

SECOND AMENDED AND RESTATED
BYLAWS OF
VILLAGES OF KILN CREEK OWNERS ASSOCIATION

ARTICLE I

Plan of Ownership

Section 1.1. Applicability. These Bylaws provide for the governance of Villages of Kiln Creek Owners Association, a Virginia nonstock corporation (the "Association"). Capitalized terms used herein without definition shall have the meanings specified for such terms in the Second Amended and Restated Articles of Incorporation of the Association (the "Articles") or in the Second Amended and Restated Villages of Kiln Creek Declaration of Covenants and Restrictions dated as of August 25, 2009, made by the Association, and recorded in the Clerk's Office of the Circuit Court of the County of York, Virginia, as Instrument Number 090018824, and in the Clerk's Office of the Circuit Court of the City of Newport News, Virginia, as Instrument Number 090017258, as the same may hereafter be amended, restated or supplemented, (collectively, the "Declaration").

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

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

ARTICLE II

Membership

Section 2.1. Membership. Every Owner of a Lot and a Parcel shall be a Member of the Association. Membership shall be appurtenant to, and shall not be separated from, ownership of any Lot or Parcel. Upon the recordation of a deed to any Lot or Parcel or upon any other transfer or conveyance of the record title to any Lot or Parcel, the membership of the former owner shall cease and the Owner who acquires record title shall become a member of the Association.

Section 2.2. Classes of Members. All Owners of Lots and Parcels shall be Class A Members. (The Developer's Class B membership has expired, and, therefore, the Association now has one class of Members of the Association. In addition, according to the records of the State Corporation Commission of the Commonwealth of Virginia, the Developer, D&B Venture, L.C. was voluntarily dissolved as of March 1, 2004 and, therefore, the Developer is no longer in existence.)

Section 2.3. Voting Rights.

(a) Each Class A Member shall be entitled to cast one vote for each Lot and Parcel owned.

(b) Notwithstanding subsection (a) above, if a Parcel is developed for residential apartment use, the Owner thereof shall be entitled to cast the product of three (3) Class A votes per acre multiplied by the acreage of the Parcel. If such product is other than a whole number, the product shall be adjusted upward to the nearest whole number.

(c) The Board of Directors may suspend the voting rights of any Member during the period when any assessment shall be past due, but upon payment in full of such assessment the voting rights of such Member shall be automatically restored. The Board of Directors, after appropriate due process, may also suspend the voting rights of any Member who is in violation of the Declaration, a Supplemental Declaration or the rules or architectural guidelines promulgated by the Association and/or who allows a violation to exist on his/her Lot if such violation remains uncorrected after the last day of a period established for correction by the Association (such period to be stated in a notice to the Owner together with a statement of the violation complained of and the manner of its correction).

ARTICLE III

Meetings of Members

Section 3.1. Annual Meetings. Beginning in the calendar year following the year in which these Second Amended and Restated Bylaws are adopted by the Members of the Association, the annual meeting of Members of the Association shall be held on the first Tuesday in March of each year unless the same shall fall on a legal holiday, in which case the annual meeting shall be held on the next succeeding business day which is not a legal holiday, or on such other date as shall be designated from time to time by the Board of Directors and stated in the notice or waiver of notice of the meeting. (Prior to such time, the annual meeting of the Members of the Association shall be held on the date specified in the Amended and Restated Bylaws.)

Section 3.2. Special Meetings. The President shall call a special meeting of the Association if so directed by resolution of the Board of Directors or upon a petition signed and presented to the Secretary by Owners holding not less than ten percent (10%) of the Class A membership votes. The notice of any special meeting shall state the time, place and purpose thereof. Only business within the purpose or purposes described on the notice of a special meeting shall be transacted at the meeting.

Section 3.3. Place of Meetings. Meetings of the Members shall be held at the principal office of the Association or at such other suitable place as may be designated by the Board of Directors.

