

BK 2920 PG 1455

EXHIBIT C TO DECLARATION

BYLAWS  
OF  
ROYAL COURT ESTATE CONDOMINIUM

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ROYAL COURT ESTATE CONDOMINIUM  
UNIT OWNERS' ASSOCIATION  
BYLAWS

ARTICLE 1

General Provisions

Section 1.1. Applicability. These Bylaws provide for the governance of ROYAL COURT ESTATE CONDOMINIUM ("Condominium") pursuant to the requirements of Article 3 of Chapter 4.2 of Title 55 of the Code of Virginia, as amended ("Condominium Act"). The Property, located in the City of Virginia Beach, Virginia, and more particularly described in the Declaration, has been submitted to the provisions of the Condominium Act by recordation simultaneously, herewith of the Declaration among the land records of the City of Virginia Beach, Virginia.

Section 1.2. Office. The office of the Condominium, the Unit Owners' Association, and the Board of Directors shall be located at the Property or at such other place as may be designated from time to time by the Board of Directors.

Section 1.3. Definitions. Terms used herein without definition shall have the meanings specified for such terms in the Declaration to which these Bylaws are attached as Exhibit C, or if not defined therein, the meanings specified for such terms in Section 55-79.41 of the Condominium Act. The following terms have the following meanings in the Condominium instruments:

(a) "Board of Directors" or "Board" means the Executive organ established pursuant to Article 3 of these Bylaws.

(b) "Common Element Interest" means the number which establishes each Unit's undivided interest in the Common elements.

(c) "Declarant" means ROYAL COURT, INC., a Virginia corporation, and its successors and assigns, any Person or entity who reserves or succeeds to any Special declarant right and any Person or entity who or which offers to sell or transfer his or its legal or equitable interest in a Unit not previously sold or transferred to a Person or entity other than the Declarant.

(d) "Declarant Control Period" means the period prior to the earlier of (i) the date on which Units to which seventy-five percent (75%) or more of the aggregate Common Element Interests appertain have been conveyed to Unit

owners other than the Declarant, or within three (3) years after the date on which the first Condominium unit has been conveyed to a Unit owner other than the Declarant (the maximum time period permitted by Section 55-79.74(a) of the Condominium Act). For purposes of the preceding sentence only, the calculation of the fraction of undivided interest shall be based upon the total undivided interests assigned or to be assigned to all units then registered with the Virginia Real Estate Board pursuant to subsection (b) of Section 55-79.92 of the Condominium Act and described pursuant to paragraph 4 of subsection (a), paragraph 2 of subsection (b), or paragraph 8 of subsection (c), of Section 55-79.54 of the Condominium Act.

(e) "Limited Common Expenses" means expenses separately assessed against one or more, but less than all, of the Condominium units generally in accordance with the use of the services, as permitted by Section 55-79.83 of the Condominium Act.

(f) "Majority Vote" means a vote by those Unit owners owning Condominium units to which more than fifty percent (50%) of the votes appertain of the Unit owners who actually voted in Person or by proxy at a duly convened meeting at which a quorum is present.

(g) "Mortgagee" means any Person or entity who or which holds a deed of trust ("Mortgage") of record in the Clerk's Office of the Circuit Court of the City of Virginia Beach, Virginia, encumbering a Condominium unit in the Condominium and who or which has caused written notice of the existence of such Mortgage to be delivered to the Unit Owners' Association by such Mortgagee, the Unit owner or otherwise. The term "Mortgagee" shall also refer to the Declarant's construction lender ("Construction Lender"), so long as the Declarant's construction loan remains outstanding in whole or in part, and the term "Mortgage" shall also refer to the construction loan deed of trust so long as the Declarant's construction loan remains outstanding in whole or in part.

(h) "Officer" means any Person holding office pursuant to Article 4 of these Bylaws, but, contrary to Section 55-79.41(t) of the Condominium Act, shall not mean members of the Board of Directors unless such directors are also officers pursuant to Article 4.

(i) "Unit Owners' Association" or "Association" means the incorporated, non-stock, not-for-profit association of all the Unit owners owning Condominium units in the Condominium.

(j) "Reserved Common Element" means a common element in which the Board of Directors has granted a

revocable license for exclusive use by less than all of the Unit owners.

ARTICLE 2

Unit Owners' Association

Section 2.1. Composition. The Unit Owners' Association shall consist of all of the Unit owners. The name of the Unit Owners' Association shall be "Royal Court Condominium Association". For all purposes the Unit Owners' Association shall act merely as an agent for the Unit owners as a group. The Unit Owners' Association shall have the responsibility of administering the Condominium, establishing the means and methods of collecting assessments and charges, arranging for the management of the Condominium and performing all of the other acts that may be required or permitted to be performed by the Association by the Condominium Act and the Declaration. Except as to those matters which the Condominium Act specifically requires to be performed by the vote of the Association, the foregoing responsibilities shall be performed by the Board of Directors or managing agent as more particularly set forth in Article 3 of these Bylaws.

Section 2.2. Annual Meetings. The initial meeting of the Unit Owners' Association shall be held within one year from the date there is a Unit owner other than the Declarant. Thereafter, the annual meetings of the Association shall be held at least forty-five (45) days before the beginning of each fiscal year, on a date to be designated by the Board of Directors. At such annual meetings the Board of Directors shall be elected by ballot of the Unit owners in accordance with the requirements of Section 3.4 of these Bylaws. During the Declarant Control Period, the Declarant shall be entitled to designate members of the Board of Directors.

Section 2.3. Place of Meetings. Meetings of the Unit Owners' Association shall be held at the principal office of the Association or at such other suitable place convenient to the Unit owners as may be designated by the Board of Directors.

Section 2.4. 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 Declarant Control Period, upon a petition signed and presented to the Secretary by Unit owners of not less than twenty-five percent (25%) of the Unit owners. 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 termination of the Declarant Control Period, a special meeting of the Unit Owners' Association shall be held at which a majority of the directors shall be elected by the Unit owners, including the Declarant if the Declarant owns one or more Units, to serve terms as provided in Section 3.3 of these Bylaws. If such election is held prior to the time required by this section, the directors elected at such election shall not take office until the earlier of the time such election is required to be held or resignation of a director appointed by the Declarant without appointment of a replacement within ten (10) days. The elected directors shall assume office in the order of the highest number of votes received. Any remaining directors designated by the Declarant shall continue to serve until their terms expire.

Section 2.5. Notice of Meetings. The Secretary shall mail to each Unit owner a notice of each annual or regularly scheduled meeting of the Unit owners at least twenty-one (21) but not more than sixty (60) days, and of each special meeting of the Unit owners, at least seven (7) but not more than thirty (30) days, prior to such meeting, stating the time, place and purpose thereof. The mailing of a notice of meeting in the manner provided in this section and Section 12.1 of the Bylaws shall be considered service of notice.

Section 2.6. Quorum and Adjournment of Meetings. Except as otherwise provided in these Bylaws, the presence in Person or by proxy of Unit owners owning units to which twenty-five percent (25%) or more of the total Common element interest appertain shall constitute a quorum at all meetings of the Unit Owners' Association. If at any meeting of the Unit Owners' Association a quorum is not present, Unit owners of a majority of the Unit owners who are present at such meeting in Person or by proxy may adjourn the meeting to a time not less than forty-eight (48) hours after the time the original meeting was called.

Section 2.7. Order of Business. The order of business at all meetings of the Unit Owners' Association shall be as follows:

- (a) roll call (proof of quorum);
- (b) proof of notice of meeting;
- (c) reading of minutes of preceding meeting;
- (d) reports of Officers;
- (e) report of Board of Directors;
- (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; and  
(j) new business

Section 2.8. Conduct of Meetings. The President shall preside over all meetings of the Unit Owners' Association and the Secretary shall keep the minutes of the meetings and record in a minute book all resolutions adopted at the meeting, as well as a record of all transactions occurring thereat. The President may appoint a Person to serve as parliamentarian at any meeting of the Unit Owners' Association. The then current edition of Robert's Rules of Order shall govern the conduct of all meetings of the Unit Owners' Association when not in conflict with the Condominium Act or the Condominium instruments. All votes shall be tallied by tellers appointed by the President or other Officer presiding over the meeting.

Section 2.9. Voting.

(a) Voting at all meetings of the Unit Owners' Association shall be on the basis of one vote for each Unit. Where the ownership of a Unit is in more than one Person, the Person who shall be entitled to cast the vote of such Unit shall be the Person named in a certificate executed by all of the owners of such Unit and filed with the Secretary or, in the absence of such named Person from the meeting, the Person who shall be entitled to cast the vote of such Unit shall be the Person owning such Unit who is present. If more than one Person owning such Unit is present, then such vote shall be cast only in accordance with their unanimous agreement pursuant to Section 55-79.77(c) of the Condominium Act. Such certificate shall be 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 or the Condominium instruments, such approval or disapproval shall be made only by the Person who would be entitled to cast the vote of such Unit at any meeting of the Unit Owners' Association.

(b) Except where a greater number is required by the Condominium Act or the Condominium instruments, a Majority Vote is required to adopt decisions at any meeting of the Unit Owners' Association. If the Declarant or any other Person or entity owns or holds title to more than one Unit, the Declarant or any other Person or entity shall have the right at any meeting of the Unit Owners' Association to cast the votes to which such Unit or Units are entitled.

(c) 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 payment of the assessment on his Unit

is delinquent more than <sup>on 2/12/90</sup> thirty (30) days and the amount necessary to bring his account current <sup>has not been paid at</sup> the time of such meeting or election. There shall be no cumulative voting.

Section 2.10. Proxies. A vote may be cast in Person or by proxy. Such proxy may be granted by any Unit owner in favor of only another Unit owner, the Declarant or any Mortgagee, or in the case of a nonresident Unit owner, the lessee of such Unit owner's Unit, his attorney or management agent; provided, however, that no Person other than the Declarant, the managing agent or an Officer of the Condominium shall cast votes as a proxy for more than one Unit not owned by such Person. Proxies shall be duly executed in writing, each signature shall be witnessed by a Person who shall sign his full name and address, 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 (180) days after the execution thereof. Any proxy shall be void if it is not dated, if it purports to be revocable without notice as provided herein, or if not signed by a Person having authority, at the time of the execution thereof, to execute deeds on behalf of the Unit owner(s) for whom the proxy is issued.

### ARTICLE 3

#### Board of Directors

Section 3.1. 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 or the Condominium instruments required to be exercised and done by the Association. The Board of Directors shall have the power from time to time to adopt any rules and regulations deemed necessary for the benefit and enjoyment of the Condominium; provided, however, that such rules and regulations shall not be in conflict with the Condominium Act or the Condominium instruments. 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 on such matters relating to the duties of the managing agent (as defined in Section 3.2 hereof), if any, which may arise between meetings of the Board as the Board deems appropriate. In addition to the duties imposed by

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these Bylaws or by any resolution of the Association that may hereafter be adopted, the Board shall on behalf of the Association:

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

(b) Make assessments against Unit owners to defray the costs and expenses of the Condominium, establish the means and methods of collecting such assessments from the Unit owners and establish the period of the installment payment of the annual assessment for Common expenses.

(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 part of the Property.

(e) Collect the assessments against the Unit owners, deposit the proceeds thereof in institutional 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, including, but not limited to rules and regulations regarding parking, pets and usage of Units and of Common elements.

(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 Bylaws, after damage or destruction by fire or other casualty, or as a result of condemnation or eminent domain proceedings.

