acts and things as are by applicable law, the Declaration, the Articles or by these Bylaws required to be exercised and done by the Association. The Board of Directors shall have the power from time to time to adopt any rules and regulations deemed necessary for the benefit and enjoyment of the Common Areas; provided however, such rules and regulations shall not be in conflict with the Declarations, the Articles or these Bylaws. The Board of Directors may from time to time elect to have the Association treated as a "Homeowner's Association" within the meaning of Section 528 of the Internal Revenue Code of 1986, as amended. In addition to the duties imposed by these Bylaws or by any resolution of the Association that may hereafter be adopted, the Board of Directors on behalf of the Association shall have the power and duty to:

(a) **Budget.** Prepare an annual budget in which there shall be established the Annual Assessments to be paid by each Owner;

(b) **Assessments.** Make Annual Assessments and, to the extent permitted by the Declaration, special assessments against Owners to defray the costs and expenses of the Common Areas, establish the means and methods of collecting such assessments from the Owners and establish the period of the installment payments of the assessments. Unless otherwise determined by the Board of Directors and except as set forth in the Declaration, the regular assessment against each Lot and Parcel shall be payable in quarterly installments, each such installment to be due and payable in advance on the first day of January, April, July and October of each year;

(c) **Maintenance of Common Areas.** Provide for the operation, care, upkeep, maintenance and servicing of the Common Areas;

(d) **Personnel.** Designate, hire and dismiss the personnel necessary for the operation, care, upkeep, maintenance and servicing of the Common Areas and, where appropriate, provide for the compensation of such person and for the purchase of equipment supplies and material to be used by such personnel in the performance of their duties.

(e) **Collect Assessments.** Collect the assessments against the Owners, deposit the proceeds thereof in bank depositories designated by the Board of Directors or prudently invest the same (for which purpose the Board of Directors may retain an investment adviser) to the extent such proceeds are not immediately required, and use the proceeds to carry out the administration of the Association;

(f) **Rules.** Enact and amend rules and regulations from time to time for the use of the Common Areas and establish fees for the use of Common Areas; provided however, that no such rules and regulations so adopted shall be in conflict with the Declarations, the Articles or these Bylaws; and provided further that no such rules and regulations shall bind or be construed so as to impair in any manner the lien of any mortgage or deed of trust with respect to any Lot and/or Parcel and/or the Common Areas;

(g) **Bank Accounts.** Open bank accounts on behalf of the Association and designate the signatories thereon;

(h) **Repairs.** Make, or contract for the making of, repairs, additions and improvements to or alterations of the Common Areas in accordance with the Declaration;

(i) **Enforcement of Governing Documents.** Enforce by legal means the provisions of the Declaration, the Articles, these Bylaws and the rules and regulations promulgated pursuant thereto;

(j) **Insurance.** Obtain and carry insurance as provided in the Declaration and in Article IX of these Bylaws;

(k) **Payment of Services.** Pay the cost of all authorized services rendered to the Association and not billed to Owners or otherwise provided for;

(l) **Association Accounting Records.** Keep books with detailed accounts of the receipts and expenditures affecting the Association and the administration of the Common Areas, specifying the expenses of maintenance and repair of the Common Areas and any other expenses incurred. All books and records shall be kept in accordance with generally accepted accounting principles consistently applied, (but may be on the cash method of accounting);

(m) **Acquire Property.** Acquire, hold and dispose of Lots, Parcels, Common Areas, and other property of whatsoever nature;

(n) **General Actions by Law or Resolution.** Do such other things and acts not inconsistent with the Declaration, the Articles or these Bylaws which the Board of Directors may be authorized to do under applicable law or by a resolution of the Association;

(o) **Grant Permits and Easements.** Subject to Section 10.4 of these Bylaws, grant permits, licenses and easements under, through and over the Lots and Parcels, (as provided in the Declaration), the Common Areas for drainage, utilities, roads and access and other purposes which are reasonably necessary to the ongoing development and operation of the Common Areas and the development of the Additional Area; and

(p) **Appoint Members of the Architectural Review Board.** When it is authorized to do so as set forth in the Declaration, appoint members of the Architectural Review Board.

