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THE UNIT OWNERS ASSOCIATION OF
 COLONIAL VILLAGE (VILLAGE I),
 A CONDOMINIUM

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BY-LAWS
THE UNIT OWNERS ASSOCIATION OF
COLONIAL VILLAGE (VILLAGE I),
A CONDOMINIUM
Arlington County, Virginia

ARTICLE I

GENERAL

Section 1. Applicability. These By-Laws provide for the self-government of COLONIAL VILLAGE (VILLAGE I), A CONDOMINIUM ("The Condominium"), pursuant to the requirements of Article 3, Chapter 4.2 of Title 55 of the Code of Virginia. The Condominium is located within the County of Arlington, Commonwealth of Virginia.

Section 2. Compliance. Pursuant to the provisions of Section 55-79.53, Code of Virginia, as amended, every unit owner and all those entitled to occupy a unit shall comply with these By-Laws.

Section 3. Office. The office of the Unit Owners Association of the Condominium 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 in these By-Laws which are not defined shall have the meanings specified for such terms in the Declaration of the Condominium, which Declaration is recorded immediately prior hereto, or if not defined therein, the meanings specified for such terms in Section 55-79.41 of the Virginia Condominium Act.

ARTICLE II

UNIT OWNERS ASSOCIATION

Section 1. Composition. All of the Unit Owners of Units contained in the Condominium, acting as a group in accordance with the Condominium Act, the Declaration and these By-Laws, shall constitute the "Unit Owners Association," who shall have the responsibility of administering the Condominium, establishing the means and methods of collecting the contributions to the Common Expenses, arranging for the management of the Condominium and performing all of the other acts that may be required to be performed by the Unit Owners Association, by the Condominium Act and the Declaration. Except as to those matters which either the

Condominium Act or the Declaration specifically require to be performed by the vote of the Unit Owners, the administration of the foregoing responsibilities shall be performed by the Board of Directors as more particularly set forth in Article III.

Section 2. Annual Meetings. The annual meetings of the Unit Owners Association shall be held within the first fifteen (15) days of October each year. At such annual meetings the Board of Directors shall be elected by ballot of the Unit Owners in accordance with the requirements of Section 4 of Article III of these By-Laws. So long as the Declarant shall own Units representing more than twenty-five percent of the aggregate Common Elements Interests (including such Common Element Interests as may be appurtenant to Units which may be created on any Additional Land), the Declarant shall be entitled to designate the members of the Board of Directors.

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

Section 4. Special Meetings. (a) The President shall call a special meeting of the Unit Owners Association if so directed by resolution of the Board of Directors or, after the termination of the period of declarant control, upon a petition signed and presented to the Secretary by Unit Owners of not less than twenty-five percent of the aggregate Common Element Interests. The notice of any special meeting shall state the time, place and purpose thereof. No business shall be transacted at a special meeting except as stated in the notice.

(b) Not later than the earlier of (i) the day after deeds of conveyance of Units representing seventy-five percent or more of the aggregate Common Element Interests shall have been delivered to Unit Owners by the Declarant or (ii) the expiration of the maximum time permitted by section 55-79.74(a) of the Condominium Act, a special meeting of the Unit Owners Association shall be held at which all of the members of the Board of Directors designated by the Declarant shall resign, and the Unit Owners, including the Declarant if the Declarant owns one or more Units, shall thereupon elect successor members of the Board of Directors to act in the place and stead of those resigning.

Section 5. Notice of Meetings. It shall be the duty of the Secretary to mail a notice of each annual or special meeting of the Unit Owners pursuant to the provisions of Section 55-79.75, Code of Virginia, as amended, by mailing by regular United States mail or delivery by hand to each Unit Owner of record at the address of his Unit or to such other address as may be designated by said Unit Owner at least twenty-one (21) days advance notice in the case of any annual meeting and at least seven (7) days advance notice of any special meeting of the Unit Owners Association.

Section 6. Adjournment of Meetings. If any meetings of the Unit Owners Association cannot be held because a quorum is not present, Unit Owners owning a majority of the Common Element

Interests who are present at such meeting, either in person or by proxy, may adjourn the meeting to a time not less than forty-eight (48) hours from the time the original meeting was called in which event any business which could have been transacted at the meeting originally called may be transacted without further notice.

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

- (a) Roll Call
- (b) Proof of Notice of Meeting
- (c) Reading of minutes of preceding meeting
- (d) Reports of officers and Board of Directors
- (e) Report of Management Agent, if any, and if present
- (f) Reports of Committees
- (g) Election or appointment of inspectors of election (when so required)
- (h) Election of members of the Board of Directors (when so required)
- (i) Unfinished business
- (j) New business
- (k) Adjournment

Section 8. Title to Units. Title to a Unit may be taken in the name of one or more Persons, in any manner permitted by law. The Unit Owners Association may acquire, hold and transfer full legal title to one or more Condominium Units in the Condominium in its own name.

Section 9. Voting. At every meeting of the Unit Owners Association, each of the Units shall have the right to cast a vote proportionate to its Common Element Interest, as set forth in the Declaration as said Declaration may be amended from time to time. 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 may be any record owner of said Unit, unless any other record owner of said Unit shall, at the time the vote is cast object to the casting of said vote, in which event the person who shall be entitled to cast the vote of such Unit shall be the person named in a certificate executed by all record owners of said Unit. Any voting certificate executed pursuant to this section shall remain valid until revoked by a subsequent certificate similarly executed. Subject to the requirements of Section 55-79.72 of the Condominium Act, wherever the approval or disapproval of a Unit Owner is required by the Condominium Act, the Declaration or these By-Laws, such approval or disapproval shall be made only by the Person who would be entitled to cast the vote of such Unit at any meeting of the Unit Owners Association. Except where a greater

number is required by the Condominium Act, the Declaration or these By-Laws, the owners of more than fifty percent (50%) of those Units present and voting in person or by proxy at one time at a duly convened meeting at which a quorum is present ("Majority of the Unit Owners") is required to adopt decisions at any meeting of the Unit Owners Association. Any specified percentage of the Unit Owners means the Unit Owners owning such number of Units in the aggregate. If the Declarant owns or holds title to one or more Units, the Declarant shall have the right at any meeting of the Unit Owners Association to cast the votes to which such Unit or Units are entitled. No unit Owner may vote at any meeting of the Unit Owners Association or be elected to or serve on the Board of Directors if the Unit Owners Association has perfected a lien against his Unit and the amount necessary to release such lien has not been paid within seventy-two (72) hours prior to the time of such meeting or election.

Section 10. Proxies. A vote may be cast in person or by proxy. Such proxy may be granted by any Unit Owner in favor of another Unit Owner, a Mortgagee, the Declarant or any other person designated. Proxies shall be duly executed in writing, and witnessed by a person who shall sign his full name and address and shall be valid only for the particular meeting designated therein and must be filed with the Secretary before the appointed time of the meeting. Such proxy shall be deemed revoked only upon actual receipt by the person presiding over the meeting of notice of revocation from any of the persons owning such Unit. Except with respect to proxies in favor of a Mortgagee, no proxy shall in any event be valid for a period in excess of one hundred and eighty days after the execution thereof.

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

Section 12. Quorum. The presence, either in person or by proxy, of members 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.

