

APPENDIX I

DECLARATION

DECLARATION
OF
MADISON MANOR CONDOMINIUM, INC.

Pursuant to the provisions of Chapter 4.2, Title 55 of the Code of Virginia, as amended ("The Condominium Act"), MADISON MANOR, INC., a Virginia Corporation ("The Declarant"), the fee simple owner of the land more particularly described in Exhibit "A" attached hereto located in the City of Harrisburg, Virginia ("Submitted Land"), hereby submits the Submitted Land, together with all improvements, easements, rights and appurtenances thereunto belonging (the "Condominium Property") to the provisions of The Condominium Act.

I. DEFINITIONS.

Except as otherwise defined in the Condominium Instruments for the Condominium all capitalized terms in the Condominium Instruments shall have the meanings specified in Section 55-79.41 of the Code of Virginia, 1950 Edition, as amended.

II. NAME OF THE CONDOMINIUM.

The Condominium established hereby shall be known as MADISON MANOR CONDOMINIUM, INC. ("The Condominium").

III. LOCATION OF BUILDINGS AND UNITS.

The location and dimensions of the buildings on the Submitted Land are shown on the "Plat" attached as Exhibit "C" hereto. The location of the Units within the aforesaid buildings are shown on the "Plans" attached as Exhibit "D" hereto.

IV. UNIT BOUNDARIES.

The boundaries of each Unit are as follows:

(a) Upper and Lower (horizontal) Boundaries: The upper and lower boundaries of the Unit are the following boundaries extended to an intersection with the vertical (perimetric) boundaries:

(1) Upper Boundary: The horizontal plane of the bottom surface of the concrete slab or wood joists (as the case may be) of the ceiling except where there is a dropped ceiling in which locations the upper boundary is the horizontal plane which includes the top side of the wallboard of the dropped ceiling.

(2) Lower Boundary: The horizontal plane of the top surface of the undecorated concrete floor slab or wood subflooring (as the case may be).

(b) Vertical (perimetric) Boundaries: The vertical boundaries of the Unit are the vertical planes which include the back surface of the wallboard of all walls bounding the unit extended to intersections with each other and with the upper and lower boundaries.

(c) The Unit includes the room containing the heating and air-conditioning apparatus serving only that Unit (whether or not located within the Unit boundaries), which apparatus is part of the Unit. Any portion of a utility system or other apparatus serving more than one Unit (e.g., pipes, conduits, ducts) which is located partially within and partially outside the unit is part of the common elements. Any portion of a utility system serving only one Unit which is located outside the Unit is a limited Common Element appurtenant to that Unit.

(d) Notwithstanding the ownership of the various portions of the Common Elements and the Units by virtue of the foregoing boundary description, the provisions of the By-Laws, attached as Exhibit "B" hereto, shall govern the division of maintenance and repair responsibilities between the Unit Owner and the Unit Owner Association of the Condominium.

(e) The Common Elements of the Condominium shall include all portions of the Condominium other than the Units.

V. THE UNDIVIDED INTEREST IN THE COMMON ELEMENTS.

Pursuant to Section 55-79.55 of The Condominium Act, each Unit in the Condominium has been allocated an equal percentage of interest in the Common Elements of the Condominium (Common Element Interest").

VI. LIMITED COMMON ELEMENTS.

Limited Common Elements, if any, shall be those specified in Section 55-79.50(e) of the Code of Virginia, 1950, as amended, and those which may be marked and identified on the Plans attached as Exhibit "D".

VII. ASSIGNMENT OF LIMITED COMMON ELEMENTS.

Declarant reserves the right to assign any Common Elements shown on the Plats and Plans and labeled "Common Elements which may be assigned as Limited Common Elements", for the exclusive use of certain Unit Owners to whose Units the Common Element so assigned would become appurtenant. The Declarant may assign any such Common Element as a Limited Common Element pursuant to the provisions of Section 55-79.57(c) of the Code of Virginia, 1950, as amended, by making such an assignment in the Deed to the Unit to which such designated Limited Common Element shall become appurtenant and subsequently confirming such assignment by recording an appropriate amendment to this Declaration or to the Plans.

VIII. DESIGNATION OF RESERVED COMMON ELEMENTS.

The Board of Directors of the Unit Owners Association shall have the power in its discretion to: (i) designate from time to time any portion of the Common Element (not designated by Declarant pursuant to Article VII herein) as "Reserve Common Elements"; (ii) grant reserved rights therein to the Unit Owners Association and to any or less than all of the Unit Owners; and (iii) establish a reasonable charge to such Unit Owners for the use and maintenance thereof. Such designation by the Board shall not be construed as a sale or disposition of the Common Elements.

IX. OPTION TO EXPAND CONDOMINIUM.

Declarant hereby expressly reserves unto itself and/or its successors and assigns, the option and right to expand this Condominium pursuant to Section 55-79.63 of the Condominium Act and subject to the provisions of this Article.

(a) The option to expand shall be at the sole option of Declarant and shall not require the consent of any Unit Owner or Mortgagee.

(b) This option to expand the Condominium project shall expire seven (7) years after the date of recording of this Declaration if not sooner exercised; however, Declarant may, at

any time prior to the expiration of such period, terminate its option to expand by recording among the land records wherein this Declaration is recorded, an executed and notarized document terminating this option.

(c) The metes and bounds description of that property which may be added to this Condominium is set forth in Exhibit "A-1" and hereinafter referred to as "Additional Land".

(d) Declarant expressly reserves the right to add any or all portions of the Additional Land at any time, at different times, in any order, without limitation, provided, however, that the Additional Land shall not exceed the total area of all that parcel described in Exhibit "A-1" attached hereto. Both the Submitted Land and Additional Land are graphically depicted on Exhibit "C" entitled "Plat", which Plat is attached hereto and made a part hereof.