Section 4.3 Managing Agent.

(a) **Employment of Management Agent.** The Board of Directors may employ for the Association a "Managing Agent" at a compensation to be established by the Board of Directors. The Declarant or an affiliate of the Declarant may be employed as Managing Agent. Any agreement with a Managing Agent shall be for a term not exceeding two (2) years and must permit termination by either party without cause and without termination fee upon no more than sixty (60) days written notice.

(b) **Duties.** The Managing Agent shall perform such duties and services as the

Board of Directors shall authorize, which may include, but are not limited to the duties listed in Section 4.2(a), (c), (d), (e), (h), (l) (j), (k), and (l) of these Bylaws. 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 Section 4.2(b), (f), (g), (m), (n), (o) and (p) of these Bylaws.

(c) Standards. The Board of Directors may impose appropriate standards of performance upon the Managing Agent.

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

Section 4.4. Annual Meeting. The annual meeting of the Board of Directors shall be held promptly following the annual meeting of the Members of the Association. No notice shall be necessary to the newly elected members of the Board of directors in order legally to constitute such meeting, providing a quorum of the Board of Directors shall be present.

Section 4.5. Regular Meetings. Regular meetings of the Board of Directors may be held at such time and place as shall be determined from time to time by a majority of the directors. Notice of meetings of the Board of directors, other than regularly scheduled meetings for which no notice shall be required, shall be given to each director, by mail, fax, or hand delivery, at least three (3) business days before the day named for such meeting.

Section 4.6 Special Meetings. Special meetings of the Board of Directors may be called by the President on one (1) business days' notice to each director, given by mail, fax or hand delivery, which notice shall state the time, place and purpose of the meeting. Special meetings of the Board of Directors shall be called by the President or Secretary in like manner and with like notice on the written request of at least two (2) directors.

Section 4.7. Waiver of Notice. Any director may at any time, in writing signed by such director, waive notice of any meeting of the Board of Directors, and such waiver shall be deemed equivalent to the giving of such notice. Except in the circumstances described in Section 13.1-867B of the Virginia Code, attendance by a director at any meeting of the Board of Directors shall constitute a waiver of notice by him of the time, place and purpose of such meeting. If all directors are present at any meeting of the Board of Directors, no notice shall be required and any business may be transacted at such meeting.

Section 4.8. Quorum of Board of Directors. At all meetings of the Board of Directors a majority of the directors shall constitute a quorum for the transaction of business, and the vote of a majority of the directors present at a meeting at which a quorum is present shall constitute the decision of the Board of Directors, If at any meeting of the Board of Directors there shall be less than a quorum present, those present may adjourn the meeting from time to time. At any such adjourned meeting at which a quorum is present, any business which might have been transacted at the meeting originally called may be transacted without further notice.

Section 4.9. Compensation. No director shall receive any compensation from the Association for acting as such; however, the Board of Directors may in its discretion reimburse any director for actual expenses incurred.

Section 4.10. Conduct of Meetings. The President shall preside over all meetings of the Board of Directors, and the Secretary shall keep a minute book for 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.

Section 4.11. Action Without Meeting. Any action by the Board of Directors required or permitted to be taken at any meeting may be taken without a meeting if all of the members of the board of Directors shall individually or collectively consent in writing to such action. Any such written consent shall be filed with the minutes of the proceedings of the Board of Directors.

Section 4.12. Telephone Meetings. The Board of Directors may permit any or all directors to participate in any meeting by, or conduct the meeting through the use of, any means of communication by which all directors participating may simultaneously hear each other during the meeting. A director participating in a meeting by this means is deemed to be present in person at the meeting.