ARTICLE III

BOARD OF DIRECTORS

Section 1. Number and Qualification. The affairs of the Unit Owners Association shall be governed by a Board of Directors. Until deeds of conveyance representing more than seventy-five percent of the aggregate Common Element Interests of all Units (including all those Units which may be added from the additional Land registered with the Virginia Real Estate Com-

mission) shall have been delivered to Unit Owners by the 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 Board of Directors shall be composed of seven persons, all of whom shall be Unit Owners or spouses of Unit Owners, Mortgagees (or designees of Mortgagees) or designees of the Declarant; provided, however, that, anything in these By-Laws to the contrary notwithstanding, so long as the Declarant owns Units representing twenty-five percent or more of the aggregate Common Element Interests (but in no event after the expiration of the maximum time permitted by Section 55-79.74(a) of the Condominium Act) 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 replace such Directors as may be so designated, and to designate their successors. The time limit on the period of Declarant's control shall commence upon settlement of the first Unit to be sold in any portion of 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 Unit Owners Association and may do all such acts and things as are not by the Condominium Act, the Declaration or by these By-Laws required to be exercised and done by the Unit Owners 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 Condominium; provided, however, that such Rules and Regulations shall not be in conflict with the Condominium Act, the Declaration or these By-Laws. The Board of Directors shall delegate to one of its members or to a person employed for such purpose the authority to act on behalf of the Board of Directors on such matters relating to the duties of the Managing Agent (as defined in Section 3 of this Article), if any, which may arise between meetings of the Board of Directors as the Board of Directors deems appropriate. In addition to the duties imposed by these By-Laws or by any resolution of the Unit Owners Association that may hereafter be adopted, the Board of Directors shall on behalf of the Unit Owners Association:

(a) Prepare an annual budget, in which shall be established the assessments of each Unit Owner for the Common Expenses.

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

(c) Provide for the operation, care, upkeep 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 property and, where appropriate, provide for the compensation of such personnel and for the purchase of equipment, supplies and material to be used by such personnel in the performance of their duties, which supplies and equipment shall be deemed party of the Property.

(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 Property.

(f) Make and amend the Rules and Regulations.

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

(h) Make, or contract for the making of, repairs, additions and improvements to or alterations of the Property and repairs to and restoration of the Property, in accordance with these By-Laws, 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 By-Laws and the Rules and Regulations and act on behalf of the Unit Owners with respect to all matters arising out of any eminent domain proceeding.

(j) Obtain and carry insurance against casualties and liabilities, as provided in Article VII of these By-Laws, pay the premiums therefor and adjust and settle any claims thereunder.

(k) Pay the cost of all authorized services rendered to the Unit Owners Association and not billed to Unit Owners of individual Units or otherwise provided for in Article VI, Sections 1 and 2 of these By-Laws.

(l) Keep books with detailed accounts in chronological order of the receipts and expenditures affecting the Property, and the administration of the Condominium, specifying the expenses of maintenance and repair of the Common Elements and any other expenses incurred. Such books and vouchers accrediting the entries thereupon shall be available for examination by the Unit Owners, their duly authorized agents or attorneys, during general business hours on working days at the times and in the manner set and announced by the Board of Directors for the general knowledge of the Unit Owners. All books and records shall be kept in accordance with generally accepted accounting principles,

and the same shall be audited at least once each year by an independent accountant retained by the Board of Directors who shall not be resident of the Condominium or a Unit Owner. The cost of such audit shall be a Common Expense.

(m) Notify a Mortgagee of any default hereunder by the Unit Owner of the Unit subject to such Mortgage, in the event such default continues for a period exceeding thirty days.

(n) Borrow money on behalf of the Condominium when required in connection with any instances relating to the operation, care, upkeep and maintenance of the Common Elements, provided, however, that the consent of at least two-thirds in number of all Unit Owners, obtained by either a mail ballot or at a meeting duly called and held for such purpose in accordance with the provisions of these By-Laws, shall be required to borrow any sum in excess of Fifteen Thousand Dollars. If any sum borrowed by the Board of Directors on behalf of the Condominium pursuant to the authority contained in this subparagraph (n) is not repaid by the Unit Owners Association, a Unit Owner who pays to the creditor such proportion thereof as his Common Element Interest bears to the total of Common Element Interests in the Condominium 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 Condominium Unit.

(o) Acquire, hold and dispose of Condominium Units and mortgage the same if such expenditures and hypothecations are included in the budget adopted by the Unit Owners Association.

(p) In its sole discretion, designate from time to time certain Common Elements as "Reserved Common Elements" and impose such restrictions and conditions on the use thereof as the Board of Directors deem appropriate.

(q) Furnish the statement required by Section 55-79.97 of the Condominium Act, within ten days after the receipt of a written request therefor from any Unit Owner.

(r) Do such other things and acts not inconsistent with the Condominium Act, the Declaration or these By-Laws which the Board of Directors may be authorized to do by a resolution of the Unit Owners Association.

(s) Negotiate and adjust with any contractor, subcontractor or Declarant any warranty claims on any Common Element made by or on behalf of any Unit Owner or the Unit Owners' Association.

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

(a) Requirements. The Managing Agent shall be a bona fide business enterprise, which may be affiliated with the Declarant, which manages common interest residential communities. Such firm shall have a minimum of two years experience in real estate community management.

(b) Duties. The Managing Agent shall perform such duties and services as the Board of Directors shall authorize, including, but not limited to, the duties listed in subparagraphs (a), (c), (d), (e), (h), (i), (j), (k), (l), (m), (q), and (r) of Section 2 of this Article III. The Board of Directors may delegate to the Managing Agent all of the powers granted to the Board of Directors by these By-Laws other than the powers set forth in subparagraphs (b), (f), (n), (o), (p) and (s) of Section 2 of this Article III. The Managing Agent shall perform the obligations, duties and services relating to management of the property, the rights of Mortgagees and the maintenance of reserve funds in compliance with the provisions of these By-Laws.

(c) Standards. The Board of Directors shall impose appropriate standards of performance upon the Managing Agent. Unless the Managing Agent is instructed otherwise by the Board of Directors, the Managing Agent shall comply with the following standards:

(1) The accrual method of accounting as defined by generally accepted accounting principles shall be employed.

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

(3) cash accounts of the Unit Owners Association shall not be commingled with any other accounts;

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

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

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

(A) all receipts and disbursements activity for the preceding month;

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

(C) any actual or pending obligations which are in excess of budgeted amounts by an amount exceeding the operating reserves or ten percent 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 year. The Unit Owners Association and the Board of Directors shall not undertake "self-management" or fail to employ a Managing Agent without the consent of a Majority of the Unit Owners and the consent of two-thirds (2/3) of all Mortgagees. Nor shall the Unit Owners Association employ a new Managing Agent without thirty days' prior written notice to all Mortgagees. Any contract with the Managing Agent must provide that it may be terminated with cause on no more than thirty days' written notice and without cause on no more than ninety days' written notice and the term of any such contract may not exceed one year.

Section 4. Election and Term of Office. At the first annual meeting of the Unit Owners Association, the term of office of two members of the Board of Directors shall be fixed at three years, the term of office of two members of the Board of Directors shall be fixed at two years and the term of office of the remaining members of the Board of Directors shall be fixed at one year. At the expiration of the initial term of office of each member of the initial Board of Directors, a successor shall be elected to serve for a term of three years. The members of the Board of Directors shall hold office until their respective successors shall have been elected and have held their first 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 Unit Owners Association duly called, (but only at or after the first annual meeting), any one or more of the Board of Directors may be removed with or without cause by a majority 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 shall be given an opportunity to be heard at the meeting.

Section 6. Vacancies. Vacancies in the Board of Directors caused by any reason other than the removal of a director by a vote of the Unit Owners Association shall be filled by a vote of a majority of the remaining Directors at a special meeting of the Board of Directors held for such purpose promptly after the occurrence of any such vacancy, even though the directors present at such meeting may constitute less than a quorum. Each person so elected shall be a member of the Board of Directors for the remainder of the term of the member being replaced and until a successor shall be elected at the next annual meeting of the Unit Owners Association. Notwithstanding anything to the contrary in this Section or in the preceding Section 5, so long as the Declarant owns twenty-five percent or more of the aggregate Percentage Interests, (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 any resigned or removed member previously designated by the Declarant.