(e) At such time as the Condominium is expanded, the maximum number of Units on the Additional Land will not exceed sixty (60) Units. The maximum number of Units on any portion of the Additional Land added to the Condominium shall not exceed twenty-two (22) Units per acre. Moreover, the maximum number of Units in the Condominium, as a whole, shall never exceed one-hundred fifty-six (156) or twenty (20) Units per acre.

(f) Declarant expressly reserves the right to create Common Elements upon the Additional Land which may be subsequently assigned as Limited Common Elements. Declarant makes no assurances as to the type, size or maximum number of such Common Elements or Limited Common Elements.

(g) The Declarant makes no assurances as to the location of buildings in which Units are located on the Additional Land.

(h) All Units to be created on any portion of the Additional Land shall, except for model Units or administrative offices of Declarant, be restricted exclusively to residential use.

(i) Upon the Additional Land, Declarant may (but shall not be obligated to) construct facilities for the purpose of serving this Condominium as may be expanded by the Additional Land or portions of the Additional Land which Declarant may retain for rental. Declarant reserves the right to construct such service facilities on such portion or portions of the Additional Land as it deems necessary, but Declarant makes no assurances that such improvements will be compatible in quality, materials and style with the improvements on the Submitted Land.

(j) The Units to be created in the improvements on the Additional Land will be reasonably compatible in quality with the improvements on the submitted land but need not be the same materials or style. No assurances are made by the Declarant as to the size or type of Units that may be created in the future on the Additional Land.

(k) The allocation of Common Element Interests for Units created on the Additional Land shall be on an equal basis. Therefore, in the event that the Condominium is expanded to include any portion of the Additional Land, the Common Element Interests of all Units in the Condominium shall be based on an equal proportion (including all Units added on the Additional Land).

(l) In the event Declarant shall not add or adds and then subsequently withdraws, all or any portion of the Additional Land in accordance with Sections 55-79.54(b) and 55.79.54(d) of the Code of Virginia, as amended, Declarant shall nevertheless have the unrestricted right to demolish, construct, alter and operate, without restriction, and for any legal purpose, any improvements located on said Additional Land or any portion thereof.

(m) In the event Declarant determines to exercise its option to expand, in addition to such other easements or rights it may have reserved, Declarant shall have the easements as set forth in Section 55-79.65 of the Code of Virginia, as amended.

(n) Declarant expressly reserves the right to create Convertible Lands or Withdrawable Lands, or both, within any portion of the Additional Land added to the Condominium, in accordance with Section 55-79.54(b) and Section 55-79.54(d) of the Code of Virginia, as amended. No conversion of convertible land shall occur, however, after five (5) years from the recordation of this Declaration, in accordance with Section 55-79.61(c) of the Code of Virginia, as amended.

X. EASEMENTS AND OTHER ENCUMBRANCES, ETC.

Section 1. Easements, Rights-of-Way of Record:

The Submitted Land and the Additional Land are subject to certain easements, rights-of-way and covenants of record. The location of said easements and rights-of-way as well as the Deed Book and page references wherein said easements and rights-of-way were imposed are shown on the Plat attached as Exhibit "C" hereto.

Section 2. Easement for Ingress and Egress through Common Elements, Access to Units and Support:

(a) Each Unit Owner is hereby granted an easement in common with each other Unit Owner for ingress and egress through all Common Elements, subject to such reasonable rules, regulations and restrictions as may be imposed by the Unit Owners Association. Each Condominium Unit is hereby burdened with and subjected to an easement for ingress and egress through all Common Elements by persons lawfully using or entitled to the same.

(b) The Declarant reserves in favor of the Declarant and the Managing Agent and/or any other person authorized by the Board of Directors the right of access to any Unit as provided in Section 55-79.79 of the Condominium Act and Article XI, Section 3, of the By-Laws. In case of emergency, such entry shall be immediate whether or not the Unit Owner is present at the time. Further, until the expiration of the warranty period, such entry shall be permitted to perform warranty related work (for the benefit of the Unit being entered, other Units or the Common Elements) whether or not the Unit Owner consents or is present at the time.

(c) Each Unit and Common Element shall have an easement for lateral and subjacent support from every other Unit and Common Element.

Section 3. Declarant's Right to Grant Easements:

The Declarant shall have the right, prior to the termination of maximum time permitted for the Declarant control period for a Condominium under Section 55-79.74(a) of The

Condominium Act, to grant and reserve easements and rights-of-way through, under, over and across the Condominium Property for access and construction purposes, and for the installation, maintenance and inspection of the lines and appurtenances for public or private water, sewer, drainage, gas, electricity, telephone and other utilities.

Section 4. Easement to Facilitate Sales:

All Units shall be subject to an easement in favor of the Declarant pursuant to Section 55-79.66 of The Condominium Act. The Declarant reserves the right to use any Units owned or leased by the Declarant (not to exceed fifteen (15) in number), as models, management offices, sales offices or customer service offices. The Declarant reserves the right to relocate the same from time to time within the Condominium; upon relocation, the furnishings thereof may be removed. The Declarant further reserves the right to maintain on the Condominium such advertising signs as may comply with applicable governmental regulations, which may be placed in any location on the Condominium Property and may be relocated or removed, all at the sole discretion of the Declarant. The Declarant shall have the right to erect temporary offices on any portion of the Submitted and Additional Land for models, sales offices, management offices, customer services and similar purposes. This easement shall continue until the Declarant has conveyed all units in the Condominium to Unit Owners other than the Declarant.

Section 5. Easement for Operation or Development of Improvements on Additional Land:

There is reserved to the Declarant and/or its successors, such easements over, across and under the Submitted Land for the purposes of ingress, egress to and construction, installation and maintenance of such drainage areas or structures, utility lines or systems (including, but not limited to, water, storm and sanitary sewer, gas, cable television, electricity and telephone) as may be reasonably necessary for the development of the Condominium or for the normal operation of improvements located on any portion of the Additional Land which may not be added or added and subsequently withdrawn from the Condominium.