Section 3.4. Notice of Meetings. The Secretary shall send to each Owner a notice of each annual or regularly scheduled Members' meeting of the Association at least fourteen (14) but not more than sixty (60) days before such meeting, stating the time, date and place thereof. Notice of any other membership meeting shall be given at least seven (7) but not more than sixty (60) days prior to such meeting, stating the time, place and the purpose thereof. Notwithstanding the foregoing, notice of any membership meeting at which there shall be voted upon any amendment to the Articles, a plan of merger, a proposed sale of assets pursuant to Section 13.1-900 of the Virginia Code or the dissolution of the Association shall be given as required by Section 13.1-842 of the Virginia Code. The mailing or personal delivery of a notice of meeting in the manner provided in these Bylaws and Section 55-510(E) of the Virginia Code and by any of the means authorized by Section 13.1-842 of the Virginia Code shall be considered service of notice. Notwithstanding the foregoing provisions, a waiver of notice in writing, signed by the Member or Member(s) entitled to such notice, whether before or after the meeting, shall be equivalent to the giving of such notice to such Member(s). A Member who attends a meeting shall be deemed to have had timely and proper notice of the meeting unless such Member attends for the express purpose of objecting because the meeting is not lawfully called or convened.

Section 3.5. Adjournment of Meetings. If at any meeting of the Members a quorum is not present, Owners holding a majority of the votes who are present at such meeting in person or by permitted proxy may adjourn the meeting to a time not less than *forty-eight hours* after the time the original meeting was called. Notice of an adjournment of any meeting of the Association shall be posted at a community communications board located at the Association's offices or other conspicuous location and shall state the time and place for the meeting to be reconvened. Notice may also be posted on any Website of the Association; however, posting of notice on such a Website shall not constitute official notice of such meeting. If a meeting is adjourned to a different date, time or place, the notice required pursuant to Section 3.4 above need not be given if the new date, time or place is announced at the meeting before adjournment.

Section 3.6. Voting. Voting at all meetings of the Association shall be on the basis set forth in these Bylaws. Where the ownership of a Lot or Parcel is in more than one person, the person who shall be entitled to cast the vote appurtenant to such Lot or Parcel shall be the person named in a certificate executed by all of the Owners of such Lot or Parcel and filed with the Secretary or, in the absence of such person from the meeting, the person entitled to cast the vote appurtenant to such Lot or Parcel shall be the person owning such Lot or Parcel who is present. If more than one person owning such Lot or Parcel is present, then such vote shall be cast only in accordance with their unanimous agreement, and absent such unanimous agreement, the vote appurtenant to such Lot or Parcel may not be cast at such meeting. Such certificate shall be valid until revoked by a subsequent certificate similarly executed. Wherever the approval or disapproval of an Owner is required by the Declaration, the Articles or these Bylaws, such approval or disapproval shall be made only by the person who would be entitled to cast the vote of such Lot or Parcel at any meeting of the Association. Except where a greater number is required by law, the Declaration, the Articles or these Bylaws, Owners holding more than one-half of the aggregate Class A membership votes present in person or by proxy at a duly convened meeting at which a quorum is present ("Majority of Owners") are required to adopt decisions at any meeting of the Association.

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

Section 3.8 Alternative Voting Procedures. Notwithstanding any other provision of these Bylaws, to the extent permitted by the laws of Virginia, including, but not limited to, Section 13.1-846 of the Virginia Code, and provided the Board of Directors deems it to be in the best interest of the Association, any vote to be taken of the Members for the election of directors may be taken by mail or electronically by e-mail or similar service which satisfies the requirements of Section 13.1-846 of the Virginia Code, and the number of votes necessary for election as a director shall be the same as if the vote were taken at a meeting.

Section 3.9 Quorum. Except as otherwise provided in these Bylaws, the presence in person or by proxy of the Owners holding ten percent of the aggregate Class A membership votes shall constitute a quorum at all meetings of the Members of Association.

Section 3.10 Conduct of Meetings. The President (or, in the absence of the President, the Vice-President or other duly designated officer) shall preside over all meetings of the Association, and the Secretary (which may be a recording secretary) shall keep the minutes of the meeting and record in a minute book all resolutions adopted and a record of all other transactions occurring, at the meeting.

ARTICLE IV

Board of Directors

Section 4.1. Number and Election. The affairs of the Association shall be managed under the direction of its Board of Directors. Directors shall be elected by the Members or otherwise appointed in accordance with the provisions of these Bylaws, the Articles and the Virginia Non-Stock Corporation Act. No more than two directors may be Owners in the same Neighborhood. The Articles contain additional provisions regarding a Member's eligibility to serve on the Board of Directors. Due to the time commitment required to serve on the Board of Directors as well as the heightened potential for conflicts of interest, Owners may not simultaneously serve on the Board of Directors while serving as members of any Neighborhood Advisory Board, Neighborhood Advisory Committee or separate association for any Neighborhood. The method of nominating and electing Directors and the term for which each Director is to be elected shall be as provided in the Articles. The removal of Directors and the filling of vacancies in the Board of Directors shall also be as provided in the Articles.