ARTICLE V COMMITTEES

Section 5.1. Committees. The Board of Directors may create one (1) or more committees and may appoint members of the Board, officers of the Association or Members to such committees. Committees shall perform such tasks and serve for such periods as may be designated by resolution adopted by the Board. Each committee shall operate in accordance with the terms of resolution of the Board of Directors designating such committee or with rules adopted by the Board. The provisions of these Bylaws which govern meetings, action without meetings, notice and waiver of notice, quorum and voting requirements of the Board of Directors shall apply to committees as well.

ARTICLE VI ARCHITECTURAL REVIEW

Section 6.1. Architectural Review Board. There shall be an Architectural Review Board as provided in the Declaration. The number of members, the method of their appointment or election and their duties and powers shall be set forth in the Declaration. The provisions of these Bylaws governing meetings, action without a meeting, notice and waiver of notice and quorum and voting of the Board of Directors shall apply to the Architectural Review Board as well.

ARTICLE VII OFFICERS

Section 7.1. Designation. The principal officers of the Association shall be the President, the Vice President, the Secretary and the Treasurer, all of whom shall be elected by the Board of Directors. The Board of Directors may appoint an assistant treasurer, an assistant secretary and such other officers as in its judgment may be desirable. The President and Vice-President shall be members of the Board of Directors. Any other officers may, but need not, be members of the Board of Directors. Officers need not be members of the Association.

Section 7.2. Election of Officers. The officers of the Association shall be elected annually by the Board of Directors at the annual meeting of the Board of Directors and shall hold office, (unless sooner removed), until the next annual meeting of the Board or until their replacements are elected.

Section 7.3. Removal of Officers. Any officer may be removed, either with or without cause, and a successor may be elected at any regular meeting of the Board of Directors or at any special meeting of the Board of Directors called for such purpose.

Section 7.4. President. The President shall be the chief executive officer of the Association, preside at all meetings of the Association and of the Board of Directors, and have all of the general powers and duties which are incident to the office of president of a corporation organized under the Virginia Nonstock Corporation Act.

Section 7.5. Vice President. The Vice President shall take the place of the President and perform the duties of the President whenever the President shall be absent or unable to act. If neither the President nor the Vice President is able to act, the Board of Directors shall appoint some other member of the Board of Directors to act in the place of the President on an interim basis. The Vice President shall also perform such other duties as shall from time to time be imposed upon him or her by the Board of Directors or by the President.

Section 7.6. Secretary. The Secretary shall keep the minutes of all meetings of the Association and of the Board of Directors; have charge of such books and papers as the board of Directors may direct; maintain a register setting forth the place to which all notices to Owners and Mortgagees requesting notices shall be delivered; upon request by a conveying Owner, deliver statements of all unpaid assessments applicable to the Lot to be conveyed; execute notices of delinquent assessment in accordance with the Declaration; execute notices of and releases of the lien for delinquent assessments as described in the Declaration and, in general, perform all the duties incident to the office of secretary of a corporation organized under the Virginia Nonstock Corporation Act.

Section 7.7. Treasurer. The Treasurer shall have the responsibility for Association funds and securities and shall be responsible for keeping or supervising full and accurate financial records and books of account showing all receipts and disbursements, and for the preparation of all required financial data, and be responsible for the deposit of all monies and other valuables in the

name of the Board of Directors, the Association or the Managing Agent, in such depositories as may from time to time be designated by the Board of Directors; and, in general, perform all the duties incident to the office of treasurer or a corporation organized under the Virginia Nonstock Corporation Act.

Section 7.8. Compensation of Officers. No officer shall receive any compensation from the Association for acting as such; however, any officer may be reimbursed for actual expenses incurred as such officer.

ARTICLE VIII OPERATION OF THE PROPERTY

Section 8.1. Fiscal Year. The fiscal year of the Association shall be the calendar year unless otherwise determined by the Board of Directors.