(i) Enforce by legal means the provisions of the Declaration, these Bylaws and the rules and regulations, act on behalf of the Unit owners with respect to all matters arising out of any eminent domain proceeding, and notify the Unit owners of any litigation against the Unit Owners' Association involving a claim in excess of ten percent (10%) of the amount of the annual budget.

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(j) Obtain and carry insurance against casualties and liabilities, as provided in Article 6 of these Bylaws, pay the premiums therefor and adjust and settle any claims thereunder.

(k) Pay the cost of all authorized services rendered to the Unit Owners' Association and not billed to Unit owners of individual Units or otherwise provided for in Sections 5.1 and 5.2 of these Bylaws.

(l) Keep current copies of the Declaration, Bylaws and other rules concerning the Condominium and 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 copies, books and vouchers accrediting the entries therein shall be available for examination by the Unit owners, their attorneys, accountants, lenders and the holders and insurers of any first mortgages or deeds of trust on any Unit, and authorized agents during general business hours on business days at the time 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 auditor retained by the Board of Directors who shall not be a 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 sixty (60) days, if requested in writing by a Mortgagee.

(n) Borrow money on behalf of the Condominium when required in connection with any one instance relating to the operation, care, upkeep and maintenance of the Common elements; provided, however, that the consent of at least two-thirds in number and in Common Element Interest of all Unit owners, obtained either in writing or at a meeting duly called and held for such purpose in accordance with the provisions of these Bylaws, shall be required to borrow any sum in excess of Ten Thousand Dollars (\$10,000.00). If any sum borrowed by the Board of Directors on behalf of the Condominium pursuant to the authority contained in this subsection (n) is not repaid by the Unit Owners' Association, a Unit owner who pays to the creditor a percentage of the total amount due equal to his Common Element Interest 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

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Unit owner's Condominium unit, and the Association shall not be entitled to assess his Unit for payment of the remaining amount due such creditor.

(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) Furnish the statement required by Section 55-79.97 of the Condominium Act, within ten (10) days after the receipt of a written request therefor from any Unit owner. The Association may charge a fee not to exceed Fifty Dollars (\$50.00) for the issuance of this Certificate.

(q) Do such other things and acts not inconsistent with the Condominium Act or the Condominium instruments which the Board of Directors may be authorized to do by a resolution of the Unit Owners' Association.

**Section 3.2. Managing Agent.** The Board of Directors may employ for the Condominium a "managing agent" at a compensation to be established by the Board.

(a) **Requirements.** The managing agent shall be a bona fide business enterprise, unaffiliated with the Declarant, which manages common interest communities. Such firm shall have a minimum of two (2) years experience in real estate community management and shall employ Persons possessing a high level of competence in the technical skills necessary to proper management of the Condominium. The managing agent must be able to advise the Board of Directors regarding the administrative operation of the Condominium and shall employ personnel knowledgeable in the areas of Condominium insurance, accounting, contract negotiation, labor relations and Condominium regulation.

(b) **Duties.** The managing agent shall perform such duties and services as the Board of Directors shall direct. Such duties and services may include, without limitation, the duties listed hereinafter in subsections 3.1(a), (c), (d), (e), (h), (i), (j), (k), (l), (m), (p) and (q). The Board of Directors may delegate to the managing agent all of the powers granted to the Board of Directors by these Bylaws other than the powers set forth hereinafter in subsections 3.1(b), (f), (g), (n) and (o). The managing agent shall perform the obligations, duties and services relating to the management of the property, the rights of Mortgagees and the maintenance of reserve funds in compliance with the provisions of these Bylaws.

(c) **Standards.** The Board of Directors shall impose appropriate standards of performance upon the managing

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agent. Unless the managing agent is instructed otherwise by the Board of Directors:

(1) a method of accounting shall be employed and expenses required by these Bylaws to be charged to more than one but less than all Unit owners shall be accounted for separately;

(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, finder's fees, service fees or otherwise; any discounts received shall benefit the 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 containing:

(A) an "income statement" reflecting all income and expense activity for the preceding month on an accounting basis established by the Board of Directors;

(B) an "account activity statement" reflecting all receipt and disbursement activity for the preceding month on a cash basis;

(C) an "account status report" reflecting the status of all accounts in an "actual" versus "projected" (budget) format;

(D) a "balance sheet" reflecting the financial condition of the Unit Owners' Association on an unaudited basis;

(E) a "budget report" reflecting any actual or pending obligations which are in excess of budgeted amounts by an amount exceeding the operating reserves or ten percent (10%) of a major budget category (as distinct from a specific line item in an expanded chart of accounts); and

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(F) a "delinquency report" listing all Unit owners who are delinquent in paying Condominium assessments and describing the status of any actions to collect such assessments.

(d) Limitations. During the Declarant Control Period, the Board of Directors shall employ a managing agent for a term not to exceed two (2) years. 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 Unit owners to which sixty-seven percent (67%) of the votes in the Unit Owners' Association appertain and the consent of first Mortgagees together holding fifty-one percent (51%) of the first Mortgages on the Condominium units based on one vote for each Mortgage held. Any contract with the managing agent must provide that it may be terminated, without payment of a termination fee, without cause on no more than ninety (90) days written notice and with cause without prior written notice of any kind.

Section 3.3. Number and Term of Office.

(a) Designated Members. During the Declarant Control Period, the Declarant shall be entitled to designate Directors not elected pursuant to Section 2.4 of these Bylaws. The initial Board of Directors shall consist of no less than three (3) nor more than five (5) Persons, all of whom shall be designated by the Declarant. The term of office of at least two (2) directors shall expire at the third annual meeting after the special meeting held pursuant to subsection 2.4(b); the term of office of up to two (2) additional directors shall expire at the second annual meeting after the special meeting held pursuant to subsection 2.4(b); and the term of office of any other directors shall expire at the first annual meeting after the special meeting held pursuant to subsection 2.4(b). The term of each designee shall be fixed by the Declarant. At the special meeting required by subsection 2.4(b), a number of the directors designated by the Declarant shall resign if necessary so that a majority of the directors shall have been elected in accordance with subsection 2.4(b). The Persons elected shall serve for the remainder of the terms of office of the resigning directors whom such Persons replace, or if no resignation was required, for the terms of office necessary so the term of office of two (2) directors shall expire at each of the first two (2) annual meetings after their election. The directors receiving the greatest vote shall be elected for the longest available terms. At the expiration of the term of office of all directors designated by the Declarant or elected at the special meeting held pursuant to subsection 2.4(b), all successor directors shall be elected to serve for a term of two (2) years.

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(b) Elected Members. No later than the first annual meeting of the Unit Owners' Association, the Board of Directors shall be composed of at least three (3) Persons, all of whom shall be Unit owners, Mortgagees (or designees of Mortgagees) or designees of the Declarant. Except for resignation or removal, the directors shall hold office until their respective successors shall have been elected by the Unit Owners' Association.

Section 3.4. Election of Directors.

(a) Elections Committee. At least sixty-five (65) days prior to the special meeting required by subsection 2.4(b) of these Bylaws and each annual meeting of the Unit Owners' Association the Board of Directors shall appoint an Elections Committee consisting of a member of the Board whose term is not then expiring and at least three (3) other Unit owners. The Elections Committee shall develop election procedures and administer such procedures as are approved by the Board.

(b) Nominations. Persons qualified to be directors may be nominated for election only by a nominating petition submitted to the chairman of the Elections Committee at least thirty-five (35) days before the meeting at which the election is to be held signed by Unit owners representing at least six (6) Units and either signed by the nominee or accompanied by a document signed by the nominee indicating the willingness to serve as a director; provided, however, that additional nominations may be made from the floor at the meeting at which the election is held for each vacancy on the Board of Directors for which no more than one Person has been nominated by petition. The nominee must either be present and consent to the nomination or have indicated in writing the willingness to serve. This subsection (b) does not apply to Persons appointed to the Board by the Declarant.

(c) Qualifications. Except with respect to directors designated by the Declarant, no Person shall be eligible for election as a member of the Board of Directors unless he is (alone or together with one or more other Persons) a Unit owner or a Mortgagee (or a designee of a Mortgagee). No Person shall be elected as a director or continue to serve as a director if he is more than thirty (30) days delinquent in any financial obligations to the Unit Owners' Association and a lien has been filed against his Unit.

Section 3.5. Removal or Resignation of Directors.  
Except with respect to directors designated by the Declarant, at any regular or special meeting duly called, any one or more of the directors may be removed with or without cause by a Majority Vote 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 seven (7) days notice of the time, place and purpose of the meeting and shall be given an opportunity to be heard at the meeting. A director may resign at any time and, except for a director designated by the Declarant, shall be deemed to have resigned (a) upon disposition of his Unit as provided for Officers in Section 55-79.78(a) of the Condominium Act if such director is a Unit owner, or (b) if not in attendance at three (3) consecutive regular meetings of the Board, unless the minutes reflect consent to such absence. Any Director designated by the Declarant may be removed by the Declarant with or without cause, upon written notification to the Board of Directors.

Section 3.6. 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 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 director until a successor shall be elected at the next annual meeting of the Association. During the Declarant Control Period, the Declarant shall designate the successor to any director previously designated by the Declarant who resigns or is removed.

Section 3.7. Organization Meeting. The first meeting of the Board of Directors following the annual meeting of the Unit Owners' Association shall be held within thirty (30) days thereafter at such time and place as shall be fixed by the Board at the meeting at which such Board of Directors shall have been elected, and no notice shall be necessary to the newly-elected directors in order legally to constitute such meeting, providing a majority of the whole Board of Directors is present at the meeting.

Section 3.8. 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 such meetings shall be held at least once every four (4) months during each fiscal year. Notice of regular meetings of the Board of Directors shall be given to each director, personally or by mail, telegraph or telephone, at least five (5) business days prior to the day named for such meeting.

Section 3.9. 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 or by mail telegraph or telephone, 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 on like notice on the written request of at least three (3) directors

Section 3.10. 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, in Person or by telephone communication, 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 3.11. Quorum of Board of Directors. At all meetings of the Board of Directors a majority of the directors constitutes 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. A director who participates in a meeting by means of telephone communication shall be deemed present at the meeting for all purposes.

Section 3.12. Compensation. No director shall receive any compensation from the Condominium for acting as such, nor shall any director engage in, conduct or contract with the Association for any business or services, for which such Director shall receive compensation or services.

Section 3.13. 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 recording therein all resolutions adopted by the Board and a record of all transactions and proceedings occurring at such meetings. The then current edition of Robert's Rules of Order shall govern the conduct of the meetings of the Board of Directors when not in conflict with the Condominium instruments.

Section 3.14. 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 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 3.15. Board of Directors as Attorney-in-Fact. The Board of Directors is hereby irrevocably appointed

as agent and attorney-in-fact for the Unit owners of all of the Units and for each of them, to manage, control and deal with the interests of such Unit owners in the Common elements of the Condominium to permit the Board of Directors to fulfill all of its powers, rights, functions and duties. The Board of Directors is hereby irrevocably appointed as agent and attorney-in-fact for each Unit owner, each Mortgagee (other than the Construction Lender), other named insureds and their beneficiaries and any other holder of a lien or other interest in the Condominium or the Property to adjust and settle all claims arising under insurance policies purchased by the Board of Directors and to execute and deliver releases upon the payment of claims; provided, however, that the consent of the Construction Lender and of any other Mortgagee shall be required if such Mortgagee notifies the Board of Directors pursuant to Section 12.1 of the Bylaws within thirty (30) days after receipt of the notice of damage pursuant to subsection 6.2(c) of the Bylaws. The powers hereby granted shall be in addition to any rights granted by Section 55-79.80 (b) (1) of the Condominium Act. The Board of Directors may grant and accept easements and licenses pursuant to Section 55-79.80(b) of the Condominium Act.