Section 6. Easement to Facilitate Expansion.

Declarant shall have as to both the Submitted Land and the Additional Land all easements set forth in Section 55-79.65 of the Condominium Act.

Section 7. Easements for Encroachments.

Declarant and each Unit Owner, to the extent required, shall have an easement pursuant to Section 55-79.60 of The Condominium Act.

Section 8. Easement for Removal of Common Elements, Etc.:

There is reserved to the Declarant and/or its contractors, agents and employees the right of entry onto the Common Elements of the Condominium for the purposes of performing such improvements, repairs, alterations, restoration or removal of the Units and Common Elements of the Condominium as Declarant may reasonably deem necessary. This reservation shall be construed so as to permit Declarant and/or its agents to remove and/or replace any and all Common Elements requiring repair, modification or alteration.

Section 9. Easement for Construction:

Declarant expressly reserves the right to enter upon the Common Elements for the purpose of performing such improvements as Declarant shall deem advisable in conjunction with its construction of the Units and/or Common Elements. Declarant shall further have the unrestricted right to temporarily store in or upon the Common Elements such building and construction equipment or supplies used in connection with its construction activities for the Units and Common Elements. The right herein reserved shall be deemed to include the right of Declarant to temporarily locate upon the Common Elements such temporary construction trailers or offices as may in Declarant's sole judgment be deemed necessary for its construction activity.

XI. CONVERTIBLE SPACES:

Declarant may designate as Convertible Spaces, as defined in Section 55-79.41(j) of The Condominium Act, all or any portion of any building on the Additional Land when added to the Condominium. The conversion of such Convertible Spaces shall be made pursuant to Section 55-79.62 of The Condominium Act.

XII. EXTERIOR MAINTENANCE:

There is reserved to the Unit Owners Association of the Condominium the exclusive right to provide for all exterior painting and maintenance of all of the Units and structures in the Condominium and such maintenance of the exterior of the Units and structures in the Condominium shall be a Common Expense to be paid for as part of the expense of upkeep of the Unit Owners Association.

XIII. RELOCATION OF BOUNDARIES BETWEEN UNITS:

Subject to the provisions of Article VI, Section 7, and Article IX, Section 8 of the By-Laws, Unit Owners may cause the relocation of Condominium boundaries between adjoining Units pursuant to the provisions of Section 55-79.69 of The Condominium Act.

XIV. SUBDIVISION OF UNITS.

Subject to the provisions of Article VI, Section 7, and Article IX, Section 8, of the By-Laws, Unit Owners may cause the subdivision of any Unit pursuant to the provisions of Section 55-79.70 of The Condominium Act.

XV. RIGHT TO LEASE OR SELL UNITS:

Declarant shall own in fee simple each Condominium Unit not sold to a Purchaser or otherwise transferred. Declarant retains the right to enter into leases with any third parties for the occupancy of any of the units owned by Declarant on such terms and conditions as may be acceptable to Declarant. Upon expiration of Declarant's control period, Declarant's right to lease any Unit is subject to the provisions of the Condominium Instruments.

XVI. PRIORITY OF MORTGAGES:

Except as specifically provided in the Condominium Instruments, no provision of the Condominium Instruments shall be construed to grant to any Unit Owner, or to any other person, any priority over any right of Mortgagees.

XVII. NO OBLIGATIONS:

Nothing contained in the Condominium Instruments shall be deemed to impose upon Declarant, or its successors or assigns, any obligation of any nature to build or provide any buildings except to the extent required by The Condominium Act.

XVIII. BY-LAWS OF THE CONDOMINIUM:

Pursuant to Section 55-79.73(a) of The Condominium Act, the By-Laws attached as Exhibit "B" to this Declaration, are recorded simultaneously herewith to provide for the self-government of the Condominium by an association of all of the Unit Owners ("The Unit Owners Association").

XIX. SPECIAL DECLARANT RIGHTS, ETC.:

Special Declarant rights shall be those specified in Section 55-79.41(x1) of The Condominium Act. Any transfer of any Special Declarant right shall be in accordance with Section 55-79.74(3) of The Condominium Act.

XX. AMENDMENT TO DECLARATION:

No amendment to the DECLARATION may be made without the prior written approval of the institutional lenders holding first mortgages or first deeds of trust encumbering Condominium Units ("Mortgagees") where such approval is provided for in any Section of Article IX of the By-Laws of the Unit Owners Association, or where such approval is required elsewhere in the Condominium Instruments, or by The Condominium Act.

IN WITNESS WHEREOF, the MADISON MANOR, INC., a Virginia Corporation, has caused this Declaration to be executed in its corporate name by R. Marshall Moist, its President.

MADISON MANOR, INC.
A Virginia Corporation

By:


R. Marshall Moist
President

STATE OF VIRGINIA

COUNTY OF Fairfax, to wit:

The foregoing instrument was acknowledged before me this 13th day of January, 1985, by R. Marshall Moist, President of MADISON MANOR, INC., on behalf of said Corporation.