Section 8.2. Adoption of budget and Establishment of Assessments. The Board of Directors shall adopt a budget, (which shall include any proposed capital expenditures), for each fiscal year as set forth in the Declaration and shall establish the amount of the annual assessment for every Member subject thereto. The Board of Directors shall send written notice of each annual budget and assessment amount to every Member at least fifteen (15) days in advance of adopting same. In adopting a budget, the Board of Directors shall provide for a reserve fund including a reserve for the deductible on physical damage insurance policies. The failure or delay of the Board of Directors to prepare or adopt a budget for any fiscal year after the initial budget is adopted shall not constitute a waiver or release in any manner of an Owner's obligation to pay his assessment as herein provided whenever the same shall be determined and, in the absence of any annual budget or adjusted budget, each Owner liable therefor shall continue to pay each periodic installment at the rate established for the previous fiscal year until notice of the periodic payment which is due more than ten (10) days after such new annual or adjusted budget shall have been delivered.

Section 8.3. Payment of Assessments. Each Owner shall pay the assessments established by the Declaration and these Bylaws. No Owner shall be liable for the payment of any part of the assessment against his Lot or Parcel and due subsequent to the date of recordation of a deed by him in fee of such Lot or Parcel to a successor Owner, (except a conveyance as security for the performance of an obligation). Each Owner waives the benefit of the homestead exemption as to any assessments levied against either the Lot or parcel or the Owner. Each such assessment, together with the interest at the highest lawful rate, late charges as established by the Board of Directors and costs of collection (including attorneys' fees) shall also be the personal obligation of the Owner at the time the assessment fell due.

Section 8.4. Collection of Assessments. The Board of Directors, or the Managing Agent at the request of the Board of Directors, may take action to collect any assessments interest and late charges due from any Owner. Each defaulting Owner shall also pay all costs of collection, including without limitation, attorneys' fees, incurred in the collection of any unpaid assessment and shall also pay any expense incurred as a result of a check being returned to the Association without

payment.

Section 8.5. Statement of Assessment and Access to Records. In addition to complying with the requirements of Section 8.6 of these Bylaws, the Board of Directors shall promptly provide any Owner, contract purchaser or Mortgagee so requesting the same in writing with a written statement of the amount of the general and any special assessment levied against a Lot or Parcel and all unpaid assessments due from such Owner. The Association shall keep detailed records of its operation and administration and make the same available for inspection as provided in Section 55-510 of the Virginia Code. The Association, or the managing agent, may impose and collect a charge, reflecting the actual cost of materials and labor, before providing copies of any books and records to a Member.

Section 8.6. Disclosure Packets. In addition to providing a statement of assessments and making the Association's records available as provided in Section 8.5 of these Bylaws, the Association shall provide to the Owners of a Lot or Parcel who has contracted to sell the same, within fourteen (14) days of the actual receipt by the Association of a written request therefor and receipt of the appropriate fee, a disclosure packet containing all of the documents and other information required under Section 55-512 of the Virginia Code. The Association, or the managing agent may charge a fee for the preparation and issuance of each disclosure packet to reflect the actual cost of the preparation thereof, not to exceed one hundred dollars (\$100.00), or such larger amount as may be allowed pursuant to the Virginia Code as the same may be modified.

Section 8.7. Maintenance, Repair, Replacement and Other Expenses. The Association shall be responsible for such maintenance, repair and replacement of the Common Areas as set forth in the Declaration. Unless otherwise determined by the Board of Directors, all repairs and replacements shall be substantially similar to the original construction and installation and shall be of good quality. The method of approving payment vouchers for repairs and replacements performed by the Association shall be determined by the Board of Directors.

ARTICLE IX INSURANCE

Section 9.1. General Requirements.

(a) Purchase of Insurance. All insurance policies relating to Common Areas shall be purchased by the Association. Neither the Board of Directors nor the Managing Agent nor the Declarant shall be liable for failure to obtain any coverage required by the Declaration, by this Article IX or for any loss or damage resulting from such failure if such failure is due to the unavailability of such coverages from reputable insurance companies, or if such coverage is available only at unreasonable cost.