Section 3.16. Liability of the Board of Directors, Officers, Unit owners and Unit Owners' Association.

(a) The Officers, directors and members of the Covenants Committee shall not be liable to the Unit Owners' Association or any Unit owner for any mistake of judgment, negligence or otherwise, except for their own individual willful misconduct or bad faith. The Unit Owners' Association shall indemnify and hold harmless each of the Officers and directors from and against all contractual liability to others arising out of contracts made by the Officers or the Board of Directors on behalf of the Association unless any such contract shall have been made in bad faith or contrary to the provisions of the Condominium Act or the Condominium instruments, except to the extent that such liability is satisfied by directors and Officers liability insurance. Officers and directors shall have no personal liability with respect to any contract made by them on behalf of the Unit Owners' Association. The liability of any Unit owner arising out of any contract made by the Officers or Board of Directors, or out of the indemnification of the Officers or directors, or for damages as a result of injuries arising in connection with the Common elements solely by virtue of his ownership of a Common Element Interest therein or for liabilities incurred by the Unit Owners' Association, shall be limited to the total liability multiplied by his Common Element Interest. Every agreement made by the Officers, the Board of Directors or the managing agent on behalf of the Unit Owners' Association shall, if obtainable, provide that the Officers, the directors or the

managing agent, as the case may be, are acting only as agents for the Association and shall have no personal liability thereunder (except as Unit owners), and that each Unit owner's liability thereunder shall be limited to the total liability thereunder multiplied by his Common Element Interest. The Unit Owners' Association shall indemnify and hold harmless each of the members of the Covenants Committee from and against all liability to others arising out of the due exercise of their responsibilities unless their action shall have been taken in bad faith or contrary to the provisions of the Condominium Act or the Condominium instruments. The Unit Owners' Association shall indemnify any Person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding by reason of the fact that he is or was an Officer or director of the Association or a member of the Covenants Committee against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the Condominium.

(b) Except as may be covered by any insurance maintained by the Unit Owners' Association, the Unit Owners' Association shall not be liable for any failure of water supply or other services to be obtained by the Association or paid for as a Common expense, or for injury or damage to Person or property caused by the elements or by the Unit owner of any Condominium unit, or any other Person, or resulting from electricity, water, snow or ice which may leak or flow from or over any portion of the Common elements or from any pipe, drain, conduit, appliance or equipment. Except as may be covered by any insurance maintained by the Unit Owners' Association, the Unit Owners' Association shall not be liable to any Unit owner for loss or damage, by theft or otherwise, of articles which may be stored upon any of the Common elements. No diminution or abatement of any assessments, as herein elsewhere provided, shall be claimed or allowed for inconvenience or discomfort arising from the making of repairs or improvements to the Common elements or from any action taken by the Unit Owners' Association to comply with any law, ordinance or with the order or directive of any governmental authority.

Section 3.17. Common or Interested Directors.  
 Each director shall exercise his powers and duties in good faith and with a view to the interests of the Condominium. No contract or other transaction between the Unit Owners' Association and any of its directors, or between the Association and any corporation, firm or association (including the Declarant) in which any of the directors of the Association are directors or Officers or are pecuniarily or otherwise interested, is either void or voidable because

any such director is present at the meeting of the Board of Directors or any committee thereof which authorizes or approves the contract or transaction, or because his vote is counted for such purpose, if any of the conditions specified in any of the following subsections exist:

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

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

(c) The contract or transaction is commercially reasonable to the Unit Owners' Association at the time it is authorized, ratified, approved or executed.

Any 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 at the meeting to authorize any contract or transaction with like force and effect as if such director of the Unit Owners' Association were not an Officer or director of such other corporation, firm or association or not so interested.

Section 3.18. Covenants Committee.

(a) Purpose. The Board of Directors shall establish a Covenants Committee, consisting of three (3) members appointed by the Board, each to serve for a term of two (2) years, in order to assure that the Condominium shall always be maintained in a manner: (1) providing for visual harmony and soundness of repair; (2) avoiding activities deleterious to the aesthetic or property values of the Condominium; (3) furthering the comfort of the Unit owners, their guests and Lessee's; and (4) promoting the general welfare and safety of the Condominium community.

(b) Powers. The Covenants Committee shall regulate the external design, appearance, use and maintenance of the Common elements and Units. The Covenants Committee shall have the power to impose reasonable application fees as well as the costs of reports, analyses, or consultations required in connection with improvements or changes proposed by a Unit owner. The Covenants Committee shall have the power to impose reasonable fines (pursuant to subsection 10.1[g] hereof) upon, and issue a cease and desist request to, a Unit owner, his guests, invitees, or lessees whose

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actions are inconsistent with the provisions of the Condominium Act, the Condominium instruments, the rules and regulations or resolutions of the Board of Directors (upon petition of any Unit owner or upon its own motion). The Covenants Committee shall from time to time, as required, provide interpretations of the Condominium instruments, rules and regulations and resolutions pursuant to the intents, provisions and qualifications thereof when requested to do so by a Unit owner or the Board of Directors. Any action, ruling or decision of the Covenants Committee may be appealed to the Board of Directors by any party deemed by the Board to have standing as an aggrieved party and the Board may modify or reverse any such action, ruling or decision.

(c) Authority. The Covenants Committee shall have such additional duties, power and authority as the Board of Directors may from time to time provide by resolution. The Board of Directors may relieve the Covenants Committee of any of its duties, powers and authority either generally or on a case-by-case basis. The Covenants Committee shall carry out its duties and exercise its powers and authority in the manner provided for in the rules and regulations or by resolution of the Board of Directors.

#### ARTICLE 4

##### Officers

Section 4.1. Designation. The principal Officers of the Unit Owners' 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 necessary. The President and Vice President shall be members of the Board of Directors. Any other Officers may, but need not, be members of the Board of Directors.

Section 4.2. Election of Officers. The Officers of the Unit Owners' Association shall be elected annually by the Board of Directors at the organizational meeting of each new Board of Directors and shall hold office at the pleasure of the Board.

Section 4.3. Removal of Officers. Upon the affirmative vote of a majority of all members of the Board of Directors, any Officer may be removed, either with or without cause, and a successor may be elected at any regular meeting of the Board or at any special meeting of the Board called for such purpose.

Section 4.4. President. The President shall be the chief executive Officer of the Unit Owners' Association; preside at all meetings of the Association and of the Board

of Directors; have general and active management of the business of the Association subject to the control of the Board; see that all orders and resolutions of the Board are carried into effect; and appoint committees from among the Unit owners from time to time as the President may in his discretion decide is appropriate to assist in the conduct of the affairs of the Association.

Section 4.5. 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 director 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 by the Board of Directors or by the President.

Section 4.6. Secretary. The Secretary shall keep the minutes of all meetings of the Unit Owners' Association and of the Board of Directors; keep a book of the resolutions passed by the Board; have charge of such books and papers as the Board may direct; give or cause to be given all notices required to be given by the Association; maintain a register setting forth the place to which all notices to Unit owners and Mortgagees hereunder shall be delivered; and, in general, perform all the duties incident to the office of secretary.

Section 4.7. Treasurer. The Treasurer shall (together with the managing agent) be responsible for Unit Owners' Association funds and securities; keep all and accurate financial records and books of account showing all receipts and disbursements; prepare all required financial data; deposit all monies and other valuable effects 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; and, in general, perform all the duties incident to the office of treasurer.

Section 4.8. Execution of Documents. All agreements, contracts, deeds, leases, checks and other instruments of the Unit Owners' Association for expenditures or obligations and all checks drawn upon reserve accounts, shall be executed by any two (2) Persons designated by the Board of Directors.

Section 4.9. Compensation of Officers. No Officer who is also a director shall receive any compensation from the Unit Owners' Association for acting as such Officer.

Operation of the Property

Section 5.1. Determination of Common expenses and Assessments Against Unit owners.

(a) Fiscal Year. The fiscal year of the Unit Owners' Association shall be the March 1 through February 28 unless otherwise determined by the Board of Directors.

(b) Preparation and Approval of Budget.

(1) At least seventy-five (75) days before the beginning of each fiscal year, the Board of Directors shall adopt a budget for the Unit Owners' Association containing an estimate of the total amount considered necessary to pay the cost of maintenance, management, operation, repair and replacement of the Common elements and those parts of the Units as to which it is the responsibility of the Association to maintain, repair and replace, and the cost of wages, materials, insurance premiums, services, supplies and other expense that may be declared to be Common expenses by the Condominium Act, the Condominium instruments or a resolution of the Association and which will be required during the ensuing fiscal year for the administration, operation, maintenance and repair of the Property and the rendering to the Unit owners of all related services. The budget shall reflect the separate assessment of any Limited Common Expenses.

(2) Such budget shall also include such reasonable amounts as the Board of Directors considers necessary to provide working capital, a general operating reserve and reserves for contingencies and replacements. At least sixty-five (65) days before the beginning of each fiscal year, 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 and any special assessment payable by each Unit owner. Such budget shall constitute the basis for determining each Unit owner's assessment for the Common expenses of the Condominium.

(c) Assessment and Payment of Common expenses. Subject to the provisions of subsection 10.1(a) hereof, the total amount of the estimated funds required from assessments for the operation of the Property set forth in the budget adopted by the Board of Directors shall be assessed against each Unit owner in proportion to such Unit owner's respective Common element interest except for Limited common expenses which shall be assessed against each Unit owner benefited in proportion to the relative Common element interest of such Units inter se, and shall be a lien against each Unit owner's Unit as provided in Section 10.2 of these

Bylaws. On or before the first day of each fiscal year, and the first day of each of the succeeding eleven (11) months in such fiscal year, each Unit owner shall be obligated to pay to the Board of Directors or the managing agent (as determined by the Board), one-twelfth (1/12th) of such assessment, unless the Board determines that assessments are to be paid on a quarterly or annual basis. Within one hundred and twenty (120) days after the end of each fiscal year, the Board of Directors shall supply to all Unit owners, and to each Mortgagee requesting the same, an itemized accounting of the Common expenses for such fiscal year actually incurred and paid, together with a tabulation of the amounts collected pursuant to the budget adopted by the Board of Directors for such fiscal year, and showing the net amount over or short of the actual expenditure plus reserves. Any amount accumulated in excess of the amount required for actual expenses and reserves shall, at the discretion of the Board of Directors, be placed in reserve accounts, be placed in a special account to be expended solely for the general welfare of the Unit owners, be refunded to each Unit owner or his Mortgagee(s) who paid assessments according to each Unit owner's Common Element Interest, or be credited according to each Unit owner's Common Element Interest to the next monthly installments due from Unit owners under the current fiscal year's budget, until exhausted. Any net shortage shall be assessed promptly against the Unit owners in accordance with their Common Element Interest and shall be payable either: (1) in full with payment of the next monthly assessment due; or (2) in not more than six (6) equal monthly installments, as the Board of Directors may determine.

Assessments shall commence to accrue as to all recorded Units upon the conveyance of the initial Unit and the Declarant shall henceforth be responsible for 100% of all assessments attributable to the recorded Units which are unsold, until such time as each Unit is conveyed.