Sherry E. Clark
Notary Public

My Commission Expires: 10/8/88

EXHIBIT "A"

TO DECLARATION

DESCRIPTION OF SUBMITTED LAND

Patton Harris
Rust and
Associates

DESCRIPTION OF
PHASE ONE
MADISON MANOR
CITY OF HARRISONBURG, VIRGINIA

February 12, 1985

Revised March 13, 1985

Beginning at a point in the easterly line of the land of Logic, Inc.,
said point lying

S28°-38'-33"E 298.18 feet from the northeasterly corner of the land
of Logic, Inc.;

thence running with a new division line through Madison Manor, the
following courses and distances,

N71°-21'-27"E 23.00 feet to a point,

S84°-37'-53"E 83.89 feet to a point,

N71°-22'-20"E 71.00 feet to a point,

N21°-18'-33"W 185.00 feet to a point, and

N58°-31'-27"E 310.07 feet to a point in the westerly line of the land
of Reherd Acres, Inc.;

thence running with the westerly lines of Reherd Acres, Inc., the
following courses and distances,

S24°-31'-00"E 71.91 feet to a point,

with the arc of a curve to the right whose radius is 425.00 feet and
whose chord bearing and chord are S03°-21'-30"W and 397.41 feet respectively,
an arc distance of 413.53 feet to a point,

S31°-14'-00"W 177.58 feet to a point,

Patton Harris
Rust and
Associates

with the arc of a curve to the right whose radius is 280.00 feet and
whose chord bearing and chord are S45°-29'-00"W and 137.85 feet, respectively,
an arc distance of 139.28 feet to a point,

S59°-44'-00"W 115.75 feet to a point,

with the arc of a curve to the left whose radius is 310.47 feet and
whose chord bearing and chord are S48°-04'-32"W and 125.47 feet respectively,
an arc distance of 126.34 feet to a point, and

N53°-34'-55"W 63.83 feet to a point in the easterly line of the land
of Logic, Inc.;

thence running with the easterly lines of Logic, Inc.,

N01°-38'-08"W 160.00 feet to a point, and

with the arc of a curve to the right whose radius is 550.00 feet and
whose chord bearing and chord are N13°-51'-52"E and 293.96 feet, respectively,
an arc distance of 297.58 feet to a point, and

N28°-38'-33"W 15.00 feet to the point of beginning

containing 5.3821 acres and being in accordance with the plat attached
hereto and made a part hereof.

EXHIBIT "B"

TO DECLARATION

BY-LAWS

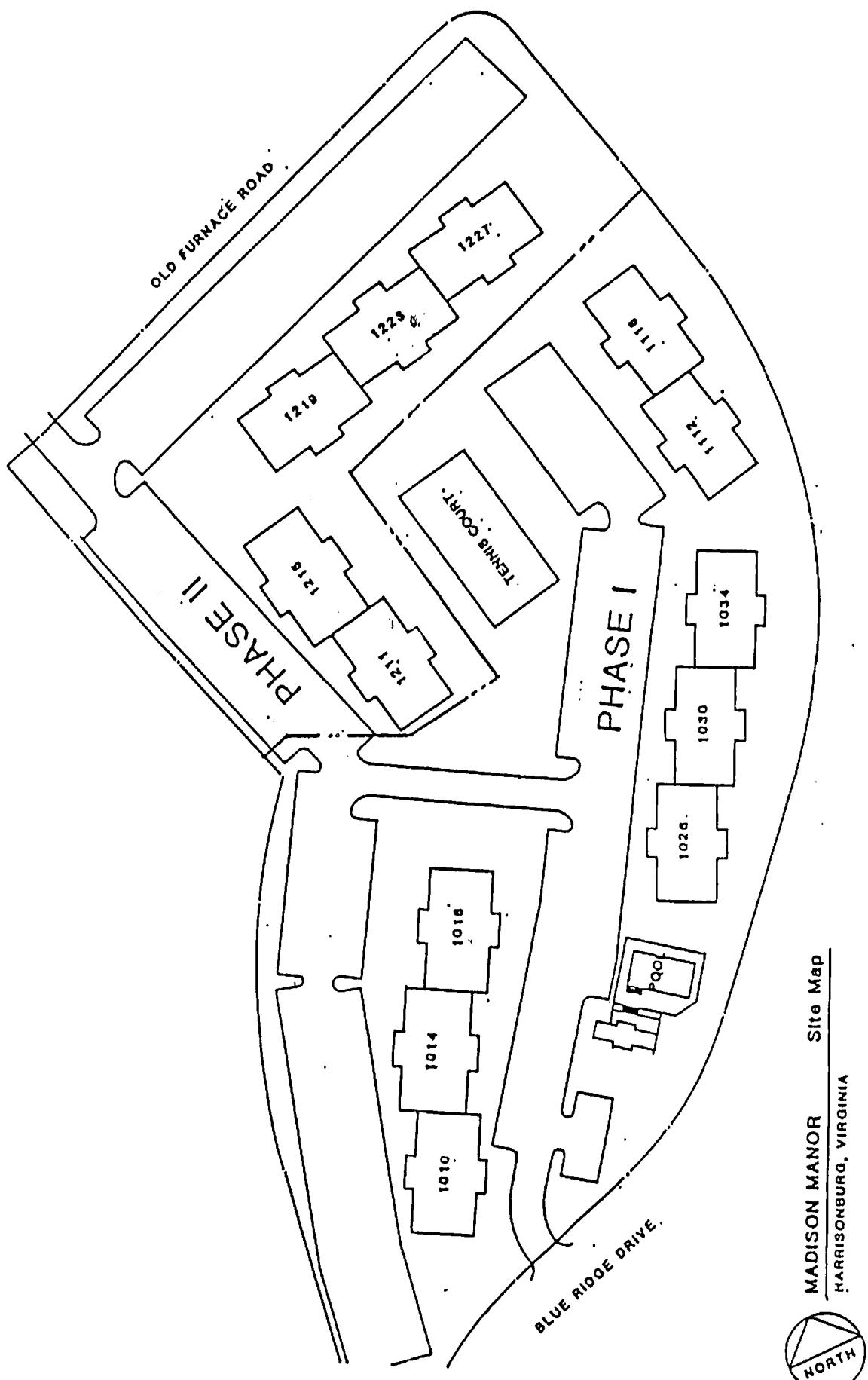
SEE APPENDIX II TO PUBLIC OFFERING STATEMENT

EXHIBIT "C"