(b) Required Provisions in Policies. Each insurance policy for the Common Areas shall provide that:

(i) The insurer waives any right to claim (a) by way of subrogation against the Declarant, the Association, and their respective lessees, and (b) invalidity arising from acts of the insured;

(ii) Such policy may not be canceled, not renewed or substantially modified without at least thirty (30) days' prior written notice to the Association and the Managing Agent, and in the case of physical damage and fidelity insurance, to all Owners and Mortgagees and mortgage loan services; and

(iii) The Association and the Declarant shall be named insured.

(c) **Declarant as Beneficiary.** In addition to being a named insured, the Declarant, so long as Declarant shall own any Lot or Parcel, shall benefit from all such policies as an Owner.

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

Section 9.2. Physical Damage Insurance.

(a) **All Risk Coverage.** The Association shall obtain and maintain a policy of insurance against fire and such other hazards within the meaning of "all risk" insuring the improvements to the Common Areas, (including fixtures and building service equipment and personal property), naming the Association as insured for the use and benefit of all Owners in an amount equal to not less than one hundred percent (100%) of the then current replacement cost of the improvements to the Common Areas, (exclusive of land, excavations, foundations and other items usually excluded from such coverage), such amount to be redetermined annually by the Board of Directors with the assistance of the insurance company affording such coverage. Any deductible shall not exceed the lesser of five thousand dollars (\$5,000) or one percent (1%) of the amount of coverage and such deductible shall be considered in establishing the level of reserves.

(b) **Required Provisions.** Such policy shall also provide, (unless otherwise provided):

(i) A waiver of any right of the insurer to repair, rebuild or replace any damage or destruction if a decision is made not to do so;

(ii) The following endorsements, (or equivalent), if applicable and available: (a) "contingent liability from operation of building laws", "demolition cost" and "increased cost of construction", (b) "agreed amount" or its equivalent and "inflation guard", and © "steam boiler and machinery coverage" with minimum liability per accident of not less than the lesser of the insurable value of the building housing the boiler or machinery or one million dollars (\$1,000,000); and

(iii) That any "no other insurance" clause expressly excludes individual

Owners' policies from its operation so that the physical damage policy purchased by the Board of Directors shall be deemed primary coverage and any individual Owners' policies shall be deemed excess coverage, and in no event shall the insurance coverage obtained and maintained by the Board of Directors hereunder provide for or be brought into contribution with insurance purchased by individual Owners or their Mortgagees, unless otherwise required by law.

(c) **Delivery of Policies to Mortgagees.** A duplicate original of the policy of physical damage insurance, all renewals thereof, and any subpolicies or certificates and endorsements insured thereunder together with proof of payment of premiums shall be delivered by the insurer at least ten (10) days prior to the expiration of the then current policy to any Mortgagee requiring the same.

(d) **Prohibited Provisions.** The Association shall not obtain a policy where (i) under the terms of the carrier's charter, bylaws or policy, contributions or assessments may be made against any Owner or Mortgagee or mortgage loan services or become a lien on the Properties; or (ii) by the terms of the carrier's charter, bylaws or policy, loss payments are contingent upon action by the carrier's board of directors, policyholders or members; or (iii) the policy includes any limiting clauses, (other than insurance conditions), which could prevent the Association from collecting insurance proceeds.

Section 9.3. Liability Insurance. The Association shall obtain and maintain comprehensive general public liability and property damage insurance in such limits as the board of Directors may from time to time determine, ("but not less than one million dollars (\$1,000,000) for bodily injury or property damage), insuring the Association, each member of the Board of Directors, the Managing Agent, each Owner and the Declarant against any liability to the public or to the Owners, (and their invitees, agents and employees), arising out of, or incident to the ownership and/or use of the Common Areas and other areas, (if any), under the supervision of the Association including, to the extent applicable and available, host liquor liability, elevator collision liability, comprehensive automobile liability, contractual liability, garage keeper's liability and bailee's liability. Such insurance shall be issued on a comprehensive liability basis and shall contain a "severability of interest" endorsement which shall preclude the insurer from denying liability to an Owner because of negligent acts of the Association or of another Owner. The Board of Directors shall review such limits once each year. "Umbrella" liability insurance in excess of the primary limits may also be obtained.