(d) Reserves. The Board of Directors shall build up and maintain reasonable reserves for working capital, operations, contingencies, and replacements for all Common elements and Limited common elements. Extraordinary expenditures not originally included in the annual budget which may become necessary during the year shall be charged first against such reserves. If the reserves are inadequate for any reason, including nonpayment of any Unit owner's assessment, the Board of Directors may at any time levy a further assessment, which shall be assessed against the Unit owners according to their respective Common Element Interests, and which may be payable in a lump sum or in installments as the Board may determine. The Board of Directors shall serve notice of any such further assessment on Unit owners by a statement in writing giving the amount and reasons therefor, and such further assessment shall, unless otherwise specified in the notice, become effective

with the next monthly payment which is due more than ten (10) days after the delivery of such notice of further assessment. All Unit owners so notified shall be obligated to pay such further assessment either in full with the next monthly installment due or, if the Board of Directors so determines, in a number of equal monthly installments, sufficient to make up the shortage within a period ending no later than the end of the then current fiscal year. Such assessment shall be a lien as of the effective date as set forth in subsection (c).

(e) Initial Capital Payment.

(1) Upon taking office, the first Board of Directors elected or designated pursuant to these Bylaws shall determine the budget, as defined in this section, for the period commencing thirty (30) days after such election and ending on the last day of the fiscal year in which such election occurs. Assessments shall be levied and become a lien against the Unit owners during such period as provided in subsection (c).

(2) The Declarant, as the agent of the Board of Directors, will collect from each initial Purchaser at the time of settlement an "initial capital payment" equivalent to at least two (2) times the estimated monthly assessment for Common expenses for such Purchaser's Unit. The Declarant will deliver the funds so collected to the Board of Directors to provide the necessary working capital for the Unit Owners' Association. Such funds may be used for certain prepaid items, initial equipment, supplies, organization costs and other start-up costs, and for such other purposes as the Board of Directors may determine, including the payment of Common expenses. Said initial capital payment shall not be considered as the payment of any monthly assessment. On Units held by the Declarant, the initial capital payment shall be collected at the termination of the Declarant Control Period and when the Condominium is transferred to the Unit Owners' Association. Upon the sale of said unsold Units held by the Declarant, the Declarant may use funds collected at closing to reimburse itself for the initial capital payment it paid the Unit Owners' Association for each unsold Unit's share of the working capital fund. Upon expiration of the Declarant Control Period, the working capital shall be transferred to the Unit Owners' Association for deposit to a segregated fund. While the Declarant is in control of the Unit Owners' Association, the Declarant may not use any of the working capital funds to defray its expenses, reserve contributions, or construction costs or to make up any budget deficits.

(f) Effect of Failure to Prepare or Adopt Budget. The failure or delay of the Board of Directors to prepare or adopt a budget for any fiscal year shall not constitute a waiver or release in any manner of a Unit

owner's obligation to pay his <sup>BK 920 RG 1481</sup> 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 each monthly installment at the monthly rate established for the previous fiscal year until notice of the monthly payment which is due more than ten (10) days after such new annual or adjusted budget shall have been delivered.

(g) Accounts. All sums collected by the Board of Directors with respect to assessments against the Unit owners or from any other source may be commingled into a single fund or held for each Unit owner in accordance with his Common Element Interest. All sums collected shall be deposited in a Federally insured account.

Section 5.2. Payment of Common expenses. Each Unit owner shall pay the Common expenses, assessed by the Board of Directors pursuant to the provisions of Section 5.1 hereof. No Unit owner may be exempted from liability for the assessment of Common expenses by waiver of the use or enjoyment of any of the Common elements or by abandonment of his Unit. No Unit owner shall be liable for the payment of any part of the Common expenses assessed against his Unit subsequent to the date of recordation of a conveyance by him in fee of such Unit. Prior to or at the time of any such conveyance, all liens, unpaid charges and assessments shall be paid in full and discharged. If expressly assumed by Purchaser, the Purchaser of a Unit shall be jointly and severally liable 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 such recordation, without prejudice to the Purchaser's right to recover from the selling Unit owner amounts paid by the Purchaser therefore; provided, however, that any such Purchaser shall be entitled to a statement setting forth the amount of the unpaid assessments against the selling Unit owner within five (5) business days following a written request therefor to the Board of Directors or managing agent and such Purchaser shall not be liable for, nor shall the Unit conveyed be subject to a lien for, any unpaid assessments in excess of the amount therein set forth; and provided, further, that each Mortgagee who comes into possession of a Condominium unit by virtue of foreclosure or by deed or assignment in lieu of foreclosure, or any Purchaser at a foreclosure sale, shall take the Condominium unit free of any claims for unpaid assessments or charges against such Unit which accrue prior to the time such Mortgagee comes into possession thereof.

Section 5.3. Collection of Assessment. The Board of Directors, or the managing agent at the request of the Board, 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 due date for

payment thereof. Any assessment, or installment thereof, not paid within ten (10) days after due date shall accrue a late charge in the amount of ten dollars (\$10.00), or such other amount as may be established from time to time by the Board of Directors.

Section 5.4. Statement of Common expenses. The Board of Directors shall promptly provide any Unit owner, contract Purchaser or Mortgagee so requesting the same in writing with a written statement of all unpaid assessments for Common expenses due from such Unit owner. The Board of Directors may impose a reasonable charge for the preparation of such statement to cover the cost of preparation.

Section 5.5. Units Taxed Separately. So long as permitted by law, each Unit and its undivided interest in the Common elements shall be deemed to be a parcel and shall be separately assessed and taxed for all types of taxes authorized by the law, including, but not limited to, special ad valorem levies and special assessments, and each Unit owner shall be liable solely for the amount of taxes against his individual Unit and shall not be affected by the consequences resulting from the tax delinquency of other Unit owners. Neither the Unit nor any of the Common elements shall be deemed to be a parcel.

Section 5.6. Maintenance, Repair, Replacement and Other Common expenses.

(a) By the Unit Owners' Association. The Unit Owners' Association shall be responsible for the maintenance, repair and replacement (unless, in the opinion of not less than fifty-one percent (51%) 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 and repair on 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. Each Unit owner shall keep his Unit and its equipment, including all heat pumps or other heating and air-conditioning equipment, and all 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 thereof. In addition, each Unit owner shall be responsible for all damage to any other Units or to the

Common elements or ~~Limited Common Elements~~ <sup>Bk 202 Common Elements</sup> resulting from his failure or neglect to make any of the repairs required by this section or caused or permitted by his neglect. 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 Unit Owners' Association is responsible.

(c) Manner of Repair and Replacement. All repairs and replacements shall be substantially similar to the original construction and installation and shall be of first-class quality, but may be done with contemporary building materials and equipment. The method of approving payment vouchers for all repairs and replacements shall be determined by the Board of Directors.

Section 5.7. Additions, Alterations or Improvements by the Board of Directors. Except during the Declarant Control Period, whenever in the judgment of the Board of Directors the Common elements shall require addition, alterations or improvements, the making of such additions, alterations or improvements shall be approved by the Board of Directors. The Board of Directors shall proceed with such additions, alterations or improvements and shall assess all Unit owners benefited for the cost thereof as a Common expense (or Limited Common Expense).

Section 5.7.1. Additions, Alterations or Improvements by the Unit Owner. 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 or the Covenants Committee as appropriate. No Unit owner shall paint or alter the exterior of his Unit, including 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 or the Covenants Committee as appropriate. 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. 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 Association by an authorized Officer only, without however incurring any liability on the part of the Board of Directors, the Association 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(s) of such affected Units, the Board of Directors and any Unit owner affected, any Unit may be altered so as to relocate the boundaries between such Unit and any adjoining Units. The Secretary shall record any necessary amendment to the Declaration to effect such action as provided in Section 55-79.69 of the Condominium Act. The provisions of this section shall not apply to Units owned by the Declarant until deeds of conveyance of such Units shall have been recorded; provided, however, that the Declarant's construction or alterations shall be architecturally compatible with existing Units. The Declarant shall have the right to make such alterations or subdivisions without the consent of the Board of Directors, and an authorized Officer shall execute any such application required.

Section 5.8. Restrictions on Use of Units and Common elements; Rules and Regulations.

(a) Restrictions. Each Unit and the Common elements shall be occupied and used as follows:

(1) No Unit shall be used for other than residential housing and the related common purposes for which the Property was designed. Each Unit, and the Common elements appertaining thereto, shall be occupied and used only by the Unit owner, his or her family, employees, guests or by authorized tenants and such tenants' family, employees and guests. No Unit may be used for the conduct of commercial activity (except for the leasing of the Units as permitted by the Condominium instruments). No Unit may be leased for transient nor hotel purposes nor for an initial period of less than six (6) months. Nothing in these Bylaws shall be construed to prohibit the Declarant from using any Unit owned by the Declarant for promotional, marketing or display purposes or from using any appropriate portion of the Common elements for settlement of sales of Condominium units and for customer service purposes.

(2) Nothing shall be done or kept in any Unit or in the Common elements which will increase the rate of insurance for the Property 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 on the Common elements.

(3) 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,

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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(s) responsible for any violation thereof, but if such cannot be determined, then the costs of such compliance shall be a Common expense.

(4) No Unit owner shall obstruct any of the Common elements or Limited 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 storage by the Condominium instruments or the Board of Directors) without the approval of the Board. Nothing shall be altered or constructed in or removed from the Common elements except with the prior written consent of the Board of Directors or the Covenants Committee, as appropriate.

(5) The Common elements shall be used only for the furnishing of the services and facilities for which the same are reasonably suited and which are incident to the use and occupancy of the Units.

(6) No Unit owner shall lease a Unit other than on a written form of lease: (i) requiring the lessee to comply with the Condominium instruments and rules and regulations; (ii) providing that failure to comply constitutes a default under the lease; and (iii) providing that the Board of Directors has the power to terminate the lease or to bring summary proceedings to evict the tenant in the name of the lessor thereunder after thirty (30) days prior written notice to the Unit owner, in the event of a default by the lessee in the performance of the lease. The Board of Directors may suggest a 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 paragraph, shall not apply to a Mortgagee in possession of a Unit as a result of foreclosure, judicial sale, a proceeding in lieu of foreclosure or a deed in lieu of foreclosure.

(7) Trailers, campers, recreational vehicles, boats and other large vehicles may be parked on the Property only if expressly permitted by the rules and regulations and only in such parking areas, if any, as may be designated for such purpose by the Board of Directors. No junk or derelict vehicle or other vehicle on which current registration plates are not displayed shall be kept upon any of the Common elements. Vehicle repairs other than ordinary light maintenance are not permitted on the Property. All vehicles shall be parked on the property only in accordance with the Rules and Regulations as may be promulgated from time to time by the Board of Directors.

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(8) No pets will be permitted on the premises except those approved in writing by the Association and shall be subject to the following conditions:

(a) Only one domestic dog weighing less than 50 lbs. shall be permitted;

(b) All pets shall be kept on a leash when taken from a building and shall not be allowed to run loose or be curbed on any of the Common elements;

(c) All pets must be sufficiently under control at all times so they do not become a nuisance to owners or occupants of other Units;

(d) All pets must be licensed as may be required by law;

(e) There shall be no more than 2 pets maintained in any Unit, with a total weight of all pets not to exceed 50 lbs., unless prior written approval is given by the Association, however such approval may be withdrawn by the Association upon reasonable notice;

(f) Approval for any pet may be withdrawn for any reason at any time by the Board of Directors upon ten (10) days notice to the Unit owner;

(g) Owners are responsible for the clean-up of their pet's feces.

If approved, any Unit owner who keeps or maintains any pet upon any portion of the property shall be deemed to have indemnified and agreed to the Unit Owners' Association, 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 maintaining such pet within the Condominium. All pets shall be registered with the Board of Directors. The Board of Directors may establish reasonable fees for registration of pets not to exceed the additional costs incurred by the Unit Owners' Association resulting from the presence of such pets.