TO DECLARATION

PLAT

EXHIBIT E

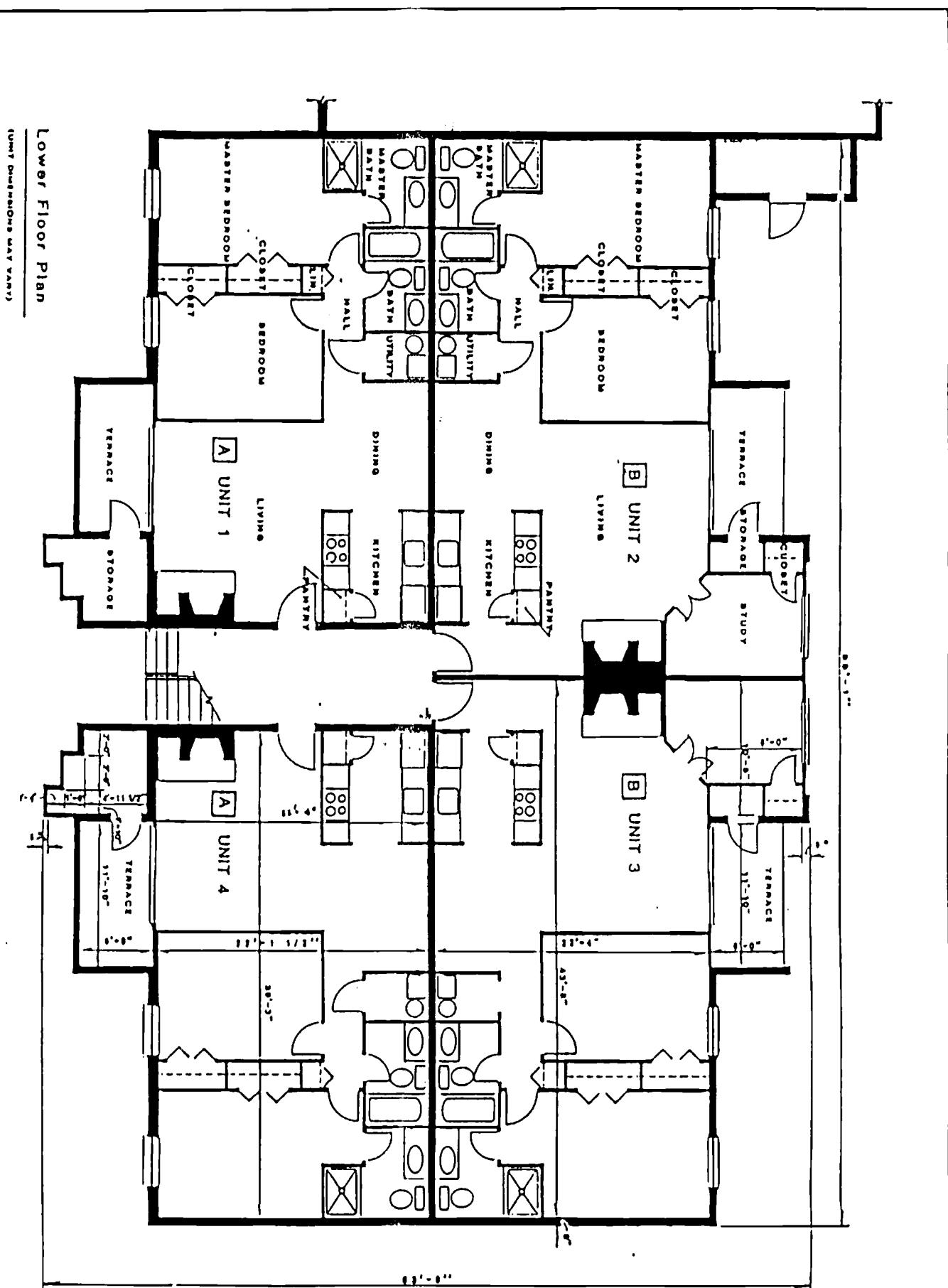


I, GEORGE E. FOARD, Registered Land Surveyor for the State of Virginia, do hereby certify that to the best of my knowledge and belief, this plat is accurate and complies with the provisions of VA Code §55-79.58(a), and that all units or portions thereof depicted thereon have been substantially completed.

EXHIBIT "D"

TO DECLARATION

PLANS



I, THOMAS R. WYANT, a Registered Architect for the State of Virginia, do hereby certify that to the best of my knowledge and belief these drawings are accurate and that they comply with the provisions of VA Code §55-79.58(b), and that all units or portions thereof depicted thereon have been substantially completed.