Section 9.4. Other Insurance. The Association shall obtain and maintain:

(a) **Fidelity Insurance.** Fidelity coverage to protect against dishonest acts on the part of officers, directors, employees and agents, (including the Managing Agent), of the Association and all others who handle, or are responsible for handling funds of the Association. Such fidelity bonds shall: (i) name the association as an obligee; (ii) be written in an amount to cover the maximum funds that will be in the custody of the Association or the Managing Agent at any time and in any event not less than three (3) months' aggregate assessments on all Lots and Parcels plus reserves; and (iii) contain waivers of any defense based upon the exclusion of persons who serve without compensation from any definition of "employee" or similar expression;

(b) **Worker's Compensation.** Worker's compensation and employer's liability insurance if and to the extent necessary to meet the requirements of law and which, if carried, shall name the Managing Agent as an additional insured; and

(c) **Other Insurance.** Such other insurance as the Board of Directors may determine or as may be required from time to time by Owners of a majority of the Lots.

Section 9.5. Separate Insurance by Owners. Each Owner shall have the right and reasonability, at his own expense, to obtain insurance for his own Lot or Parcel and improvements thereon and for his own benefit; provided, however, that no Owner shall be entitled to exercise his right to obtain such insurance coverage so as to decrease the amount which the Association, on behalf of all Owners, may realize under any insurance coverage maintained by the Association to be brought into contribution with insurance coverage obtained by Owner. Each Owner shall obtain liability insurance with respect to his Lot or Parcel in the amount of at least one hundred thousand dollars (\$100,000). All such policies shall contain waivers of subrogation as against the Association and its Board of Directors, the Declarant and the Managing Agent, and their respective agents and employees. No owner shall obtain separate insurance policies in conflict with this Section 9.5.

Section 9.6. Board of Directors as Agent. The Board of Directors is hereby irrevocably appointed the agent and attorney-in-fact, (coupled with an interest), for each Owner, each Mortgagee, other named insureds and their beneficiaries and any other holder of a lien of other interest in the Property to adjust and settle all claims arising under insurance policies purchased by the Association and to execute and deliver releases upon the payment of claims and to pursue and settle all claims arising out of the taking by way of eminent domain of any of the Common Area.

ARTICLE X MORTGAGES

Section 10.1. Notice to Board of Directors. An Owner who acquires a Lot or Parcel shall promptly notify the Board of Directors of his name and address. Any holder or beneficiary of a mortgage or deed of trust on a Lot or Parcel, ("Mortgagee"), may give written notice to the Association of its name and address and the address of the Lot or Parcel to which its mortgage applies.

Section 10.2. Notice of Default, Casualty or Condemnation. Upon request, the Association shall give notice to any Mortgagee of the Owner's default in paying an assessment or any other default with respect to that Mortgagee's Lot or Parcel which has not been cured within sixty (60) days of the date such assessment became due or the date the Association notified such Owner of the default, respectively.

Section 10.3. Other Rights of Mortgagees. Upon written request, any Mortgagee shall be entitled to receive written notice of meetings of the Association, and all Mortgagees or their designees shall be entitled to attend meetings of the Association and shall have the right of a member to speak at such meetings. All Mortgagees shall have the right of a member to examine the books

and records of the Association.