(9) 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 element without the prior written approval of the Board of Directors. The foregoing provisions of this paragraph shall not apply to a Mortgagee in possession of a Unit as a result of foreclosure, judicial sale, a proceeding in lieu of foreclosure or a deed in lieu of foreclosure.

(10) Rules of Conduct

(a) Residents and guests shall exercise extreme care in making noises or using musical instruments, radios, televisions, and amplifiers that may disturb other residents.

(b) Hanging garments, towels, blankets, rugs, and the like, from the Unit, decks, balconies or from any of the facades or visible areas of the project is prohibited.

(c) Dusting and shaking out of rugs, towels, bathing suits, and the like, from the Unit, decks, balconies, or by beating on the exterior part of the project is prohibited.

(d) Throwing of garbage or trash outside the disposal installations provided for such purposes in the service area is prohibited.

(e) No owner, resident, guest, lessee, or other Person shall install wiring for electrical or telephone installation, television antennae, machines, air conditioning Units, or the like, anywhere in the project except as authorized by the Association.

(f) All curtain and drapes visible from the exterior shall be plain white or off-white color, or shall be lined with a plain white or off-white backing, so that only those colors will be visible from the exterior of the Unit.

(g) No owner, guest, or other Person shall paint the exterior of his Unit without authority and approval of the Association, it being intended to preserve and present a uniform appearance for the project. No owner may otherwise alter the exterior appearance of his Unit.

(h) All sidewalks, entrances and stairways shall not be obstructed or used for any other purpose than ingress and egress.

(i) No motor vehicles may be washed in any portion of the common area; Unit owners may be fined by the Association for violation of this rule.

(j) The Association shall have sole control of all planting and landscaping and sole control of all waterings.

(k) Each Unit owner shall maintain in a neat, presentable and sanitary fashion all Limited common areas under his control or designated for his use.

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(l) All trash must be disposed of in plastic bags no matter what method of trash collection is provided for the project. Trash bags may be placed at the curb for collection on the evening of the day prior to pick-up only; no other garbage cans or containers of any sort may be placed outside of any Unit.

(m) The Association may make such rules and regulations as it deems necessary for the storage and keeping of firewood and the Association may limit said storage and keeping to certain areas only.

(n) No parking of vehicles shall be allowed on or adjacent to the private streets in the Condominium.

(b) Changes to Rules and Regulations. Each Unit and the Common elements and Limited common elements shall be occupied and used in compliance with the rules and regulations which may be promulgated and changed by the Board of Directors. Copies of the rules and regulations shall be furnished by the Board of Directors to each Unit owner and, if requested, to any Mortgagee. Changes 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 5.9. 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 subsection 4.2 of the Declaration, to the Board of Directors or the managing agent, or any other Person authorized by the Board 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, abating violations of rules and regulations, correcting any condition originating in his Unit or in a Common element to which access is obtained through his Unit and threatening another Unit or the Common elements, performing installations, alterations or repairs to the mechanical or electrical systems 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 or not the Unit owner is present. To the extent that damage is inflicted on the Common elements or any Unit through which access is taken, the Unit owner, Unit Owners' Association or other Person causing such damage shall be liable for the prompt repair thereof.

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Section 5.10. Utility charges. The cost of utilities serving the Condominium not individually metered to a Unit shall be Common expenses allocated pursuant to Section 5.1 hereof. The cost of utilities individually metered to any Unit shall be the sole cost of the Unit served thereby.

Section 5.11. Parking Spaces. Parking shall be permitted in the Limited common element driveway appurtenant to a Unit in accordance with and subject to the Rules and Regulations promulgated by the Board of Directors from time to time. During the time that Units are being sold by the Declarant, certain parking spaces may be restricted to the Declarant's use for sales purposes.

Section 5.12. Storage; Disclaimer of Bailee Liability. The Board of Directors, the Unit Owners' Association, any Unit owner and the Declarant shall not be considered a bailee of any personal property stored on the Common elements (including vehicles parked on the Common elements), whether or not exclusive possession of the particular area is given to a Unit owner for storage or parking 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, except to the extent covered by insurance in excess of any applicable deductible.

## ARTICLE 6

### Insurance

#### Section 6.1. Authority to Purchase; Notice.

(a) Except as otherwise provided in Section 6.5 hereof, all insurance policies relating to the Property shall be purchased by the Board of Directors. The Board of Directors, the managing agent and the Declarant shall not be liable for failure to obtain any coverages required by this Article 6 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 demonstrably unreasonable cost. The Board of Directors shall promptly furnish to each Unit owner written notice of the procurement of, subsequent changes in, or termination of, insurance coverages obtained on behalf of the Unit Owners Association, in compliance with Section 55-79.81(b) of the Condominium Act. In the event the Board of Directors shall fail or refuse to provide any of the insurance for which this Article provides, the Declarant or any Mortgagee (including the Construction Lender) shall have the right to obtain and pay the premiums for such insurance and shall be subrogated to the lien rights of the Unit Owners' Association as herein provided against all the Units to recover any such payments of premiums. So

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long as all or any portion of the Declarant's construction loan remains outstanding, the insurers issuing the insurance coverage for which this Article provides, the form and content of such insurance policies and the amounts and deductibles for such insurance coverage must be satisfactory to the Construction Lender.

(b) Each such policy shall provide that:

(1) The insurer waives any right to claim by way of subrogation against the Unit Owners' Association, the Board of Directors, 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 households;

(2) Such policy shall not be cancelled, invalidated or suspended due to the conduct of any Unit owner (including his invitees, agents and employees) or of any member, Officer or employee of the Board of Directors or the managing agent without a prior demand in writing that the Board or the managing agent cure the defect and neither shall have so cured such defect within sixty (60) days after such demand;

(3) Such policy may not be cancelled or substantially modified (including cancellation for nonpayment of premium) 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 and flood insurance, to all Mortgagees.

(c) The Declarant, so long as Declarant shall own any Unit, shall be protected by all such policies as a Unit owner. The coverage provided to the Declarant under insurance policies obtained in compliance with this Article 6 shall not be deemed to protect or to be for the benefit of any general contractor engaged by the Declarant nor shall such coverage be deemed to protect the Declarant against liability for (or waive any rights with respect to) warranty claims.

(d) All policies of insurance shall be written by reputable companies licensed to do business in the Commonwealth of Virginia. Physical damage policies shall be in form and substance and with carriers acceptable to the first Mortgagees holding a majority of the first Mortgages (based upon one vote for each Mortgage owned) and acceptable to the Construction Lender so long as all or any portion of Declarant's construction loan remains outstanding.

(e) The deductible, if any, on any insurance policy purchased by the Board of Directors shall be a Common expense; provided, however, that the Association may,

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pursuant to subsection 5.6(a) of these Bylaws, assess any deductible amount necessitated by the negligence, misuse or neglect of a Unit owner against such Unit owner.

Section 6.2. Physical Damage Insurance.

(a) The Board of Directors shall obtain and maintain a blanket, "all-risk" form policy of fire insurance with extended coverage, and vandalism, malicious mischief, windstorm, sprinkler leakage (if applicable), debris removal, cost of demolition, plate glass and water damage and leakage, endorsements, insuring the entire property (including the Units, improvements, fixtures, appliances and Common elements and Limited common elements as originally constructed and installed, and excluding only personal property supplied or installed by the Unit owner), and insuring the buildings, improvements, and the personal property associated therewith, and such other improvements as the Board of Directors shall determine, in an amount equal to the full insurable replacement value as determined annually by the Board of Directors of the Association, subject to such reasonable deductibles as the Board of Directors shall elect. Such coverage shall afford protection against (1) loss or damage by fire or other hazards covered by a standard fire and extended coverage endorsement, together, if available, with coverage for Common expenses with respect to Units during any period of repair or reconstruction of Common elements, and during which said Units are rendered unusable by virtue of such casualty, (2) floods, to the extent that coverage is available at reasonable rates or through the National Flood Insurance Program, (3) such other risks, including but not limited to, vandalism, theft, malicious mischief, windstorm, water damage, machinery explosion or damage, and other perils as the Board of Directors of the Association shall, from time to time, determine to be customarily covered with respect to comparable facilities. The aforesaid policy shall state whether, and if so the extent, if at all, to which coverage is included for a Unit and for the Limited common elements appertaining thereto, and if covered, any value limitation applicable thereto in order that a Unit owner may obtain such insurance as may be necessary with respect to Common expenses payable with respect to his Unit if it is rendered unusable and/or any losses associated with Limited common elements to the extent not covered by the policy obtained by the Association.

(b) Such policy shall also provide:

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

(2) The following endorsements (or equivalent): (i) "no control" (to the effect that coverage

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(\$1,000,000.00), as the Board may from time to time determine, insuring each director, the managing agent, each Unit owner, the Declarant and the Mortgagees against any liability to the public or to the Unit owners (and their invitees, agents and employees) arising out of, or incident to the ownership or use of the Common elements and Limited 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 (\$1,000,000.00) 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 in an amount not less than One Million Dollars (\$1,000,000.00).

Section 6.4. 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 Association, including the managing agent. Such fidelity bonds shall: (i) name the Unit Owners' Association as an obligee; (ii) be written in an amount not less than one-fourth (1/4th) the total annual Condominium assessments for the year or the amount required by the Mortgagees, the Federal National Mortgage Association or the 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) worker's compensation insurance if and to the extent necessary to meet the requirements of law;

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shall not be prejudiced by any act or neglect of any occupant or Unit owner or their agents when such act or neglect is not within the control of the insured, or the Unit owners collectively; nor by any failure of the insured, or the Unit owners collectively, to comply with any warranty or condition with regard to any portion of the Condominium over which the insured, or the Unit owners collectively, have 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 coinsurance clause; and

(3) That any "no other insurance" clause expressly exclude 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 otherwise required by law.

(c) 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 to any Mortgagee requesting the same, and to the Construction Lender so long as all or any portion of the Declarant's construction loan remains outstanding, at least thirty (30) days prior to expiration of the then-current policy. Prior to obtaining any policy of physical damage insurance or any renewal thereof the Board of Directors shall obtain an appraisal from an insurance company, or such other source as the Board may determine, of the then-current replacement cost of the Property (exclusive of the Land, excavations, foundations and other items normally excluded from such coverage), without deduction for depreciation, for the purpose of determining the amount of physical damage insurance to be secured pursuant to this section. All Mortgagees shall be notified promptly of any event giving rise to a claim under such policy arising from damage to the Common elements in excess of one percent (1%) of the then-current replacement cost of the Property. The Mortgagee of a Unit shall be notified promptly of any event giving rise to a claim under such policy arising from damage to such Unit.

Section 6.3. Liability Insurance. The Board of Directors shall obtain and maintain comprehensive general liability (including libel, slander, false arrest, and invasion of privacy coverage and errors and omissions coverage for directors) and property damage insurance in such limits, (but in no event less than One Million Dollars

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(d) directors and Officers liability insurance in an amount not less than One Million Dollars (\$1,000,000.00); and

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

Section 6.5. Separate Insurance. Each Unit owner shall have the right, at his own expense, to obtain insurance for his own Unit and for his own benefit and to obtain insurance coverage upon his personal property and for his personal liability as well as upon any improvements made by him to his Unit under coverage normally called "improvements and betterments coverage"; provided, however, that no Unit owner shall be entitled to exercise his right to acquire or maintain such 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 maintained by the Board or to cause any insurance coverage maintained by the Board to be brought into contribution with insurance coverage obtained by a Unit owner. All such policies shall contain waivers of subrogation. No Unit owner shall obtain separate insurance policies on the Condominium except as provided in this section.

Section 6.6. Insurance Trustee.