Section 4.2. Powers and Duties. The Board of Directors shall have all of the powers and duties necessary for the administration of the affairs of the Association and may do all such

acts and things as are by applicable law, the Declaration, the Articles or by these Bylaws required to be exercised and done by the Association. The Board of Directors shall have the power from time to time to adopt and enforce rules and regulations with respect to the Common Areas, the Limited Common Areas and the Neighborhood Common Areas, and with respect to such other areas of responsibility assigned to the Association by the Declaration or any Supplemental Declaration; provided however, such rules and regulations shall not be in conflict with the Declaration, applicable Supplemental Declarations, the Articles or these Bylaws. The Board of Directors may from time to time elect to have the Association treated as a "homeowner's association" within the meaning of Section 528 of the Internal Revenue Code of 1986, as amended. In addition to the duties imposed by these Bylaws or by any resolution of the Association that may hereafter be adopted, the Board of Directors on behalf of the Association shall have the power and duty to:

(i) Prepare an annual budget in which there shall be established the Annual Assessments of each Owner.

(ii) Make Annual Assessments and, to the extent permitted by the Declaration, special assessments against Owners to defray the costs and expenses of the operation of the Association and the Common Areas, the Limited Common Areas and the Neighborhood Common Areas and the services provided by the Association, establish the means and methods of collecting such assessments from the Owners and establish the period of the installment payments of the assessments. Unless otherwise determined by the Board of Directors and except as set forth in the Declaration, the regular assessment against each Lot and Parcel shall be payable in equal semi-annual installments, each such installment to be due and payable in advance on the first day of January and July of each year.

(iii) Provide for the operation, care, upkeep, maintenance and servicing of the Common Areas, the Limited Common Areas and the Neighborhood Common Areas.

(iv) Designate, hire and dismiss the personnel necessary for the operation, care, upkeep, maintenance and servicing of the Common Areas, the Limited Common Areas and the Neighborhood Common Areas and such other areas of responsibility of the Association 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.

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

(vi) Enact and amend rules and regulations from time to time to govern the use and enjoyment of the Common Areas, the Limited Common Areas and the Neighborhood Common Areas and establish fees for the use of the Common Areas, the Limited Common Areas and the Neighborhood Common Areas; provided however, that no such rules and regulations so adopted shall be in conflict with the Declaration, any applicable Supplemental Declaration, the Articles or these Bylaws; and provided further

that no such rules and regulations shall bind or be construed so as to impair in any manner the lien of any mortgage or deed of trust with respect to any Lot and/or Parcel and/or the Common Areas, the Limited Common Areas and/or the Neighborhood Common Areas.

(vii) Open bank accounts on behalf of the Association and designate the signatories thereon.

(viii) Make, or contract for the making of, repairs, additions, demolition and improvements to or alterations of the Common Areas, the Limited Common Areas and the Neighborhood Common Areas in accordance with the Declaration.

(ix) Enforce by legal means the provisions of the Declaration, the Supplemental Declaration, the Articles, these Bylaws and the rules and regulations promulgated pursuant thereto.

(x) Obtain and carry insurance as provided in the Declaration and in Article IX of these Bylaws.

(xi) Pay the cost of all authorized services rendered to the Association and not billed to Owners or otherwise provided for.

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

(xiii) Subject to Section 10.4 of these Bylaws, acquire (by gift, purchase, or otherwise) own, improve upon, operate, maintain, convey, encumber, sell, lease, transfer, dedicate for public use or otherwise, dispose of Lots, Parcels, Common Areas, Limited Common Areas, Neighborhood Common Areas and other property of whatsoever nature.

(xiv) Enter into land contracts, leases and maintenance agreements, cost sharing, shared use, and cross access arrangements with any person, including without limitation, any other property owners association providing services and/or shared facilities in the vicinity of the property.

(xv) Do such other things and acts not inconsistent with the Declaration, the Supplemental Declarations, the Articles or these Bylaws which the Board of Directors may be authorized to do under applicable law or by a resolution of the Association.