THOMAS R. WYANT
Certificate No. 01012

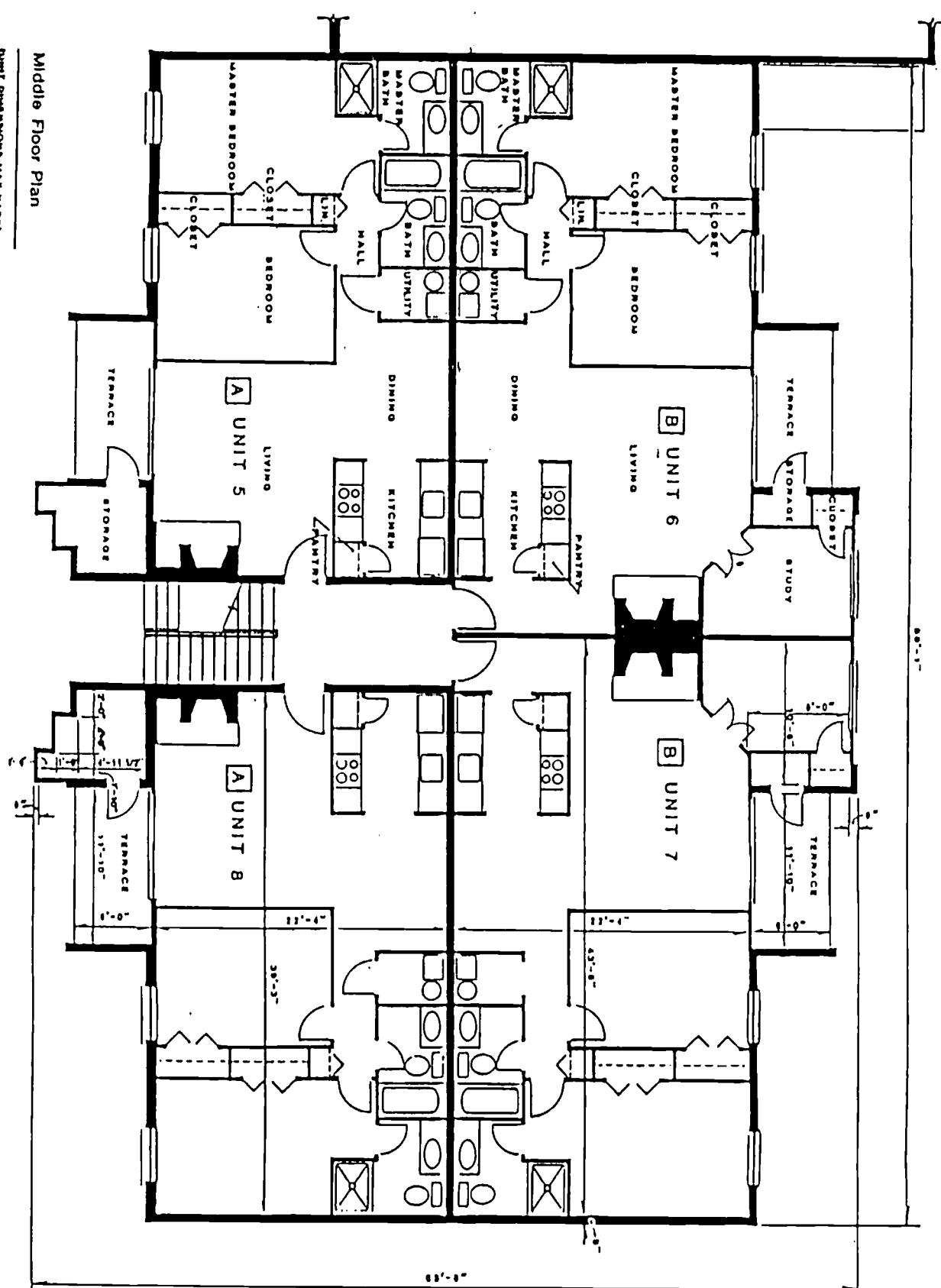
NOTE:
1. MEASURE VERTICALLY FROM TOP OF SUBFLOOR TO BOTTOM OF FLOOR JOIST OR RAFTER ABOVE.
2. MEASURE HORIZONTALLY FROM BACK OF GYPSUM WALL BOARD OR FROM FACE OF INTERIOR FINISH MASONRY.



MADISON MANOR
Harrisonburg, Virginia
MADISON MANOR, Inc.

DRAWING

Middle Floor Plan
Room dimensions may vary



A Unit 919.0 Sq. Ft.

B Unit 1054.9 Sq. Ft.

THOMAS R. WYANT
Certificate No. 01012

I, THOMAS R. WYANT, a Registered Architect for the State of Virginia, do hereby certify that to the best of my knowledge and belief these drawings are accurate and that they comply with the provisions of VA Code §55-79.58(b), and that all units or portions thereof depicted thereon have been substantially completed.

NOTE:

1. MEASURE VERTICALLY FROM TOP OF SURFLOOR TO BOTTOM OF FLOOR JOIST OR RAFTERS ABOVE.
2. MEASURE HORIZONTALLY FROM BACK OF GYPSUM WALL BOARD OR FROM FACE OF INTERIOR FINISH MASONRY.