(a) All physical damage insurance policies purchased by the Board of Directors shall be for the benefit of the Unit Owners' Association, the Unit owners, their Mortgagees and the Declarant, as their interests may appear, and shall provide that all proceeds of such policies in excess of Twenty-Five Thousand Dollars (\$25,000.00) shall be paid in trust to a bank or savings and loan association with trust powers and with at least one office in the City of Virginia Beach, Virginia, as "insurance trustee" to be applied pursuant to the terms of Article 7. All proceeds of such policies not in excess of Twenty-Five Thousand Dollars (\$25,000.00) shall be paid to the Board of Directors in trust to be applied pursuant to the terms of Article 7.

(b) 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 Bylaws, for the benefit of the insureds and their beneficiaries thereunder. The Unit Owners' Association may enter into an insurance trust agreement with the insurance trustee upon such terms and conditions as the Unit Owners' Association shall deem appropriate; provided, however, such insurance trust agreement shall not contain any term, provision or condition inconsistent with the Declaration or these Bylaws. Such insurance trust agreement shall provide that the insurance trustee shall not be liable for the

payment of premiums, the renewal of the policies, the sufficiency of insurance coverage, the form or content of the policies, the correctness of any amounts received on account of the proceeds of any such insurance policies or for failure to collect the insurance proceeds. The duties of the insurance trustee shall be only to receive any proceeds of the physical damage or flood insurance policies purchased by the Unit Owners' Association, as paid, and to hold and disburse such proceeds in trust for the benefit of the Declarant, the Unit Owners' Association, the Unit owners and their respective Mortgagees.

#### ARTICLE 7

##### Repair and Reconstruction After Fire or Other Casualty

**Section 7.1. When Repair and Reconstruction are Required.** Except as otherwise provided in Section 7.4, in the event of damage to or destruction of all or any part of the buildings as a result of fire or other casualty, the Board of Directors shall arrange for and supervise the prompt repair and restoration thereof (including any damaged Units, and the floor coverings, kitchen or bathroom fixtures and appliances initially installed therein by Declarant, but not including any 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; subject, however, to the written concurrence of any Mortgagee(s) of such Unit.

##### **Section 7.2. Procedure for Reconstruction and Repair.**

(a) **Cost Estimates.** Immediately after a fire or other casualty causing damage to any portion of the building, the Board of Directors shall obtain reliable and detailed estimates of the cost of repairing and restoring such portion (including any damaged Units and any floor coverings and kitchen and bathroom fixtures and appliances initially installed by Declarant, and the replacements thereof installed by the Declarant, but not including any other interior partitions, furniture, furnishings, fixtures or equipment installed by the Unit owner 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 such estimated costs of reconstruction and repair, or if any time during such reconstruction and repair, the proceeds of insurance are insufficient to defray the then estimated cost of such

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reconstruction and repair, or if upon completion of reconstruction and repair the funds for the payment of the costs thereof are insufficient, the amount necessary to complete such reconstruction and repair shall be immediately obtained from the appropriate reserve for replacement funds and/or shall be deemed a Common expense and a special assessment therefor shall be levied immediately. The proceeds from such reserves and special assessments shall be deposited with the insurance trustee (if the costs of such reconstruction and repair exceed \$25,000.00 for disbursement by such insurance trustee in accordance with this Article.

(c) Plans and Specifications. Any such reconstruction or repair shall be substantially in accordance with the original construction of the Property, subject to any modifications required by changes in applicable governmental regulations, and using contemporary building materials and technology to the extent feasible.

#### Section 7.3. Disbursements of Construction Funds.

(a) Construction Fund and Disbursement. The proceeds of insurance collected on account of casualty, and the sums received by the insurance trustee from collections of assessments against Unit owners on account of such casualty, shall constitute a construction fund which shall be disbursed in payment of the costs of reconstruction and repair in the following manner:

(1) If the estimated cost of reconstruction and repair is less than Twenty-five Thousand Dollars (\$25,000.00), then the construction fund shall be disbursed in payment of such costs upon order of the Board of Directors; provided, however, that upon request of the Construction Lender so long as all or any portion of the Declarant's construction loan remains outstanding or twenty percent (20%) of the Mortgagees (based upon one vote for each Mortgage owned), such fund shall be disbursed pursuant to paragraph (2).

(2) If the estimated cost of reconstruction and repair is Twenty-five Thousand Dollars (\$25,000.00) or more, then the construction fund shall be disbursed in payment of such costs upon approval of an architect qualified to practice in Virginia and employed by the Board of Directors to supervise such work, payment to be made from time to time as the work progresses. The architect shall be required to furnish statements or invoices from the various contractors, subcontractors, materialmen, the architect and other Persons who have rendered services or furnished materials in connection with the work, together with a certificate giving a brief description of the services and materials furnished by such contractors, subcontractors, materialmen, the architect and other Persons who have

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rendered services or furnished materials in connection with the work stating that: (i) the sums requested by them in payment are justly due and owing and that such sums do not exceed the value of the services and materials furnished; (ii) there is no other outstanding indebtedness known to such architect for the services and materials described; and (iii) the cost as estimated by such architect for the work remaining to be done subsequent to the date of such certificate does not exceed the amount of the construction fund remaining after payment of the sum so requested.

(b) Surplus. 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 of the costs of the reconstruction and repair for which the fund is established, such balance shall be divided among all Unit owners and their Mortgagees in proportion to their Common Element Interests and shall be distributed in accordance with the priority of interests of their Mortgagees at law or in equity in each Unit.

(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 those portions of the Common elements which enclose and service the Units, then to the cost of repairing the other Common elements and thereafter to the cost of repairing the Units.

(d) Certificate. The insurance trustee shall be entitled to rely upon a certificate executed by the President or Vice President, and the Secretary, certifying: (i) whether the damaged Property is required to be reconstructed and repaired; (ii) the name of the payee and the amount to be paid with respect to disbursement from any construction fund 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. Any such certificate shall be delivered to the insurance trustee promptly after request.

Section 7.4. Determination to Reconstruct the Condominium after Casualty. If any casualty shall damage any part of the Common elements, the following shall govern whether or not the damaged improvements shall be reconstructed:

(a) The damaged Common element shall be reconstructed, repaired or replaced; provided, however, that if the Board of Directors shall determine that such damage is insubstantial and shall elect not to repair such damage, the Board of Directors shall remove all remains of the damaged improvements and restore the site thereof to an acceptable condition compatible with the remainder of the Condominium

and the balance of any insurance proceeds shall be distributed among all Unit owners and/or their mortgagees, as their interest may appear, in proportion to their respective Common Element Interest.

(b) In the event of any other casualty loss to the Common elements, the damaged improvements shall be reconstructed, repaired or replaced unless in a meeting of the Unit Owners' Association which shall be called within thirty (30) days of the date on which the Unit Owners' Association received the casualty appraisal report, the Condominium regime shall be terminated as provided in the Declaration and Bylaws. If the Condominium regime is not so terminated, such reconstruction or repair shall be commenced within a reasonable time after the occurrence of the casualty and in no event later than ninety (90) days after the occurrence of the casualty, and shall be completed within a reasonable time as determined by the Board of Directors with provisions to be made in the construction contract for liquidated damages to the Unit Owners' Association in the event of any failure to complete construction within the time specified therein.

(c) Certificate. The insurance trustee may rely upon a certificate of the Board of Directors executed by its President and Secretary as to whether or not any damaged improvements are to be reconstructed, repaired or replaced.

Section 7.5. Termination of the Condominium. 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 insurance trustee 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 and Mortgages on such owner's Unit in the order of priority of such liens and Mortgages.

## ARTICLE 8

### Mortgagees

Section 8.1. Notice to Board of Directors. A Unit owner who mortgages such owner's Unit shall notify the Board of Directors of the name and address of such Unit's Mortgagee and shall file a conformed copy of the note and Mortgage with the Board.

Section 8.2. Notice of Default, Casualty or Condemnation. The Board of Directors when giving notice to any Unit owner of a default in paying an assessment for Common expenses or any other default, shall simultaneously send a copy of such notice to each Mortgagee, if any, of such

Unit. Each Mortgagee shall also be promptly notified of any casualty when required by subsection 6.2(c) hereof, of all actions taken under Article 7 and of any taking in condemnation or by eminent domain and actions of the Unit Owners' Association with respect thereto. For purposes of this section only, when notice is to be given to a Mortgagee, the Board of Directors shall also give such notice to the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Veterans Administration, the Federal Housing Administration, the Farmer's Home Administration, the Government National Mortgage Association and any other public or private secondary mortgage market entity participating in purchasing or guarantying Mortgages if the Board has notice of such participation.

Section 8.3. Notice of Amendment of Condominium Instruments. The Board of Directors shall give notice to all Mortgagees seven (7) days prior to the date on which the Unit owners, in accordance with the provisions of these Bylaws, materially amend the Condominium instruments.

Section 8.4. Notice of Change in Managing Agent. The Board of Directors shall give notice to all Mortgagees thirty (30) days prior to changing the managing agent.

Section 8.5. Mortgagees' Approvals. Notwithstanding any other provision of the Declaration, the Bylaws or the Rules and Regulations, unless at least sixty-seven percent (67%) of the Mortgagees holding Mortgages constituting first liens on the Condominium units subject to such Mortgages (based upon one vote for each mortgage owned) and the Construction Lender so long as all or any portion of the Declarant's construction loan remains outstanding, have given their prior written approval, the Unit Owners' Association and Board of Directors shall not be entitled to: (a) by act or omission seek to abandon or terminate the Condominium; (b) change the pro rata interest or obligations of any Unit for purposes of (i) levying assessments or charges or allocating distributions of hazard insurance proceeds or condemnation awards, and (ii) determining the pro rata share of ownership of each Unit in the Common elements; (c) partition or subdivide any Unit; (d) by any act or omission seek to abandon, partition, subdivide, encumber, sell, or transfer the Common elements [the granting of easements for public utilities or for other public purposes consistent with the intended use of the Common elements by the Condominium and in accordance with Section 55-79.72 of the Condominium Act shall not be deemed a transfer within the meaning of this clause]; or (e) use hazard insurance proceeds for losses to the Property (whether to Units or to Common elements) for other than the repair, replacement, or reconstruction of such improvements. Further, the consent of at least fifty-one percent (51%) of the mortgagees holding mortgages on Units subject to such mortgages (based on one

vote for each mortgage named) shall be required to add or amend any material provisions of the Declaration, the Bylaws, or the Rules and Regulations which establish, provide for, govern, or regulate any of the following: (a) voting; (b) assessments, assessment liens, or priority of such liens; (c) reserves for maintenance, repair, and replacement of the common areas (or Units, if applicable); (d) insurance or fidelity bonds; (e) rights to use the common areas; (f) responsibility for maintenance and repair of the Property; (g) the interest in the general or limited common areas; (h) leasing of Units; or (i) impositions of any right of first refusal or similar restriction on the right of Unit owner to sell, transfer, or otherwise convey his or her Unit; (j) definition of Unit boundaries; (k) convertibility of Units into common areas or vice versa; (l) expansion or contraction of the Condominium regime, or the addition, annexation or withdrawal of Property to or from the Condominium regime; (m) restoration or repair of the Condominium (after a hazard damage or partial condemnation) in a manner other than that specified in the Condominium Instruments (n) any action to terminate the legal status of the Condominium regime after substantial destruction or condemnation occurs; (o) any provisions that expressly benefit mortgage holders, insurers, or guarantors. So long as there is any mortgage against any Unit in the Condominium that is insured by or guaranteed by the Veterans' Administration (the "VA") or the Federal Housing Administration (the "FHA"), the Condominium regime hereby created may not be merged with a successor Condominium regime without the prior written approval of the VA and/or FHA as applicable. Any Mortgagee, or insurer or guarantor of any such Mortgagee, who receives a written request to approve additions or amendments to the Declaration, the Bylaws, or the Rules and Regulations and who does not deliver or mail, by United States mail, to the requesting party a negative response within thirty (30) days of receiving such request shall be deemed to have approved the request, provided the notice was delivered by certified or registered mail "return receipt" requested.