Section 7. Organization Meeting. The date of the first meeting of the members of the Board of Directors elected at the annual meeting of the Unit Owners Association shall be determined by the Board immediately following the Unit Owners

Association 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.

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

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

Section 10. Waiver of Notice. Any director may, at any time, in writing, waive notice of any meeting of the Board of Directors, and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a director at any meeting of the Board of Directors shall constitute a waiver of notice by him of the time and place of such meeting. If all directors are present at any meeting of the Board of Directors, no notice shall be required and any business may be transacted at such 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 premium of such bonds shall constitute a Common Expense.

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

Section 13. Conduct of Meetings. The President shall preside over all meetings of the Board of Directors and the Secretary shall keep a Minute Book of the Board of Directors, recording therein all resolutions adopted by the Board of Directors and a record of all transactions and proceedings occurring at such meetings. Robert's Rules of Order (latest edition) shall govern the conduct of the meetings of the Board of Directors when not in conflict with the Declaration, these By-Laws 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 shall individually or collectively consent in writing to such action. Such written consent or consents 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 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 there shall be less than a quorum present, a majority of 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.

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 Treasurer, but no other officers, shall be required to be members of the Board of Directors.

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 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 members of the Board of Directors, any officer may be removed, either with or without cause, and his successor may be elected at any regular meeting of the Board of Directors, or at any special meeting of the Board of Directors.

Section 4. President. The President shall be the chief executive officer of the Condominium. He shall preside at all meetings of the Unit Owners Association and of the Board of Directors. He 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 may in his discretion decide is appropriate in the conduct of the affairs of the Condominium.

Section 5. Vice President. The Vice President shall take the place of the President and perform his duties whenever the President shall be absent or unable to act. If neither the President nor the Vice President is able to act, the Board of Directors shall appoint some other member of the Board of Directors to act in the place of the President, on an interim basis. The Vice President shall also perform such other duties as shall from time to time be imposed upon him by the Board of Directors or by the President.

Section 6. Secretary. The Secretary shall keep the minutes of all meetings of the Unit Owners Asscoation and of the Board of Directors; he shall have charge of such books and papers as the Board of Directors may direct, and he 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 shall also 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 the such other person or persons as may be designated by the Board of Directors.

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

ARTICLE V

LIABILITY AND INDEMNIFICATION OF OFFICERS AND DIRECTORS

Section 1. Liability and Indemnification of Officers and Directors. The Unit Owners Association shall indemnify every officer and director of the Condominium against 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 of the Condominium) to which he 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 for any mistake of judgment, negligence or otherwise, except for their own individual willful misconduct or 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 project (except to the extent that such officers or directors may also be owners of Condominium units) and the Condominium shall indemnify and forever hold each such officer and director free and harmless against any and all liabilities to others on account of any such contract or commitment. Any right to indemnification provided herein shall not be exclusive of any other rights to which any officer or director of the Condominium, or former officer or director of the Condo-

minium, may be entitled.

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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 project. No contract or other transaction between the Condominium and one 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, is either void or voidable because such Director or Directors are present at the meeting of the Board of Directors or any committee thereof which authorizes or approves the contract or transaction, or because his or their votes are counted for such purposes, if any of the conditions specified in any of the following subparagraphs exists:

(a) The fact of the common directorate or interest is disclosed or known to the Board of Directors or a majority thereof or noted in the Minutes, and the Board authorizes, approves or ratifies such contract or transaction in good faith by a vote sufficient for the purpose; or

(b) The fact of the common directorate or interest is disclosed or known to the Unit Owners Association, or a majority thereof, and they approve or ratify the contract or transaction in good faith or by a vote sufficient for the purpose; or

(c) The contract or transaction is commercially reasonable to the 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 were not such director or officer of such Condominium or not so interested.

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

ARTICLE VI

OPERATION OF THE PROPERTY

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

(a) Fiscal Year. The fiscal year of the Condominium shall consist of the twelve (12) month period commencing on January 1st of each year and terminating on December 31st of the same year, or as the same may be changed hereafter by the Board of Directors of the Unit Owners Association of the Condominium.

(b) Preparation and Approval of Budget. Each year on or before thirty (30) days before the commencement of the next fiscal year, the Board of Directors shall adopt a budget for the Condominium containing an estimate of the total amount which it considers necessary to pay the cost of utility services, maintenance, management, operation, repair and replacement of the Common 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, service, supplies and other expenses that may be declared to be Common Expenses by the Condominium Act, these By-Laws or a Resolution of the Unit Owners Association, and which will be required during the ensuing fiscal year for the 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 Condominium Unit in the event 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 project or is otherwise in the interest of the general welfare of all owners of the Condominium Units; provided, however, that no such maintenance or repair shall be undertaken without a resolution by the Board of Directors and not without reasonable written notice to the Owner of the Condominium Unit proposed to be maintained and provided further that the cost thereof shall be assessed against the Condominium Unit on which such maintenance or repair is performed and, when so assessed, a statement for the amount thereof shall be rendered promptly to the then Owner of said Condominium Unit at which time the assessment shall become due and payable and a continuing lien and obligation of said Owner in all respects as provided in Article X of these By-Laws. The cost of the maintenance of 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 subparagraph (i).

(ii) Any amount necessary to discharge any lien levied against any Condominium Unit by the Colonial Village Community Service Association pursuant to any Declaration of covenants, conditions and restrictions for Colonial Village Community Services Association.

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

(iv) Such budget may also include 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.

(v) Any Common Expenses benefiting less than all of the Condominium Units or caused by the conduct of

less 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 and any amounts as may be required to discharge any lien levied upon any Unit pursuant to the Declaration of Covenants, Conditions and Restrictions for the Colonial Village Community Services Association may be specially assessed against the Condominium Unit or Units involved, in accordance with such reasonable provisions as may be made by the Board of Directors for such cases.

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

Section 2. Assessment and Payment of Common Expenses.

(a) Except for those Common Expenses which may be specially assessed against the Condominium Unit or Units involved pursuant to the provisions of subparagraph (b) (v) of Section 1 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 Property set forth in the budget for the fiscal year adopted by the Board of Directors shall be assessed against each Condominium Unit in proportion to its respective proportionate undivided interest in the Common Elements (i.e., its Common Element Interest) as set forth in the Declaration of the Condominium as the same may be amended from time to time. Said assessment shall be a lien against each Unit Owner's Unit as provided in the Condominium Act as set forth in Section 55-79.84. On or before the first day of each fiscal year, and the first day of each succeeding eleven (11) months in such fiscal year, such 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 the assessment for such fiscal year made pursuant to the foregoing provisions. 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 Undivided Interest in the Common Elements to the installments due in the succeeding months of that fiscal year.

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

(b) Right of Acceleration. The payment and collection of the assessments made pursuant to this Article VI shall be in accordance with the terms providing for the payment and collection of assessments in these By-Laws 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 attorney's fees and costs.