(xvi) Subject to Section 10.4 of these Bylaws, grant permits, licenses and easements under, through and over the Lots and Parcels (as provided in the Declaration), the Common Areas, the Limited Common Areas and the Neighborhood Common Areas for drainage, utilities, roads and access and other purposes which are reasonably necessary to the ongoing development and operation of the Common Areas, the Limited Common Areas and the Neighborhood Common Areas, any golf course adjacent to the Properties and any development adjoining the Properties.

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

(xviii) Borrow money and mortgage, lien, pledge or hypothecate any or all of the real or personal property owned by the Association as security for money borrowed or debts incurred.

(xix) Grant to any person or persons a license and/or similar right to make exclusive use of portions of the Common Areas, the Limited Common Areas and the Neighborhood Common Areas provided such grant is evidenced by a duly executed resolution of the Board of Directors.

Section 4.3. Management.

(a) Employment of Manager or Management Agent. The Board of Directors may employ for the Association a Director of Operations and/or contract with an independent "Managing Agent" at a compensation to be established by the Board of Directors. Any agreement with a Managing Agent shall be for a term not exceeding one (1) year and must permit termination by either party without cause and without termination fee upon no more than ninety (90) days' written notice.

(b) Duties. The Director of Operations (or the Managing Agent, as the case may be) shall perform such duties and services as the Board of Directors shall authorize, which may include but are not limited to the duties listed in Section 4.2(i), (iii), (iv), (v), (viii), (ix), (x), (xi), and (xii) of these Bylaws. The Board of Directors may delegate to the Director of Operations (or to the Managing Agent, as the case may be) all of the powers granted to the Board of Directors by these Bylaws other than the powers set forth in Section 4.2(ii), (vi), (vii), (xiii), (xiv), (xv), (xvi), (xvii), (xviii), and (xix) of these Bylaws.

(c) Standards. The Board of Directors may impose appropriate standards of performance upon the Director of Operations (or the Managing Agent as the case may be.)

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

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

Section 4.5. Regular Meetings. Regular meetings of the Board of Directors may be held at such time and place as shall be determined from time to time by a majority of the directors. Notice of regular meetings of the Board of Directors shall be given to each director, by mail or hand delivery, at least three business days before the day named for such meeting.

Section 4.6. Special Meetings. Special meetings of the Board of Directors may be called by the President on one business days' notice to each director, given by mail or hand

delivery, which notice shall state the time, place and purpose of the meeting. Special meetings of the Board of Directors shall be called by the President or Secretary in like manner and with like notice on the written request of at least two directors.

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

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

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

Section 4.10. Conduct of Meetings. The President (or, in the absence of the President, the Vice-President or other duly designated officer) shall preside over all meetings of the Board of Directors, and the Secretary (which may be a recording 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.

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

Section 4.12. Meetings by Telephone Conference, etc. The Board of Directors may meet by means of a telephone conference, video-conference or similar communication equipment by means of which all persons participating in the meeting can hear each other and participation by such means shall constitute presence in person at such meeting. Such meetings may be called by the President or by a majority of the directors, and at least two (2) of the directors shall be physically present at the meeting place specified in the notice.

ARTICLE V

Committees and Neighborhood Advisory Boards

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

Section 5.2. Neighborhood Advisory Boards and Neighborhood Advisory Committees. The Supplemental Declarations applicable to certain Neighborhoods contain provisions for the creation of an advisory “board” to act in an advisory role to the Association’s Board of Directors. Such advisory boards, together with any committees created from time to time by the Board of Directors, shall be treated as committees of the Association and shall be subject to all of the requirements set forth in these Bylaws and under applicable laws relating to committees.

Section 5.3. Eligibility. To be eligible to be appointed to, and/or to serve on, a committee, Members and their Lots must be in financial good standing as indicated on the books and records of the Association and must remain in financial good standing during the committee member’s term. In addition, to be eligible for service, a committee member’s Lot must not be in violation of the Governing Documents during the committee member’s term. For the purposes of this Section 5.3, a Member’s Lot shall be deemed to be in violation if the Association has notified the Owner of such Lot of a violation of the Governing Documents and such Member has not cured the violation within the time specified by the Association (or if no time is specified by the Association, within a reasonable time after the date of such notice from the Association). Finally, Members wishing to serve on a committee must not be involved in a dispute with the Association at the time they seek appointment or at any time during their term. For the purposes of this paragraph, a “dispute” shall mean (i) a disagreement of a material or adversarial nature (as determined by the Board of Directors), (ii) a legal claim or cause of action or (iii) a threat of a claim or cause of action, against the Association, its officers, directors or agents; provided, however, that a dispute does not include a good faith disagreement (but not a claim) regarding an Association policy or interpretation of the Governing Documents provided the member asserts such disagreement in a professional, business-like and non-adversarial manner and abides by the Board of Directors disposition of such disagreement.