Notwithstanding anything herein to the contrary, no provision of this Article or of any other Article of the Declaration or Bylaws shall affect or limit the Declarant's right to create additional Units and Limited common elements on Convertible Land as provided for by Article 7 of the Declaration or to contract the Condominium as provided for by Article 8 of the Declaration.

Section 8.6. Other Rights of Mortgagees. All Mortgagees or their representatives shall have the right to attend and to speak at meetings of the Unit Owners' Association. All such Mortgagees and insurers or guarantors of any first Mortgage secured by a Unit, including the VA and FHA, shall have the right to examine the books and records of the Condominium, to receive the annual report filed by

Declarant pursuant to Section 55-79.93 of the Condominium Act and to require the submission of audited annual financial reports and other budgetary information.

ARTICLE 9

Condemnation

In the event all or any portion of the Condominium shall be taken by condemnation or other exercise of the power of eminent domain, the rights and responsibilities of the Unit owners and the Unit Owners' Association shall be governed by and determined in accordance with Section 55-79.44 of the Code of Virginia of 1950 as such Section exists as of the date of these Bylaws; provided that any award or damages payable to any Unit owner for any taking shall be payable to such Unit owner and his Mortgagee(s), if any, as their interests may appear.

ARTICLE 10

Compliance and Default

Section 10.1. Relief. Each Unit owner shall be governed by, and shall comply with, all of the terms of the Condominium instruments and the Condominium Act as any of the same may be amended from time to time. In addition to the remedies provided in Section 55-79.53 of the Condominium Act, 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) 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 his employees, agents or licensees, 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 casualty 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 any insurance company of its rights of subrogation.

(b) Costs and Attorney's Fees. In any proceedings arising out of any alleged default by a Unit owner, the prevailing party shall be entitled to recover the costs of such proceeding and such reasonable attorney's fees as may be determined by the court.

(c) No Waiver of Rights. The failure of the Unit Owners' Association or the Board of Directors to enforce

any right, provision, covenant or condition which may be granted by the Condominium instruments or the Condominium Act shall not constitute a waiver of the right of the Association, the Board 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 Condominium instruments or the Condominium Act 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 other privileges as may be granted to such party by the Condominium instruments or the Condominium Act or at law or in equity.

(d) Interest. In the event of a default by any Unit owner in paying any sum assessed against his Condominium unit which continues for a period in excess of ten (10) days, interest at a rate equal to the lower of the maximum interest allowable by law or Sovran Bank N.A.'s or any successor banking institution's prime rate, plus two percent (2%), as established from time to time, or such other rate as established in the discretion of the Board of Directors, on the principal amount unpaid from the date due until paid.

(e) Abating and Enjoining Violations by Unit Owners. The violation of any of the rules and regulations adopted by the Board of Directors, the breach of any provision of the Condominium instruments or the Condominium Act shall give the Board of Directors the right, in addition to any other rights set forth in these Bylaws: (i) 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 (ii) to enjoin, abate or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any such breach. Provided, however, a judicial proceeding must be instituted before the Board of Directors may require that an item of construction be altered or demolished.

(f) Legal Proceedings. Failure to comply with any of the terms of the Condominium instruments and the rules and regulations shall be grounds for relief, including without limitation, an action to recover any sums due for money damages, injunctive relief, foreclosure of the lien for payment of all assessments, any other relief provided for in these Bylaws or any combination thereof and any other relief afforded by a court of competent jurisdiction, all of which relief may be sought by the Unit Owners' Association, the

Board of Directors, the managing agent or, if appropriate, by any aggrieved Unit owner and shall not constitute an election of remedies. All Unit owners hereby consent to the personal jurisdiction of the Circuit Court of the City of Virginia Beach, Virginia, and/or the General District Court of the City of Virginia Beach, Virginia with regard to all suits, actions and controversies arising out of or relating to the Condominium instruments and/or the Condominium. Each Unit owner irrevocably appoints the President of the Unit Owners' Association as his agent to receive service of process for each Unit owner with regard to any action, suit or other proceeding arising out of or relating to the Condominium and/or the Condominium instruments. The President of the Unit Owners' Association shall give each Unit owner for whom the President shall receive service of process notice of such service of process in the manner provided by these Bylaws.

(g) Fines. The Board of Directors and the Covenants Committee may levy reasonable fines against Unit owners for violations of the rules and regulations, the Condominium instruments, or the Condominium Act for which the Unit owner or his family members, tenants, guests or other invitees are responsible. No fine may be levied for more than the lesser of Fifty Dollars (\$50.00) or ten percent (10%) of such Unit owner's annual assessment for any one violation or for more than Ten Dollars (\$10.00) per day for any continuing violation. Before any such charges may be assessed, the Unit owner shall be given an opportunity to be heard and to be represented by counsel at such hearing. Pursuant to Section 55-79.80(b2) of the Act, notice of such hearing shall be hand delivered or mailed by registered or certified United States mail, return receipt requested, to such Unit owner at the address or addresses required for notices of meetings pursuant to Section 55-79.75 of the Act, at least fourteen (14) days in advance thereof. Fines are special assessments and shall be collectible as such.

#### Section 10.2. Lien for Assessments.

(a) Lien. The total annual assessment of each Unit owner for Common expenses or any special assessment, or any other sum duly levied (including without limitation fines, interest, late charges, etc.), made pursuant to these Bylaws, is hereby declared to be a lien levied against the Condominium unit of such Unit owner as provided in Section 55-79.84 of the Condominium Act, which lien shall, with respect to annual assessments, be effective on the first day of each fiscal year of the Condominium and, as to special assessments and other sums duly levied, on the first day of the next month which begins more than seven (7) days after delivery to the Unit owner of notice of such special assessment or levy. The Board of Directors or the managing agent may file or record such other or further notice of any

such lien, or such other or further document, as may be required to confirm the establishment and priority of such lien. 120767504

(b) Acceleration. In any case where an assessment against a Unit owner is payable in installments, upon a default by such Unit owner in the timely payment of any two (2) consecutive installments, the maturity of the remaining total of the unpaid installments of such assessments may be accelerated, at the option of the Board of Directors, and the entire balance of the annual assessment may be declared due and payable in full by the service of notice to such effect upon the defaulting Unit owner and his Mortgagee by the Board of Directors or the managing agent.

(c) Enforcement. The lien for assessments may be enforced and foreclosed in the manner provided by the laws of the Commonwealth of Virginia by power of sale or action in the name of the Board of Directors, or the managing agent, acting on behalf of the Unit Owners' Association. During the pendency of such suit the Unit owner shall be required to pay a reasonable rental for the Unit for any period prior to sale pursuant to any judgment or order of any court having jurisdiction over such sale. The plaintiff in such proceeding shall have the right to the appointment of a receiver, if available under the laws of the Commonwealth of Virginia.

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

Section 10.3. Subordination and Mortgage Protection. Notwithstanding any other provisions hereof to the contrary, the lien of any assessment levied pursuant to these Bylaws upon any Unit (and any penalties, interest on assessments, late charges, fines, or the like) shall be subordinate to, and shall in no way affect the rights of the holder of a Mortgage made in good faith for value received; provided, however, that such subordination shall apply only to assessments which have become due and payable prior to a sale or transfer of such Unit pursuant to a decree of foreclosure, or any 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.

Amendments to Bylaws

Section 11.1. Amendments. These Bylaws may not be modified or amended except as provided in Section 55-79.72 of the Condominium Act, by a vote to which at least two-thirds (2/3) of the votes in the Unit Owners' Association appertain; provided, however, that until the expiration of the Declarant Control Period, Sections 2.2, 2.9, 3.3, and 11.1 may not be amended without the prior written consent of the Declarant. All amendments to the Bylaws shall be prepared and recorded by the Secretary.

Except to the extent expressly permitted or expressly required by the provisions of the Condominium Act, or agreed to as provided in Section 55-79.72(d), by one hundred percent (100%) of the Unit owners, no amendment to the Condominium instruments shall change (a) the boundaries of any Unit, (b) the undivided interest in the Common elements appertaining thereto, or (c) the number of votes in the Unit Owners' Association appertaining thereto.

Section 11.2. Approval of Mortgagees. These Bylaws contain provisions concerning various rights, priorities, remedies and interests of Mortgagees. Such provisions in these Bylaws are to be construed as covenants for the protection of such Mortgagees on which they may rely in making loans secured by Mortgages. Accordingly, no amendment or modification of these Bylaws impairing or affecting such rights, priorities, remedies or interests of a Mortgagee shall be adopted without the prior written consent of such Mortgagee.

ARTICLE 12

Miscellaneous

Section 12.1. Notices. All notices, demands, bills, statements or other communications under these Bylaws shall be in writing and shall be deemed to have been duly given if delivered personally or sent by United States mail, postage prepaid (pursuant to Section 55-79.75 of the Condominium Act), or if notification is of a default or lien, sent by registered or certified United States mail, return receipt requested, postage prepaid, (i) 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 (ii) 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 notice in writing to the Unit owners pursuant to this section. If a Unit is owned by more than one Person,

BK 2920 PG 1506

each such Person who so designates an address in writing to the Secretary shall be entitled to receive all notices hereunder.

Section 12.2. 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 12.3. Gender. 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 12.4. Construction. These Condominium instruments are intended to comply with all of the applicable provisions of the Condominium Act and shall be so interpreted and applied.

IN WITNESS WHEREOF, the Declarant has caused these Bylaws to be executed by its President on behalf of the Unit Owners' Association, this 26th day of JUNE, 19 90.

ROYAL COURT, INC.  
a Virginia corporation,

By: Donald L. Moore (SEAL)  
Donald L. Moore, President

COMMONWEALTH OF VIRGINIA  
CITY OF VIRGINIA BEACH, to wit:

The foregoing instrument was acknowledged before me this 26th day of June, 19 90, by Donald L. Moore, President of ROYAL COURT, INC., a Virginia corporation, on behalf of the corporation.

LSusan J. White (SEAL)  
Notary Public

My Commission Expires:  
3-10-91  
jbh/condo/wndbrk.bl

VIRGINIA: In the Clerk's Office of the Circuit Court of Virginia Beach 28 day of June, 19 90 at 2:14, this instrument was received and upon the certificate of acknowledgment thereto annexed, admitted to record. The tax imposed by §58.1-802 of the Code has been paid, in the amount of \$ \_\_\_\_\_.

TESTE: J. CURTIS FRUIT, Clerk

By: [Signature] D. C.