(c) Repair and Replacement Reserve. The Board of Directors shall obtain from members contributions to capital on a regular basis, which contributions will be used to establish a replacement and repair reserve. Such contributions shall be paid monthly and be in an amount to be designated from time to time by the Board of Directors. Such funds shall be conclusively deemed to be a Common Expense. Such funds shall be deposited in an account with a lending institution, the accounts of which are insured by an agency of the United States of America, or may, in the discretion of the Board of Directors, be invested in obligations of, or fully guaranteed as to principal by, the United States of America. The replacement reserve may be expended only for the purpose of 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. The amounts required to be allocated to the replacement reserve may be reduced by appropriate resolution of the Board of Directors, upon the accumulation in such replacement reserve of a sum equal to the full replacement value of the items for which the reserve is established. Full replacement value shall be annually determined by the Board of Directors for casualty insurance purposes. The proportionate interest of any member in any replacement reserve shall be considered an appurtenance of his Condominium Unit and shall not be separately withdrawn, assigned or transferred or otherwise separated from the Condominium Unit to which it appertains and shall be deemed to be transferred with such Condominium Unit. The payment and collection of the assessment made pursuant to the foregoing provisions shall be in accordance with the terms providing for payment and collection of assessments in these By-Laws and the Condominium Act, including without limitation, the right reserved to the Board to accelerate payment of assessment and the right to recovery of attorney's fees and costs.

(d) Special Assessments. In the event 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, which shall be assessed against the Condominium Units in proportion to the respective Undivided Interests in the Common Elements appertaining to each of said Units set forth in the Declaration of Condominium, as the same may be amended from time to time. Said special assessments may be payable in a lump sum or in installments as the Board of Directors may determine. The Board of Directors shall serve notice of any such special assessment on all Unit Owners by a statement in writing giving the amount and reason therefor, and such special assessment shall, unless otherwise specified in the notice, become effective with the next monthly payment which is due after the delivery or mailing of such notice of special assessment. All Unit Owners shall be obligated to pay the adjusted monthly amount or, if the special assessment is not payable in installments, the amount of such assessment. The payment and collection of the assessment made pursuant to the foregoing provisions shall

be in accordance with the terms providing for payment and collection of assessments in these By-Laws and the Condominium Act, including without limitation, the right reserved to the Board to accelerate payment of assessments and the right to recovery of attorney's fees and costs.

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 month period shall be effective only with the approval of a majority of the Unit Owners.

(e) Initial Assessment. when the initial Board of Directors, elected or designated pursuant to these By-Laws, takes office, it shall determine the budget as defined in this Section for the period commencing thirty (30) days after their election or designation and ending on the last day of the fiscal year in which their election or designation occurs. Assessments shall be levied against the Unit Owners during said period as provided in subparagraph (a) of this Section. The Board of Directors will levy an "initial assessment" against the initial purchaser, at the time he settles on his purchase contract. Such initial assessment shall be in an amount equal to two (2) months regular assessments, and shall be utilized for commencing business of the Unit Owners Association and providing the necessary working fund for it. In addition to the foregoing initial assessment, the Board of Directors will levy against the initial purchaser at the time he settles on his purchase contract one full month's assessment for the calendar month immediately following settlement plus part of one monthly annual assessment payment, prorated from the date of settlement to the end of the calendar month in which the settlement occurs.

(f) 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 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 period until the new annual or adjusted budget shall have been mailed or delivered.

(g) Accounts. All sums collected by the Board of Directors with respect to assessments against the Unit Owners may be commingled into a single fund, but shall be identified and accounted for each Unit Owner in accordance with the respective Common Element Interests of each Unit Owner as set forth in the Declaration of Condominium, as the same may be amended from time to time.

Section 3. Payment of Common Expenses. All Unit Owners to the extent set forth shall be obligated to pay the Common Expenses assessed by the Board of Directors pursuant to the provisions of this Article VI and such expenses not paid by the 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 Unit subsequent to a sale, transfer or other conveyance by him of such Unit. The purchaser of a Unit shall be jointly and severally lia-

ble with the selling Unit Owner for all unpaid assessments against the latter for his proportionate share of the Common Expenses up to the time of conveyance, without prejudice to the purchaser's right to receive from the selling 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(b) of the Code of Virginia, as amended. Provided, further, that if a mortgagee of a first mortgage of record obtains title to a Unit as a result of foreclosure or deed in lieu of foreclosure of a first mortgage, such purchaser, its successor and assigns, shall not be liable for, and such Unit shall not be subject to a lien for the payment of Common Expenses assessed prior to the acquisition of title of such Unit by such purchaser pursuant to the foreclosure sale or deed in lieu of foreclosure. Such unpaid share of Common Expenses assessed prior to the acquisition of title to such Unit by such purchaser pursuant to the foreclosure sale or deed in lieu of foreclosure shall be collectible from all Unit Owners, including the purchaser at the foreclosure sale or the grantee of any deed in lieu of foreclosure in proportion to their respective Undivided Interests in the Common Elements.

Section 4. Collection of Assessments. The Board of Directors shall take prompt action to collect any assessments for Common Expenses due from any Unit Owner which remain 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. The Board of Directors shall be responsible for the maintenance, repair and replacement (unless, if in the opinion of not less than a majority of the Board of Directors, such expense was necessitated by the negligence, misuse or neglect of a Unit Owner) of all of the Common Elements (including the Limited Common Elements) as defined herein or in the Declaration, whether located inside or outside of the Units, the cost of which shall be charged to all Unit Owners as a Common Expense, provided, however, that each Unit Owner shall perform normal maintenance on the Limited Common Elements appurtenant to this Unit and any portion of the remaining Common Elements which the Board of Directors pursuant to the Rules and Regulations has given him permission to utilize, including, without limitation, the items enumerated in subsection (b) hereof.

(b) By the Unit Owner.

(1) Each Unit Owner shall keep his Unit and its equipment, appliances and appurtenances in good order, condition and repair and in a clean and sanitary condition, and shall do all redecorating, painting and varnishing which may at any time be necessary to maintain the good appearance and condition of his Unit. In addition, each Unit Owner shall be responsible for all damage to any other Units or to the Common Elements resulting from his

failure to make any of the repairs required by this Section. Each Unit Owner shall perform his responsibility in such manner as shall not unreasonably disturb or interfere with the other Unit Owners. Each Unit Owner shall promptly report to the Board of Directors or the Managing Agent any defect or need for repairs for which the Board of Directors is responsible.

(2) The Unit Owner of any Unit to which a patio, or terrace is appurtenant shall perform the normal maintenance for such patio or terrace, if any, including keeping it in a clean and sanitary condition, free and clear of snow, ice and any accumulation of water and shall also make all repairs thereto caused or permitted by his negligence, misuse or neglect. All structural repair or replacement shall be made by the Board of Directors as a Common Expense, as provided by subparagraph (a) above.

(3) 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 subparagraphs (a) and (b) above, specific maintenance responsibilities and the costs attributable thereto shall, to the extent set forth thereon, be determined pursuant to the Chart of Maintenance Responsibilities attached as Exhibit "A" hereto.

(d) Manner of Repair and Replacement. All repairs and replacements shall be substantially similar to the original construction and installation and shall be of first-class quality. 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 of the Condominium for any consecutive twelve (12) month period, the making of such additions, alterations or improvements shall be approved by a majority of the Common Element Interests of the Unit Owners, and the Board of Directors shall proceed with such additions, alterations or improvements and shall assess all Unit Owners for the cost thereof as a Common Expense.

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

Notwithstanding the foregoing, if in the opinion of not less than a majority of the members of the Board of Directors, such additions, alterations or improvements are exclusively or

substantially exclusively for the benefit of the Unit Owner or Unit Owners requesting the same, such requesting Unit Owner or Unit Owners shall be assessed therefor in such proportions as they jointly approve, or if they are unable to agree thereon, in such proportions as may be determined by the Board of Directors.