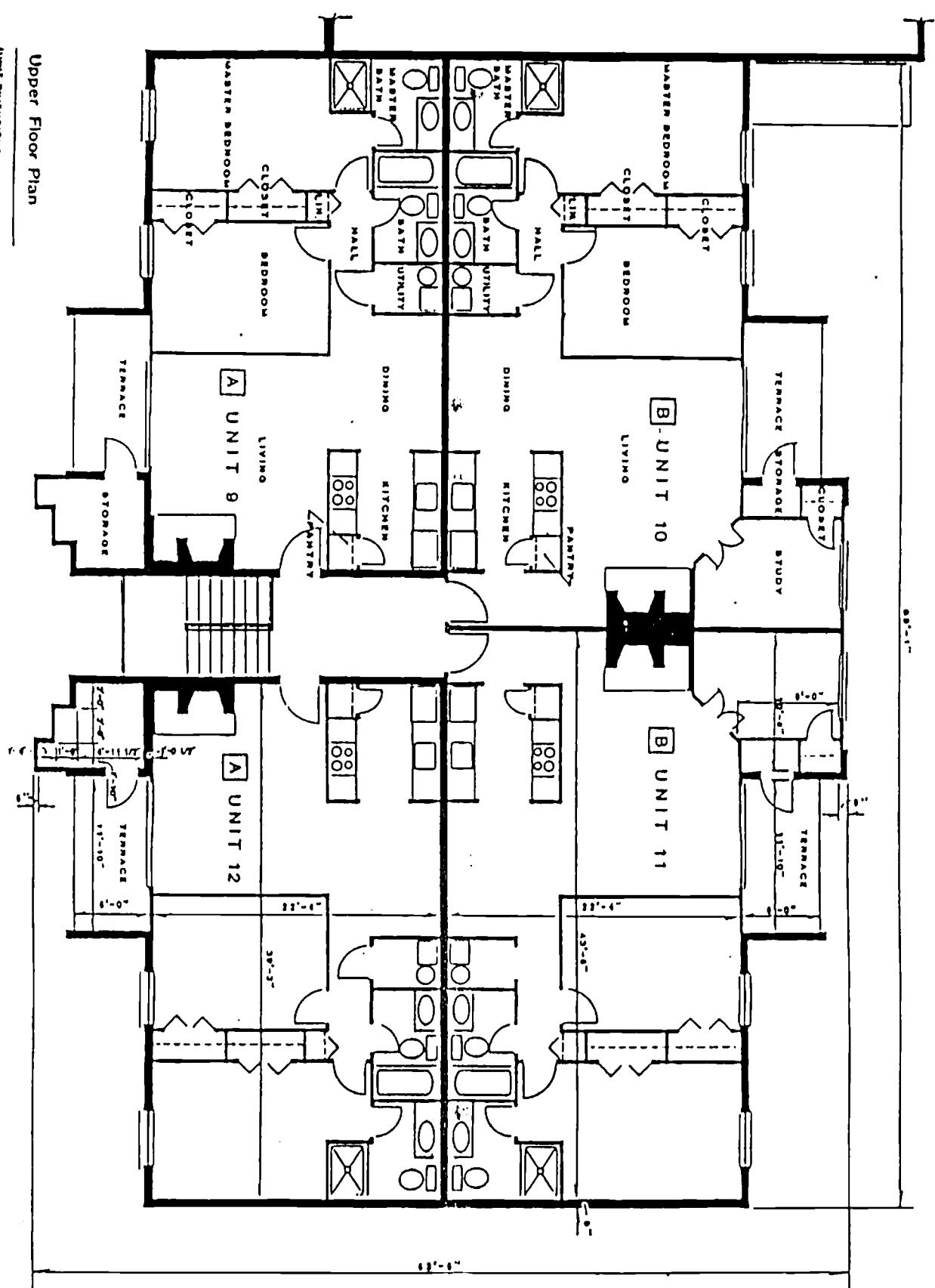
WYANT ASSOCIATES
ARCHITECTS - PLANNERS - COST CONSULTANTS
ESTATE PLANNERS

MADISON MANOR
Harrisonburg, Virginia
MADISON MANOR, Inc.

DRAWING

2

Upper Floor Plan
(unit dimensions may vary)



I, THOMAS R. WYANT, a Registered Architect for the State of Virginia, do hereby certify that to the best of my knowledge and belief these drawings are accurate and that they comply with the provisions of VA Code §55-79.58(b), and that all units or portions thereof depicted thereon have been substantially completed.

THOMAS R. WYANT
Certificate No. 01012

NOTE:
1. MEASURE VERTICALLY FROM TOP OF SUBFLOOR TO BOTTOM OF FLOOR JOIST OR RAFTER ABOVE;
2. MEASURE HORIZONTALLY FROM BACK OF GYPSUM WALL BOARD OR FROM FACE OF INTERIOR FINISH MASONRY.



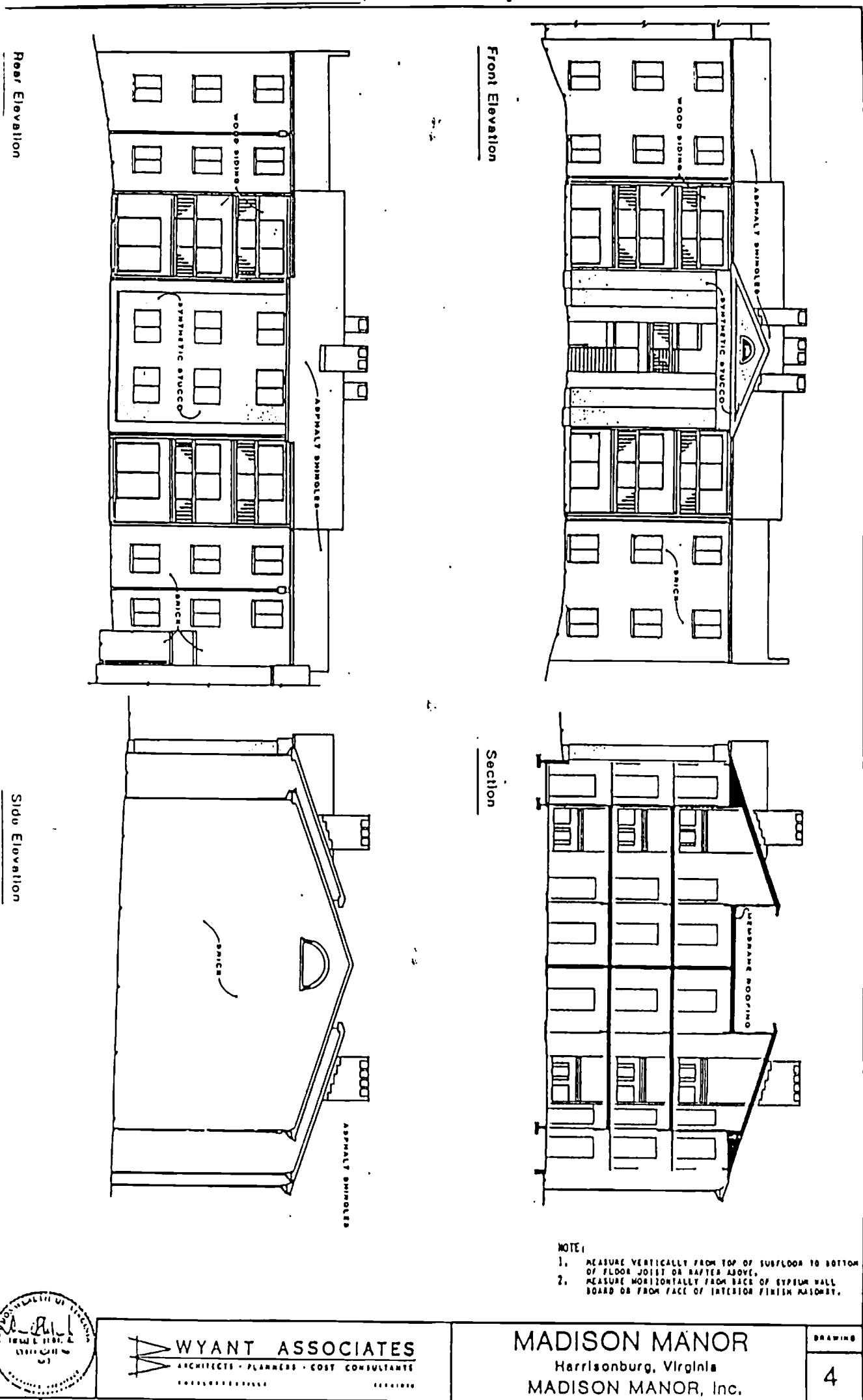
MADISON MANOR
Harrisonburg, Virginia
MADISON MANOR, Inc.