C.C. 21 REV. 3/85

ROYAL COURT ESTATE CONDOMINIUM ASSOCIATION

DATE ADOPTED: MARCH 14TH, 2002

BYLAW AMENDMENT RELATING TO INSURANCE

WHEREAS, Royal Court Estate Condominium (*hereinafter "Royal Court"*) was created by a Declaration (*hereinafter "Declaration"*) on June 26, 1990, which was duly recorded in the land records at the Courthouse for the City of Virginia Beach, at Deedbook 2920, Page 1437; and

WHEREAS, Royal Court adopted Bylaws (*hereinafter "Bylaws"*), which governed the management of Royal Court, and said Bylaws were adopted on June 26, 1990 and were recorded in the land records at the Courthouse for the City of Virginia Beach, at Deedbook 2920, Page 1455; and

WHEREAS, all owners within Royal Court are members of the Royal Court Estate Condominium Association (*hereinafter, "Association"*), by virtue of Article 2 of the Bylaws, and are subject to all the restrictions of the Declaration and Bylaws of said Association by virtue of Article 10 of the Bylaws; and

WHEREAS, Article 6 of the Bylaws deals with the required insurance coverage of the Association; and

WHEREAS, the Board of Directors, as the executive organ of the Association, has determined that the liability under Article 6 of the Bylaws is unnecessary and has decided to amend this Article accordingly; and

WHEREAS, pursuant to Article 11.2 of the Bylaws, the Association has provided written notice of the amendment to all the Unit Owners with the Association; and

WHEREAS, pursuant to Article 11.2 of the Bylaws the proposed amendment was approved by 66 and 2/3 percent of the entire membership of the Association; and

WHEREAS, pursuant to Article 11.2 of the Bylaws, all mortgagees were informed of this amendment and none have objected to it in writing.

GPIN Number: 24086293452050, 1 of 58 Units

Prepared by: *Smink, Thomas & Associates, P.C.*  
4176 S. Plaza Trail, Suite 128  
Virginia Beach, VA 23452  
(757) 491-4141

NOW THEREFORE, Article 6.2(a) of the Bylaws is replaced by the following section:

Section 6.2 Physical Damage Insurance

(a) The Board of Directors shall obtain and maintain a "bare walls" liability and casualty form policy with fire insurance with extended coverage, and vandalism, malicious mischief, windstorm, sprinkler leakage (if applicable), debris removal, cost of demolition, plate glass and water damage and leakage, endorsements. Said policy shall insure only the limited common elements and common elements of the Association, as defined in Article 3 of the Declaration. Said policy shall not insure the Units or any part thereof, as defined in Article 2.3 of the Declaration. The policy shall also insure the buildings, improvements, and the personal property associated with the limited common elements, common elements and such other improvements as the Board of Directors shall determine, in an amount equal to the full insurable replacement value as determined annually by the Board of Directors of the Association, subject to such reasonable deductibles as the Board of Directors shall elect. Such coverage shall afford protection against (1) loss or damage by fire or other hazards covered by a standard fire and extended coverage, together, if available, with coverage for Common expenses during any period of repair or reconstruction of Common elements, (2) floods, to the extent that coverage is available at reasonable rates or through the National Flood Insurance Program, (3) such other risks, including, but not limited to, vandalism, theft, malicious mischief, windstorm, water damage, machinery explosion or damage, and other perils as the Board of Directors of the Association shall, from time to time, determine to be customarily covered with respect to comparable facilities. The insurance coverage shall exclude all personal property supplied or installed by the Unit owner in the Units as defined in Article 2.3 of the Declaration. The aforesaid policy shall state that it does not provide coverage for any part of the Unit, as defined in Article 2.3 of the Declaration, and that the Unit owner may obtain such coverage at his expense.

ADOPTED by 66 and 2/3's percent of the votes of the entire membership of the Royal Court Estate Condominium Association; this 14 day of MARCH, 2002.

I, Robert J. Orrell, President of Royal Court Estate Condominium Association, do hereby certify that this amendment was properly noticed and was approved by 66 and 2/3's percent of the votes of the entire membership of the Association.

By: Robert J. Orrell  
President.



COMMONWEALTH OF VIRGINIA  
CITY OF Virginia Beach, TO WIT:

I, BRENDA K. CHRISMER a Notary Public in and for the City aforesaid, in the Commonwealth of Virginia, do hereby certify that ROBERT J. ORRILL, President, Royal Court Estate Condominium Association, whose name is signed to the above amendment bearing date on the 23<sup>rd</sup> day of July, 2002, has acknowledged the same before me in my City aforesaid. 14<sup>th</sup> March

Given under my hand this 23<sup>rd</sup> day of July, 2002

Brenda K. Chrismer  
NOTARY PUBLIC

My commission expires: 11/30/02

I, Richard L. Keefer, Secretary of Royal Court Estate Condominium Association, do hereby certify that this amendment was properly noticed and was approved by 66 and 2/3's percent of the entire membership of the Association.

By: R. L. Keefer  
Secretary

COMMONWEALTH OF VIRGINIA  
CITY OF Virginia Beach, TO WIT:

I, BRENDA K. CHRISMER a Notary Public in and for the City aforesaid, in the Commonwealth of Virginia, do hereby certify that RICHARD L. KEEFER, Secretary, Royal Court Estate Condominium Association, whose name is signed to the above resolution bearing date on the 14<sup>th</sup> day of March, 2002, has acknowledged the same before me in my City aforesaid.

Given under my hand this 23<sup>rd</sup> day of July, 2002

Brenda K. Chrismer  
NOTARY PUBLIC

My commission expires: 11/30/02

my docs/Royal Court:bylaw amendment

AUG 19 2003

AMENDMENT TO BYLAWS OF  
ROYAL COURT ESTATE CONDOMINIUM  
ASSOCIATION, INC.

(Use and Leasing of Units)

This AMENDMENT to BYLAWS is made this 30<sup>th</sup> day of May, 2003, by Royal Court Estate Condominium Association, Inc., hereinafter called "the Association."

WITNESSETH

WHEREAS, Royal Court, Inc., a Virginia corporation (the "Declarant"), submitted to record Bylaws of Royal Court Estate Condominium recorded in the Clerk's Office of the Circuit Court of the City of Virginia Beach, Virginia in Deed Book 2920 at Page 1455; and

WHEREAS, there is a unit owner other than the Declarant; and

WHEREAS, the Board of Directors (the "Board") has determined it is in the best interests of the Association to limit the number of leased units in the condominium in order to protect property values and insure the availability of financing for unit sales; and

WHEREAS, the Bylaws may be amended pursuant to Article 11 of the Bylaws and Section 55-71.D of the Virginia Condominium Act, which allows amendment by agreement of the owners of units to which at least two-thirds (2/3) of the votes in the Unit Owner's Association appertain; and

WHEREAS, the amendment as proposed is a material amendment to the Bylaws which requires the prior written approval of Mortgagees as required by Section 8.5 and Section 11.2 of the Bylaws; and

GPINS: See Exhibit A Attached  
Prepared By: Inman & Strickler, P.L.C.  
575 Lynnhaven Parkway, Suite 200  
Virginia Beach, VA 23452

**WHEREAS**, pursuant to Section 55-79.71.D of the Condominium Act, this Amendment shall become effective when the amendment is duly recorded in the Clerk's Office of the Circuit Court of the City of Virginia Beach, Virginia;

**WHEREAS**, Royal Court Condominium Association, Inc., submitted to record First Amendment to The Bylaws of The Royal Court Estate Condominium, Inc. recorded in the Clerk's Office of the Circuit Court of the City of Virginia Beach, Virginia in Deed Book 4179 at Page 972, which states as follows and is restated here for convenience:

"The fourth (4<sup>th</sup>) sentence of Section 5.8(a)(1) of the Association's ByLaws is hereby deleted in its present form and new language is hereby inserted as follows: No Unit or any portion thereof may be leased for transient nor hotel purposes nor for any period of less than one (1) year and, further, no leases(s) may renew for any period of less than one (1) year.

**NOW, THEREFORE**, the Association does hereby further amend the Bylaws in the following manner:

1. Section 5.8(a)(1) of the Bylaws, shall be deleted and restated as follows:

Restrictions; Leasing of Units. No Unit shall be used for other than residential housing and the related common purposes for which the Property was designed. Each Unit, and the Common Elements appertaining thereto, shall be occupied and used only by the Unit Owner, his or her family, and guests or by tenants and such tenants' family, domestic employees and guests. No Unit may be used for the conduct of commercial activity. No more than three (3) Units of the Condominium may be leased at any time. No unit owner shall rent more than two (2) units and a unit owner may not avoid this rule by ownership through another entity. All leases shall be for an initial term of not less than twelve (12) consecutive months. Subsequent renewal leases to the same tenant may be for less than twelve (12) consecutive months only with prior written approval of the Board of Directors upon the demonstration of a hardship. No unit owner may lease less than the entire unit. Any Unit Owner intending to lease the Unit shall submit a written request to the Board of Directors indicating the Unit Owner's intent to lease the Unit. The Unit shall not be made available for lease until the Board of Directors responds with written permission to lease the Unit. Permission to lease shall be obtained before seeking a tenant inasmuch as this is not a tenant approval process. The Board of Directors shall respond within thirty (30) days of the written request of the Unit Owner. Permission will be based solely on the numbers of units leased at

the time of application. If three (3) Units are leased at the time of the request, the Unit Owner will be placed on a waiting list and will be notified when a leasing slot is available. The Unit Owner will then have sixty (60) days to enter into a lease. Thereafter, the Unit Owner will forfeit his position and, if the Unit Owner wishes to remain on the list, he shall submit a written request therefor to the Board of Directors.

Any Unit Owner whose Unit is leased as of the effective date of this amendment shall submit a copy of the lease currently in effect to the Board of Directors or the Association Manager within thirty (30) days of the recordation of this Amendment.

Any Unit which is leased as of the effective date of this amendment and any unit leased hereafter under the terms set forth in this section may continue to be leased by renewal of the current lease or issuance of new lease to a new tenant, provided, however, if the unit is not leased for a period of sixty days or is sold immediately upon termination of a lease, then it shall become subject to the rules imposed on all units by this amendment.

The Board of Directors may, in its sole discretion, authorize a lease which will exceed the maximum of three (3) leased Units restriction only upon a showing by a Unit Owner of a hardship which will result from the Board's denial of the lease request. Examples of "hardship" include, but are not limited to, military transfer or ill health preventing occupancy of the Unit.

Any Unit Owner who leases his Unit shall provide to the tenant, at the Unit Owner's expense, a copy of the Association's Rules and Regulations and shall have the tenant execute a Lease Addendum which requires the tenant to comply with the covenants, conditions and restrictions contained in them.

The leasing of units shall also be subject to all rules and regulations promulgated by the Board of Directors not in conflict with any provisions of the Declaration or Bylaws.

2. All provisions of the Bylaws not expressly amended herein shall be and remain in full force and effect.

The undersigned Secretary of the Association does hereby certify that this Amendment has been agreed to by the owners of units to which sixty-six and two thirds percent (66-2/3%) of the votes in the Association appertain, as is required by Article 11 of the Bylaws and Section 55-79.71.D of the Virginia Condominium Act, as evidenced by their signatures on file with the Association.



EXECUTED on the date first written above by the duly authorized officer of the Association.

THE ROYAL COURT ESTATES CONDOMINIUM ASSOCIATION, INC.

By: Robert J. Orrell, President

**CERTIFICATION PURSUANT TO VIRGINIA CODE SECTION 55-79.71.D AND SECTION 55-79.73:1**

COMMONWEALTH OF VIRGINIA,  
CITY OF VIRGINIA BEACH, to wit:

The foregoing instrument was acknowledged this 30<sup>th</sup> day of May, 2003, before me, the undersigned Notary Public, by Robert J. Orrell, President of Royal Court Estates Condominium Association, Inc., who did state the requisite number of the unit owners have ratified the aforesaid amendment by signing a document so stating as required by Virginia Code Section 55-79.71.D and fifty-one (51%) of all first mortgagees have approved the amendment as required by Virginia Code Section 55-79.73:1 and Section 8.5 of the Association's Bylaws.

Barbara A. Dauter  
Notary Public

My Commission Expires: 4/30/05