Section 7. Additions, Alterations, or Improvements by the Unit Owners. No Unit Owner shall make any structural addition, alteration or improvement in or to his Unit without the prior written consent of the Board of Directors. No Unit Owner shall paint or alter the exterior of his Unit, including the doors and windows, nor shall any Unit Owner paint or alter the exterior of any building, 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 in such Unit Owner's Unit within forty-five (45) days after such request, and failure to do so within the stipulated time shall constitute a consent by the Board of Directors to the proposed structural addition, alteration or improvement. If any application to any governmental authority for a permit to make any such structural addition, alteration or improvement in or to any Unit requires execution by the Unit Owners Association, and provided consent has been given by the Board of Directors, then the application shall be executed on behalf of the Unit Owners Association by the Board of Directors only, without, however, incurring any liability on the part of the Board of Directors or any of them 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 any Mortgagee of such affected Units, the Board of Directors and any Unit Owner affected, any Unit may be subdivided or may be 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 of such Units shall have been recorded.

Section 8. Easements in Favor of Unit Owners Association.

(a) Easements are reserved to the Unit Owners Association through each of the Units for 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 systems in order to adequately serve each of such Units.

(b) There is reserved to the Unit Owners 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 Unit Owners 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 Unit Owners 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 all maintenance, repair or replacement to the Common Elements, or to those parts of Units as to which the Unit Owners Association has the responsibility to maintain and repair, rendered necessary by his act, neglect or carelessness, or the act, neglect or carelessness of any member of his family or employees, agents, licensees or guests of lessees. The payment and collection of any charge made pursuant to the foregoing provisions shall be in accordance with the terms providing for payment and collection of assessments in these By-Laws and the Condominium Act, including, without limitation, the right reserved to the Board to accelerate payment of assessments and the right to recovery of attorney's fees and costs.

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

Section 10. Annual Audit. An audit of the accounts of the Unit Owners Association shall be made annually in the manner as the Board of Directors may decide, provided, however, that after having received the Board's audit at the annual meeting, the Unit Owners, by a majority vote, may require that the accounts of the Unit Owners Association be audited as a Common Expense by a public accountant. Upon written request of any institutional holder of a first mortgage, such holder shall be entitled to receive a copy of the annual audited financial statement within sixty (60) days after the end of each fiscal year.

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 property 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 requirement or for any loss or damage resulting from such failure if such failure is due to the unavailability of such coverages from reputable insurance companies or if such coverages are available only at a demonstrably unreasonable cost.

(b) Each such policy shall provide that:

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

(2) Such policy can not be cancelled, invalidated or suspended on account of the conduct of any member of the Board, officer or employee of the Board of Directors, Unit Owner (including his 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 defect and the allowance of a reasonable time thereafter within which the defect 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, in the case of physical damage insurance to all Mortgagees of Units.

(4) The named insured under any such policies shall be the Unit Owners Association of the Condominium project, as a trustee for the Owners of the Condominium Units, or its authorized representative, including any trustee with which such Association may enter into any insurance Trust Agreement, or any successor trustee, each of which shall be referred to as the "Insurance Trustee".

(c) All policies of insurance shall be written by reputable companies licensed to do business in the Commonwealth of Virginia, and holding a financial size rating of Class XI or better by Best Insurance Reports, if available, and if not available the best comparable rating available. Physical damage policies shall be in the form and substance acceptable to Mortgagees.

(d) Such policies shall also provide, to the extent available:

(1) The insurer of the Master policy shall issue to each Unit Owner or their Mortgagee a certificate or subpolicy specifying the portion of the Master policy allocated to each Unit Owner's Unit and his undivided interest in the Common Elements.

(2) That until the expiration of sixty days after the insurer gives notice in writing to the Mortgagee of any Unit, the Mortgagee's insurance coverage will not be affected or jeopardized by any act or conduct of the Unit Owner of such Unit, the other Unit Owners, the Board of Directors, or any of their agents, employees or household members, nor cancelled for non-payment of premiums.

(3) That 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) That the Master Insurance 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 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.

(e) That the "no control" clause be part of the Master policy which states that coverage must not be prejudiced by (a) any act or neglect of the Owners of Condominium Units when such act or neglect is not within the control of the Unit Owners Association or (b) any failure of the Unit Owners Association to comply with any warranty or condition regarding any portion of the premises over which the Unit Owners 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 equal to full replacement value (i.e., 100% of current "replacement cost," with a reasonable deductible amount, exclusive of land, foundation, excavation and other items normally excluded from coverage) with an Agreed Amount endorsement to the Condominium project, including all building service equipment, air conditioning equipment and the like, and any fixtures or equipment within the Condominium Unit including all of the kitchen and bathroom fixtures initially installed therein by the Declarant and the replacements thereto installed by the Declarant, but not including furniture, wall coverings, furnishings or other personal property supplied or installed by Unit Owners. Furthermore, Demolition and Contingent Liability from Operation of Building Laws Endorsements, Increased Cost of Construction Endorsement and Earthquake Damage endorsement shall be procured as required. The amount of coverage is to be redetermined annually by the Board of Directors with the assistance of the insuring company. The Master insurance 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 water damage;

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

(b) Such 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 operation shall not be exercisable without the prior written approval of the Unit Owners Association (or any Insurance Trustee) or when in conflict with provisions of any Insurance Trust Agreement to which the Association may be a party, or any requirement of law.

(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 elimination of 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' policies shall be deemed excess coverage and in no event shall the insurance coverage obtained and maintained by the Board of Directors hereunder provide for or be brought into contribution with insurance purchased by individual Unit Owners or their Mortgagees unless required by law.

Section 3. Liability Insurance: The Board of Directors shall obtain and maintain comprehensive general liability libel, slander, false arrest and invasion of privacy coverage and liability coverage for acts of The Unit Owners Association, officers and Directors of the Unit Owners Association, and property damage insurance in a limit no less than \$1,000,000.00 per occurrence, insuring The Unit Owners Association, each member of the Board of Directors, the Managing Agent, each Unit Owner, those entitled to occupy any Unit, and the Declarant 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. Such insurance shall be issued on a comprehensive liability basis and shall contain: (i) a cross liability endorsement under which the rights of a named insured under the policy shall not be prejudiced with respect to his action against another named insured; (ii) hired and non-owned vehicle coverage; (iii) host liquor liability coverage with respect to events sponsored by the Unit Owners Association; (iv) deletion of the normal products exclusion with respect to events sponsored by the Unit Owners Association; and (v) a "severability of interest" endorsement which shall preclude the insurer from denying liability to a Unit Owner because of negligent acts of the Unit Owners Association or of another Unit Owner.

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

Section 4. Other Insurance: The Board of Directors shall obtain and maintain:

(a) adequate fidelity coverage to protect against dishonest acts on the part of officers, directors, trustees and employees of the Unit Owners Association and all others who handle, or are responsible for handling, funds of the Unit Owners Association. Such fidelity bonds shall: (i) name the Unit Owners 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 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;

(b) if required by any governmental or quasi-governmental agency including without limitation the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, flood insurance in accordance with the then applicable regulations of such agency;

(c) workmen's compensation insurance if and to the extent necessary to meet the requirements of law;

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

(e) such other insurance as the Board of Directors may determine or as may be requested from time to time by a Majority of the Unit Owners.

Section 5. Separate Insurance: Each Unit Owner shall have the right, at his own expense, to obtain additional insurance for his own Unit and for his own benefit and to obtain insurance coverage upon his personal property, for any "betterments and Improvements" made to his Unit and for his personal liability, provided that no Unit Owner shall be entitled to exercise his right to 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 on the property 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 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 property other than personal property belonging to such Unit Owner, shall be required to file a copy of such individual policy or policies with the Board of Directors within thirty (30) days after the purchase of such insurance. Such Unit Owner shall also promptly notify, in writing, the Board of Directors in the event of cancellation.