ARTICLE VI

Architectural Review

Section 6.1. Architectural Review Board. There shall be an Architectural Review Board as provided in the Declaration. The number of members, the method of their appointment or election and their duties and powers shall be as set forth in the Declaration. The provisions of

these Bylaws governing meetings, action without a meeting, notice and waiver of notice and quorum and voting of the Board of Directors shall apply to the Architectural Review Board as well.

ARTICLE VII

Officers

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

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

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

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

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

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

Section 7.7. Treasurer. The Treasurer shall have the responsibility for Association funds and securities and shall be responsible for keeping full and accurate financial records and books of account showing all receipts and disbursements, and for the preparation of all required financial data, and be responsible for the deposit of all monies and other valuables in the name of the Board of Directors, the Association or the Managing Agent, in such depositories as may from time to time be designated by the Board of Directors; and, in general, perform all the duties incident to the office of treasurer of a corporation organized under the Virginia Nonstock Corporation Act.

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

ARTICLE VIII

Operation of the Property

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

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

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

Section 8.4. Collection of Assessments. The Board of Directors, or the Managing Agent at the request of the Board of Directors, may take action to collect any assessments, interest and late charges due from any owner. Each defaulting Owner shall also pay all costs of collection, including without limitation attorneys' fees, incurred in the collection of any unpaid assessment and shall also pay any expense incurred as a result of a check being returned to the Association without payment. Any installment of an Annual Assessment or a Special Assessment not paid on or before the due date shall be delinquent in which case the Board of Directors may exercise any remedies available to the Association at law, under these Bylaws and/or the Declaration. In addition, if such installment is not paid within thirty (30) days after the due date, the Board of Directors shall have the right upon notice to the Owner to accelerate the installments owed and declare the entire balance of any Annual Assessment or Special Assessment due and payable in full.

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

Section 8.6. Disclosure Packets. In addition to providing a statement of assessments and making the Association records available as provided in Section 8.5 of these Bylaws, the Association shall provide to the owner of a Lot or Parcel who has contracted to sell the same, within 14 days of the actual receipt by the Association of a written request therefor, a disclosure packet containing all of the documents and other information required under Section 55-509.5 of the Virginia Code. The Association may charge a fee for the preparation and issuance of each disclosure packet to reflect the actual cost of the preparation thereof, not to exceed the maximum amount allowed under Section 55-509.6 of the Virginia Code (if the Association engages a Managing Agent) or under Section 55-509.7 of the Virginia Code (if the Association employs a Director of Operations and not a Managing Agent).

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

ARTICLE IX

Insurance

Section 9.1. General Requirements.

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

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

(i) The insurer waives any right to claim (A) by way of subrogation against, the Association, the Board of Directors, the Managing Agent or the Owners, and their respective lessees, and (B) invalidity arising from acts of the insured.

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

(iii) The Association and the Managing Agent, if any, shall be named insureds.

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

Section 9.2 Physical Damage Insurance.

(a) All Risk Coverage. The Association shall obtain and maintain a policy of insurance against fire and such other hazards within the meaning of "all risk" insuring the improvements to the Common Areas, the Limited Common Areas and the Neighborhood Common Areas (including fixtures and building service equipment and personal property), naming the Association as insured for the use and benefit of all Owners in an amount equal to not less than 100% of the then current replacement cost of the improvements to the Common Areas, the Limited Common Areas and the Neighborhood Common Areas (exclusive of land, excavations, foundations and other items usually excluded from such coverage), such amount to be redetermined annually by the Board of Directors with the assistance of the insurance company affording such coverage. Any deductible shall not exceed the lesser of \$10,000 or 1% of the amount of coverage and such deductible shall be considered in establishing the level of reserves.

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

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

(ii) The following endorsements (or equivalent) if applicable and available: (A) "contingent liability from operation of building laws", "demolition cost" and "increased cost of construction", (B) "agreed amount" or its equivalent and "inflation guard," and (C) "steam boiler and machinery coverage" with minimum liability per accident of not less than the lesser of the insurable value of the building housing the boiler or machinery or \$2,000,000.