Section 10.4. Mortgagees' Approvals. Unless two-thirds (2/3) of the Mortgagees holding first liens on Lots and Parcels, (voting on the basis of one vote for each Mortgage owned), or two-thirds (2/3) of the Owners, (other than Declarant), of Lots and Parcels, have given their prior written approval, the Association shall not be entitled to:

(a) By act or omission materially change, waive, abandon any scheme of regulations or their enforcement pertaining to the architectural design or the exterior appearance of Lots and Parcels, the maintenance of the Common Area, the upkeep of lawns and planting in the Properties; or

(b) Change the method of determining the obligations, assessments, dues or other charges that may be levied against an owner of a Lot or Parcel; or

(c) By act or omission, seek to abandon, partition, subdivide, mortgage, sell or transfer the Common Areas, (except that the granting of easements for public utilities or for other public purposes consistent with the intended use of the Common Areas by the Properties shall not be deemed a transfer within the meaning of this clause);

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

(e) Fail to maintain fire and extended coverage on insurable Common Areas on a current replacement cost basis in an amount at least equal to one hundred percent (100%) of the insurable current replacement cost.

(f) Undertake "self-management" or fail to employ a managing agent.

Whenever approval is required of any Mortgagee, or insurer or guarantor of any such Mortgagee under the Declaration or these Bylaws, and such party receives a written request to consent to an action or to approve additions or amendments to the Declaration, the Bylaws, or the Rules and Regulations and then does not deliver or mail, by United States mail, to the requesting party a negative response within thirty (30) days of receiving such request shall be deemed to have approved the request, provided the notice was delivered by certified or registered mail "return receipt" requested.

Section 10.5. Payment of Charges. First Mortgagees of Lots and Parcels may:

(a) jointly or singly pay taxes or other charges that are in default and that may have become charges against the Common Areas; and

(b) pay overdue premiums on hazard insurance policies or secure new hazard

insurance coverage for the Common Areas in case of lapse of a policy.

ARTICLE XI MISCELLANEOUS

Section 11.1. Notices. All notices, demands, requests, statements or other communications under these Bylaws shall be in writing and shall be either delivered by overnight express mail, in person or if sent by U.S. first class mail, postage prep aid, (I) if to an Owner, at the address which the Owner shall designate in writing and file with the Secretary, or, if no such address is designated, at the address of the Lot or Parcel of such Owner, or (ii) if to the Association, at _____ at such other address as shall be designated by notice in writing to the Owners pursuant to this Section, or (iii) if to a Mortgagee, to the address provided by the Owner or to such other address as the Mortgagee may specify by written notice to the Association. All such notices, demands, requests, statements or other communications shall be deemed to have been given when sent to the appropriate address above. Rejection or other refusal to accept shall not invalidate the effectiveness of any notice, demand, request, statement or other communication.

Section 11.2. Captions. The captions herein are inserted only as a matter of convenience and for reference, and in no way define, limit or describe the scope of these Bylaws or the intent of any provision thereof.

Section 11.3. Gender, Etc. The use of the masculine gender in these bylaws shall be deemed to include the feminine and neuter genders and the use of the singular shall be deemed to include the plural, and vice versa, whenever the context so requires.

Section 11.4. Construction. These Bylaws are intended to comply with applicable laws and shall be so interpreted and applied. In the event of conflict between the Declarations or the Articles and these Bylaws, the Declarations or Articles shall control.

Section 11.5. Amendments. These Bylaws may be amended (i) by the Board of Directors during the Period of Declarant Control and (ii) thereafter by a vote of at least two-thirds (2/3) of the Class A votes entitled to be cast by Members present at a duly convened meeting at which a quorum is present. For purposes of this Section 11.5, the presence in person or by proxy of Members entitled to cast fifty percent (50%) of the aggregate Class A membership votes shall constitute a quorum.

Section 11.6. Approval of HUD or VA. As long as Class B membership exists, amendment of the Bylaws requires the prior approval of the Department of Housing and Urban Development ("HUD"), or the Veterans Administration (the "VA") in the event any Lot or Parcel in the Property owned by, or is encumbered by a loan insured or guaranteed by, HUD or the VA.

Witness the following signature and seal:

By _____

STATE OF VIRGINIA
CITY OF VIRGINIA BEACH, to-wit:

The foregoing Declaration was acknowledged before me this ____ day of _____, by _____
_____.

Notary Public

My commission expires: _____