Section 6. Insurance Trustee:

(a) The Board of Directors shall have the right (but shall not be required) to designate any bank, trust company, management agent, savings and loan association, building and loan association, insurance company or any institutional lender, or the Unit Owners Association, as the Insurance Trustee, and all parties beneficially interested in such insurance coverage shall be bound thereby. The Insurance Trustee at the time of the deposit of such policies

and endorsements shall acknowledge that the policies and any proceeds therefrom will be held in accordance with the terms of these By-laws.

(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 such proceeds as are paid to it and to hold the same in trust for the purposes elsewhere stated in these By-Laws, for the benefit of the Unit Owners and their respective Mortgagees.

Section 7. Board of Directors as Agent: The Board of Directors is hereby irrevocably appointed the agent for each Unit Owner of a Unit and for each Mortgagee of a Unit and for each Owner of any interest in the Condominium to adjust all claims arising under insurance policies purchased by the Board of Directors and to execute and deliver releases upon the payment of claims.

Section 8. Premiums: Premiums upon all insurance policies purchased by the Board of Directors shall be deemed to be a Common Expense.

ARTICLE VIII

REPAIR AND RECONSTRUCTION AFTER FIRE OR OTHER CASUALTY

Section 1. When Repair and Reconstruction are Required. Except as otherwise provided in Section 4 of this Article, in the event of damage to or destruction of all or any of the buildings as a result of fire or other casualty, the Board of Directors, or the Insurance Trustee, if any, shall arrange for and supervise the prompt repair and restoration of the Buildings (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 the Declarant, but not including any furniture, furnishings, fixtures, equipment or other personal property supplied or installed by the Unit Owners in the Units). Notwithstanding the foregoing, each Unit Owner shall have the right to supervise the redecorating of his own Unit.

Section 2. Procedure for Reconstruction and Repair.

(a) Cost Estimates. Immediately after a fire or other casualty causing damage to a building, the Board of Directors shall obtain reliable and detailed estimates of the cost of repairing and restoring the building, including any damaged Unit, but not including any other furniture, furnishings, fixtures or equipment installed by the Unit Owners in the Unit 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 said estimated costs of reconstruction and repair as determined by the Board of Directors, or if at any time during reconstruction and repair, or upon completion of reconstruction and repair, the funds for the payment of the costs thereof are insufficient, assessments necessary to cover such insufficiency shall be made against all the Condominium Units according to the respective Common Element Interests as set forth in the Declaration of the Condominium, as the same may be amended from time to time. Notwithstanding anything to the contrary herein contained, the Unit Owners Association shall not be responsible for any items of repair, replacement, or maintenance or consequential damage to any Unit, for which it would not otherwise be responsible under the provisions of these By-Laws unless the loss or consequential damage caused to said Unit and requiring repair, replacement or maintenance, was occasioned through the fault of the Unit Owners Association. This provision shall be deemed to include the payment by the Unit Owners or Owners of any deductible amount under any Association insurance policy.

(c) Plans and Specifications. Any such reconstruction or repair shall be substantially in accordance with the plans and specifications under which the property was originally constructed, and later restored by the Declarant.

(d) Encroachments. Encroachments upon or in favor of Units which may be created as a result of such 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 Property was originally constructed. Such encroachments shall be allowed to continue in existence for so long as the reconstructed building shall stand.

Section 3. Disbursements of Construction Funds.

(a) Construction Fund. The net proceeds of insurance collected on account of a casualty and the funds collected by the Board of Directors from assessments against Unit Owners on account of such casualty shall constitute a construction fund which shall be disbursed in payment of the cost of reconstruction and repair in the manner set forth in this Section. If the net proceeds of insurance collected on account of a casualty exceeds Twenty-Five Thousand Dollars (\$25,000.00), then the funds collected by the Board of Directors from assessments against the 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 Unit Owners Association general operating account, or rebated to the Unit Owners.

(c) 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, of the Unit Owners Association 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 disbursing of any construction fund held by it. 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 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 shall be terminated pursuant to section 55-79.72 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 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 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 First Mortgagee, shall promptly report any then unpaid assessments due from, or any other default by, the owner of the mortgaged Unit.

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 Act or Condominium Instruments, and, if such default is not cured within 60 days, shall promptly send a copy of such notice to each holder of a mortgage covering such Unit whose name and address has theretofore been furnished to the Board of Directors.

Section 4. Examination of Books. Each Unit Owner and each First Mortgagee shall be permitted to examine the books of account of the Condominium at reasonable times and upon reasonable notice, on a business day, but not more often than once a month.

Section 5. Notices of Damages, Condemnation. The Board of Directors shall timely notify: (i) the first Mortgagee of a Unit whenever damage to the Unit covered by the mortgage exceeds \$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 \$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.

Section 6. 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 two-thirds of all mortgagees shall be required to effectuate any decision by the Unit Owners Association to terminate professional management and assume self-management of the Condominium.

Section 7. Audited Financial Statement. Each First Mortgagee shall be entitled to receive, upon request, a copy of the annual audited financial statement within sixty (60) days following the end of the Association's fiscal year.

Section 8. Rights of First Mortgagees. Unless at least two-thirds (2/3) of the First Mortgagees (based upon one vote for

each first mortgage owned) have given their prior written approval, the Unit Owners Association shall not:

(a) change any Unit's Common Element Interest except as permitted by the Declaration;

(b) partition or subdivide any Unit or that Unit's Common Element Interest of the Condominium, or abandon, partition, subdivide, encumber, sell or transfer the Common Elements of the Condominium (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) except as may be permitted by the Declaration;

(c) by act or omission seek to abandon or terminate condominium status of the project except as provided by statute in case of substantial loss to the Units and Common Elements of the Condominium;

(e) use the proceeds of casualty insurance for any purpose other than replacement, repair or reconstruction of the Units or Common Elements except as permitted by the Condominium Act.

Section 9. "First Mortgagee", "Mortgagee", and "Mortgage". As used in this Article and generally in the Declaration and By-Laws, "First Mortgage" and the term "Mortgagee" includes the holder of a note secured by a First Deed of Trust or Mortgage encumbering a unit and recorded among the land records of Arlington County, Virginia, and the term "Mortgage" includes any Deed of Trust recorded among the said land records.

Section 10. Other Mortgagees Rights. All mortgagees or their representatives shall be entitled to attend meetings of the Unit Owners Association and shall have the right to speak thereat. In addition thereto, all Mortgagees shall have the right to examine the books and records of the Condominium and require the submission of annual financial reports and other budgetary information.

Section 11. Amendment to the Declaration or to the By-Laws of the Unit Owners Association. Except as otherwise permitted by the Condominium Instruments, the prior written approval of two-thirds (2/3) of all institutional holders of First Mortgagees will be required for any material amendment to the Declaration or By-Laws of the Unit Owners Association.

ARTICLE X

COMPLIANCE AND DEFAULT

Section 1. Relief. As set forth in Section 55-79.53, Code of Virginia, as amended, each Unit Owner of a Unit shall be governed by, and shall comply with, all of the terms of the Declaration, these By-Laws and the Rules and Regulations, and any amendments of the same. A default by a Unit Owner shall entitle the Unit Owners Association, acting through its Board of Directors or through the Managing Agent, to the following relief.

(a) Legal Proceedings. Failure to comply with any of the terms of the Declaration, these By-Laws and the Rules and Regulations shall be grounds for relief which may include, without limitation to, an action to recover any sums due for money damages, injunctive relief, foreclosure of the lien for payment of all assessments, any other relief provided for in these By-Laws or any combination thereof and any other relief afforded by a court of competent jurisdiction, all of which relief may be sought by the Unit Owners Association, the Board of Directors, the Managing Agent, or, if appropriate, by an aggrieved Unit Owner.