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

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

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

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

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

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

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

(iii) Such other insurance as the Board of Directors may determine or as may be requested from time to time by Owners of a majority of the Lots.

Section 9.5. Separate Insurance by Owners. Each Owner shall have the right and responsibility, at his own expense, to obtain insurance for his own Lot or Parcel and improvements thereon and for his own benefit; provided, however, that no Owner shall be entitled to exercise his right to obtain such insurance coverage so as to decrease the amount which the Association, on behalf of all Owners, may realize under any insurance policy maintained by the Association or to cause any insurance coverage maintained by the Association to be brought into contribution with insurance coverage obtained by an Owner. Each Owner shall obtain liability insurance with respect to his Lot or Parcel in the amount of at least \$100,000.00. All such policies shall contain waivers of subrogation as against the Association and its Board of Directors, and the Managing Agent (if any), and their respective agents and employees. No Owner shall obtain separate insurance policies in conflict with this Section 9.5.

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

ARTICLE X

Mortgages

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

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

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

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

- (i) By act or omission materially change, waive or abandon any scheme of regulations or their enforcement pertaining to the architectural design or the exterior appearance of Lots and Parcels, the maintenance of the Common Areas, the Limited Common Areas and the Neighborhood Common Areas walks, common fences and driveways and the upkeep of lawns and plantings in the Properties; or

- (ii) Change the method of determining the obligations, assessments, dues or other charges that may be levied against an Owner of a Lot or Parcel, provided, however, that the method of determining the assessments against Lots in one Neighborhood may differ from the method for Lots in other Neighborhoods;

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

- (iv) Use hazard insurance proceeds for losses to any portion of the Common Areas, the Limited Common Areas and the Neighborhood Common Areas for other than the repair, replacement or reconstruction of the Common Areas, the Limited Common Areas and the Neighborhood Common Areas; or

- (v) Fail to maintain fire and extended coverage on insurable Common Areas, Limited Common Areas and Neighborhood Common Areas on a current replacement cost basis in an amount at least equal to 100% of the insurable current replacement cost.

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

- (i) jointly or singly pay taxes or other charges that are in default and that may have become charges against the Common Areas, the Limited Common Areas and the Neighborhood Common Areas; and
- (ii) pay overdue premiums on hazard insurance policies or secure new hazard insurance coverage for the Common Areas, the Limited Common Areas and the Neighborhood Common Areas in case of lapse of a policy.

First Mortgagees making such payments are due immediate reimbursement from the Association, and upon request by a First Mortgagee the Association shall execute an agreement reflecting the foregoing in favor of all first Mortgagees.

ARTICLE XI

Miscellaneous

Section 11.1. Notices. All notices, demands, requests, statements or other communications under these Bylaws shall be in writing and shall be either delivered by overnight express mail, in person or if sent by U.S. first class mail, postage prepaid, return receipt requested, (i) if to an Owner, at the address which the Owner shall designate in writing and file with the Secretary or, if no such address is designated, at the address of the Lot of such Owner, or (ii) if to the Association, at 1405-C Kiln Creek Parkway, Newport News, Virginia 23602, or at such other address as shall be designated by notice in writing to the Owners pursuant to this Section, or (iii) if to a Mortgagee, to the address provided by the Owner or to such other address as the Mortgagee may specify by written notice to the Association. All such notices, demands, requests, statements or other communications shall be deemed to have been given when sent to the appropriate address above. Rejection or other refusal to accept shall not invalidate the effectiveness of any notice, demand, request, statement or other communication. The Association may utilize electronic forms of communication to serve notices, demands, requests, statements or other communications to the extent such forms of communication are authorized for such purposes under applicable law.

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

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

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

Section 11.5. Amendments. These Bylaws may be amended by a vote of at least two-thirds (2/3) of the Class A votes entitled to be cast by Members present in person or by proxy at a duly convened meeting at which a quorum is present. For purposes of this Section 11.5, the presence in person or by proxy of Members entitled to cast 50% of the aggregate Class A membership votes shall constitute a quorum; however, to the extent any such amendment would be inconsistent with the Declaration or a Supplemental Declaration, such amendment shall be adopted in the same fashion as an amendment to the Declaration or the Supplemental Declaration.

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