(b) Additional Liability. Each Unit Owner shall be liable for the expense of all maintenance, repair or replacement rendered necessary by his act, neglect or carelessness or the act, neglect or carelessness of any member of his family or employees, agents, licensees, guests, or lessees, but only to the extent that such expense is not covered by the proceeds of insurance carried by the Board of Directors. Such liability shall include 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 any alleged default by a Unit Owner, the prevailing party shall be entitled to recover the costs of the proceeding, and such reasonable attorneys' fees as may be determined by the Court.

(d) No Waiver of Rights. The failure of the Unit Owners Association, the Board of Directors, or of a Unit Owner to enforce any right, provision, covenant, or condition which may be granted by the Declaration, these By-Laws or the Rules and Regulations shall not constitute a waiver of the right of the Unit Owners Association, the Board of Directors, or the Unit Owner to enforce such right, provision, covenant or condition in the future. All rights, remedies and privileges granted to the Unit Owners Association, the Board of Directors, or any Unit Owner pursuant to any term, provision, covenant or condition of the Declaration, these By-Laws, 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 such party by the Declaration, these By-Laws 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 Common Expenses or other sum assessed against him which continues for a period in excess of ten (10) days, such Unit Owner may, at the option of the Board of Directors, be obligated to pay interest on the amounts due at the maximum legal rate of interest allowed by law from the due date thereof.

(f) Abatement and Enjoinment of Violations by Unit Owners. The violation of any rule or regulation adopted by the Board of Directors, or the breach of any By-Law contained herein, 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 By-Laws; (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; or (2) to enjoin, abate or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any such breach.

(g) Failure by a Unit Owner to comply with any of the terms of the Declaration, these By-Laws and the Rules and Regulations, shall subject such Unit Owner to other penalties that may be established by resolution of the Board of Directors, including, but not limited to, the imposition of fines.

Section 2. Lien for Contributions.

(a) Any sum assessed by the Unit Owners Association for the share of the Common Expenses chargeable to any Unit may be enforced by any and all lawful means selected by the Board of Directors.

(b) Late Charges. Any assessment levied pursuant to the Declaration or these By-Laws, or any installment thereof, which is not paid within ten (10) days after it is due, may at the option of the 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 at the Board of Directors may fix, and in addition, the Board of Directors may declare the installments which would otherwise be due during the remaining fiscal year immediately due and payable and may take those actions to collect such accelerated amounts as are provided in these By-Laws for the collection of assessments.

Section 3. Subordination and Mortgage Protection. Notwithstanding any other provisions hereof to the contrary, the lien of any assessment levied pursuant to these By-Laws upon any Unit (and any penalties, interest on assessments, late charges or the like shall be subordinate to: (1) all taxes, bonds, assessments and other levies which, by law, would be superior thereto; (2) the lien of any first mortgage or deed of trust of record made in good faith and for value; and (3) the lien of any assessment levied pursuant to the Declaration of Covenants, Conditions, and Restrictions for Colonial Village Community Services Association. Such subordination shall apply only to assessments which have become due and payable prior to a sale or transfer of such Unit pursuant to a foreclosure or by proceeding in lieu of foreclosure. Such sale or transfer shall not relieve the purchaser of the Unit at such sale from liability for any assessments thereafter becoming due, nor from the lien of any such subsequent assessment, which lien shall have the same effect and be enforced in the same manner as provided herein.

ARTICLE XI

USE RESTRICTIONS ON UNITS AND COMMON ELEMENTS

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

(a) Except for the areas of the Condominium designated for recreational use and except as provided in the Declaration, no Unit shall be used for other than housing and the related common purposes for which the Property was designed. The Board of Directors may permit reasonable, temporary non-residential uses from time to time in any Unit. Nothing in these By-Laws shall be construed to prohibit the Declarant from using any Unit owned by Declarant for promotional, marketing, administrative office, display or other related purposes or from using any appropriate portion of the Common Elements for settlement of sales of Condominium Units.

(b) Nothing shall be done or kept in any Unit or in the Common Elements which will increase the rate of insurance for the Property or any part thereof applicable for residential use without the prior written consent of the Board of Directors. No Unit Owner shall permit anything to be done or kept in his Unit or in the Common Elements which will result in the cancellation of insurance on the Property or any part thereof or which would be in violation of any law, regulation or administrative ruling. No waste will be committed in the Common Elements.

(c) No immoral, improper, offensive or unlawful use shall be made of the Property or any part thereof, and all valid laws, zoning ordinances and regulations of all governmental agencies having jurisdiction thereof shall be observed. All laws, orders, rules, regulations or requirements of any governmental agency having jurisdiction thereof relating to any portion of the Property shall be complied with, by and at the sole expense of the Unit Owner or the Board of Directors, whichever shall have the obligation to maintain or repair such portion of the Property, and, if the latter, then the cost of such compliance shall be a Common Expense.

(d) No Unit Owner shall obstruct any of the Common Elements nor shall any Unit Owner place or cause or permit anything to be placed on or in any of the Common Elements (except those areas designated for such storage by the Board of Directors) without the approval of the Board of Directors. Nothing shall be altered or constructed in or removed from the Common Elements except upon the prior written consent of the Board of Directors.

(e) The sidewalks, entrances, passages, vestibules, stairways, corridors, halls and all of the Common Elements must not be obstructed or encumbered or used for any purpose other than ingress and egress to and from the premises; nor shall any carriages, bicycles, wagons, shopping carts, chairs, benches, tables, or any other object of a similar type and nature be stored therein. No person or persons shall play or loiter in halls, stairways.

(f) No Unit shall be rented for transient or hotel purposes or in any event for an initial period of less than six months. No portion of any Unit (other than the entire Unit) shall be leased for any period. No Unit Owner shall lease a Unit other than on a written form of lease requiring the lessee to comply with the Condominium Instruments and Rules and Regulations, and providing that failure to comply constitutes a default under

the lease. The Board of Directors may provide a suggested standard form lease for use by Unit Owners. Each Unit Owner of a Condominium Unit shall, promptly following the execution of any lease of a Condominium Unit, forward a conformed copy thereof to the Board of Directors. The foregoing provisions of this subparagraph, except for the restriction against use for hotel or transient purposes, shall not apply to the Declarant, or a Mortgagee in possession of a Unit as a result of a foreclosure or other judicial sale or as a result of any proceeding in lieu of foreclosure. Nothing in these By-Laws shall be construed to prohibit the Declarant from using any Unit owned by the Declarant or Common Element of the Condominium for promotional, marketing, administrative office, display or other related purposes or from using any Unit or portion of the Common Elements for the settlement of sales of Condominium Units.

(g) Trailers, campers, recreational vehicles or boats may be parked on the Property only in parking areas designated exclusively for such purposes by the Board of Directors. The Board of Directors may determine not to permit parking of such vehicles on the Property. No vehicles shall remain on the Condominium premises unless it has current state license plates, county tags and a current inspection sticker. Repairing or washing of vehicles of any kind shall not be permitted upon the Condominium property.

(h) The maintenance, keeping, boarding and/or raising of animals, livestock, poultry or reptiles of any kind, regardless of number, shall be and is prohibited within any Unit or upon the Common Elements, except that the keeping of small, orderly domestic pets (e.g., dogs, cats or caged birds) not to exceed one per unit without the written approval of the Board of Directors, is permitted, subject to the Rules and Regulations adopted by the Board of Directors; provided, however, that such pets are not kept or maintained for commercial purposes or for breeding and provided, further, that any such pet causing or creating a nuisance or unreasonable disturbance or noise may be permanently removed from the Property upon ten (10) days' written notice from the Board of Directors. Such pets shall not be permitted upon the Common Elements unless accompanied by an adult and unless carried or leashed. Any Unit Owner who keeps or maintains any pet upon any portion of the property shall be deemed to have indemnified and agreed to hold the Condominium, each Unit Owner and the Declarant free and harmless from any loss, claim or liability of any kind or character whatever arising by reason of keeping or maintain such pet within the Condominium. All pets shall be registered with the Board of Directors and shall otherwise be registered and inoculated as required by law.

(i) Except for such signs as may be posted by the Declarant for promotional or marketing purposes, no signs of any character shall be erected, posted or displayed upon, in, from or about any Unit or Common Elements without the prior written approval of the Board of Directors. The provisions of this subparagraph shall not be applicable to the institutional holder of any first mortgage which comes into possession of any Unit by reason of any remedies provided for in the mortgage, foreclosure

of any mortgage or any deed of trust or other proceeding in lieu of foreclosure.

(j) Sufficient carpeting and padding shall be maintained on at least eighty percent (80%) of the floor surfaces (excluding kitchens, closets and bathrooms) in Units located over other Units to adequately reduce transmission of sound between Units. (Except as may be installed by Declarant during its initial renovation of units, washers, dryers, dishwashers, trash compactors, and other major appliances may not be installed in a Unit without prior written approval of the Board of Directors.)

(k) The Common Elements which may comprise the recreational facilities of the Condominium may be used for general recreational purposes by Unit Owners, their families, tenants and guests. The Board of Directors may, from time to time, promulgate reasonable rules and regulations regarding the use of any such recreational facilities and all parties using same shall abide by such rules and regulations.

(l) No Unit Owner shall allow anything whatsoever to fall from the windows of the premises, nor shall he sweep or throw from his Unit any dirt or other substances outside of his Unit.

(m) Refuse and bagged garbage shall be deposited in the area provided therefor.

(n) No clothes line or similar device shall be permitted on any portion of the Condominium Property, including Limited Common Areas, nor shall clothes be hung anywhere except in such areas as are designated by the Board of Directors of the Association. The Board of Directors may choose not to designate such areas.

(o) Except for the Declarant, no Unit Owner is or shall be permitted to install any type of fireplace within his Unit, without the prior written consent of the Board of Directors.

(p) The Board of Directors of the Association may retain a pass-key to all Units. No Unit Owner or occupant shall alter any lock or install a new lock, without the written consent of the Board of Directors of the Association. Where such consent is given, the Unit Owner shall provide the Association with an additional key for the use of the Association, pursuant to its right of access.

(q) No Unit Owner shall make or permit any disturbing noises by himself, his family, his servants, employees, agents, visitors and licensees, nor do or permit anything by such persons that will interfere with the rights, comforts or convenience of other Unit Owners.

(r) No radio or television installation, or other wiring, shall be made without the written consent of the Board of Directors. Any antenna or aerial erected or installed on the exterior walls of a Unit or on the Limited Common Elements or

Common Elements of the Condominium, which includes the roof, without the consent of the Board of Directors, in writing, is liable to removal and disposal thereof without notice and at the cost of the Unit Owner for whose benefit the installation was made.

(s) Waterbeds shall not be permitted in any Unit without written consent of the Board of Directors.

Section 2. Rules and Regulations. Each Unit and the Common Elements shall be occupied and used in compliance with the Rules and Regulations which may be promulgated and amended by the Board of Directors. Copies of the Rules and Regulations shall be furnished by the Board of Directors to each Unit Owner. Amendments to the Rules and Regulations shall be conspicuously posted prior to the time when the same shall become effective and copies thereof shall be furnished to each Unit Owner upon request.

Section 3. Right of Access. By acceptance of his deed of conveyance, each Unit Owner thereby grants a right of access to his Unit, as provided by Section 55-79.79(a) of the Condominium Act and as further set forth in the Declaration to the Board of Directors or the Managing Agent, or any other person authorized by the Board of Directors or the Managing Agent, or any group of the foregoing, for the purpose of enabling the exercise and discharge of their respective powers and responsibilities, including, without limitation, making inspections, correcting any condition originating in his Unit and threatening another Unit or the Common Elements, performing installations, alterations, or repairs to the mechanical or electrical services or the Common Elements in his Unit or elsewhere in the Property or to correct any condition which violates any mortgage; provided, however, that requests for entry are made in advance and that any such entry is at a time reasonably convenient to the Unit Owner. In case of an emergency, such right of entry shall be immediate, whether the Unit Owner is present at the time or not.

Section 4. Utility Charges. The cost of utilities serving the Condominium not individually metered to a Unit shall be Common Expenses.

Section 5. Parking Spaces. Except to the extent limited by the parking easement set forth in Article XI, Section 9 of the Declaration or to such parking spaces as may be used by Declarant in conjunction with Declarant's sales program, all parking spaces designated as such on the Plats and Plans shall be used by the Unit Owners for self-service parking purposes on a "first come, first served" basis, except as the Board of Directors may otherwise determine; provided, however, that no Unit Owner shall park more than one vehicle (owned or leased by such Unit Owner, or a member of his family) on the Common Element parking spaces without the prior written consent of the Board of Directors. The cost of maintenance and repair of all parking areas shall be a Common Expense.

Section 6. Storage Areas; Disclaimer of Bailee Liability. Any storage cubicles or areas in the Condominium are Common Elements and may be assigned to Units by appropriate resolution of the Board of Directors. The Board of Directors, the Unit Owners Association, any Unit Owner and the Declarant shall not be considered a bailee, however, of any personal property

stored on the Common Elements (including property located in storage cubicles or areas and vehicles parked in the parking areas of the Condominium), whether or not exclusive possession of the particular area is given to a Unit Owner for storage purposes, and shall not be responsible for the security of such personal property or for any loss or damage thereto, whether or not due to negligence.

ARTICLE XII

CONDEMNATION

In the event of a taking in condemnation or by eminent domain, the provisions of Section 55-79.44, Code of Virginia, as amended, shall prevail and govern.

ARTICLE XIII

MISCELLANEOUS

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

(a) If to a Unit Owner, at the address which the Unit Owner shall designate in writing and file with the Secretary, or if no such address is designated, at the address of the Unit of such Unit Owner; or

(b) If to the Unit Owners 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 the notice in writing to the Unit Owners pursuant to this Section.

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

Section 3. Resale by Purchaser. The Unit Owners Association, in complying with Section 55-79.97(a), Code of Virginia, 1950, as amended, shall furnish to the purchaser prior to contract date, the appropriate statements. The Board of Directors of the Unit Owners Association may charge the seller up to the maximum amount allowed by law to comply with statements pursuant to Sections 55-79.84(h) and 55-79.85, Code of Virginia, 1950, as amended. In addition, the Board of Directors may fix such other amounts as are required in complying with Section 55-79.97(a), 2 through 7, Code of Virginia, 1950, as amended.

Section 4. Interchangeable Terms. As used in these By-Laws, 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.

AMENDMENTS TO BY-LAWS

Section 1. Amendments. These By-Laws may not be modified or amended except as provided in Section 55-79.72 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: (1) Section 2 of Article II; (2) Section 9 of Article II; (3) Section 1 of Article III; and (4) Section 1 of this Article XIV may not be amended without the consent in writing of the Declarant, so long as the Declarant shall be the Unit Owner of Units representing twenty-five percent (25%) or more of the aggregate Common Element Interests of the Condominium.

Section 2. Approval of Mortgagees. These By-Laws contain provisions concerning various rights, priorities, remedies and interests of Mortgagees. Such provisions in these By-Laws 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 By-Laws impairing or affecting such rights, priorities, remedies or interests of a Mortgagee shall be adopted without the prior written consent of such Mortgagee.