DRAWING

3

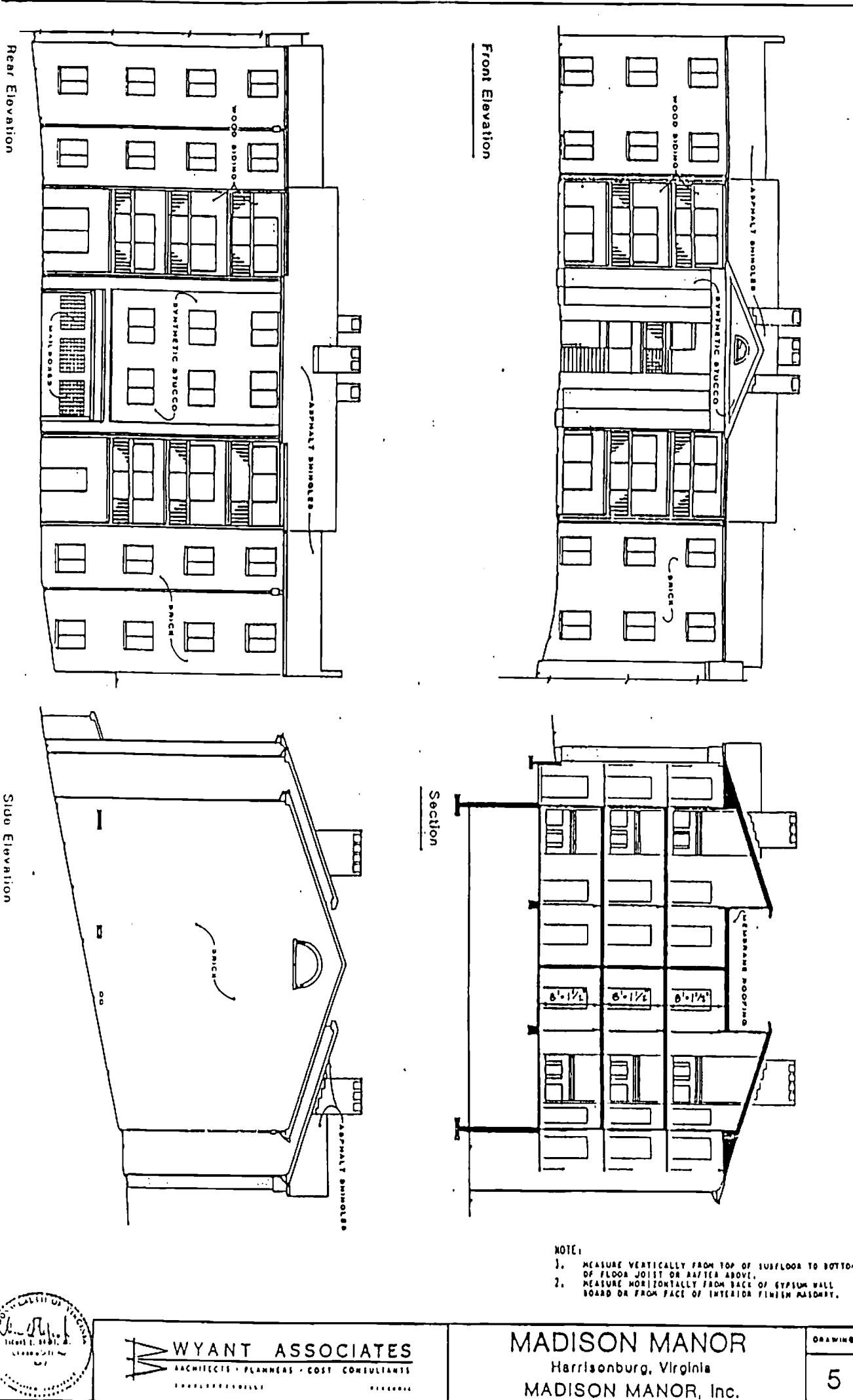
I, THOMAS R. WYANT, a Registered Architect for the State of Virginia, do hereby certify that to the best of my knowledge and belief these drawings are accurate and that they comply with the provisions of VA Code §55-79.58(b), and that all units or portions thereof depicted thereon have been substantially completed.

, Thomas R. Wyant: Certificate No. 01012



I, THOMAS R. WYANT, a Registered Architect for the State of Virginia, do hereby certify that to the best of my knowledge and belief these drawings are accurate and that they comply with the provisions of VA Code §55-79.58(b), and that all units or portions thereof depicted thereon have been substantially completed.

Thomas R. Wyant: Certificate No. 01012



WYANT ASSOCIATES
ARCHITECTS • PLANNERS • COST CONSULTANTS
ESTATE PLANNERS

MADISON MANOR
Harrisonburg, Virginia
MADISON MANOR, Inc.

DRAWING

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APPENDIX II

BY-LAWS

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APPENDIX II
BY-LAWS

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BY-LAWS
THE UNIT OWNERS ASSOCIATION OF
MADISON MANOR CONDOMINIUM, INC.
Harrisonburg, Virginia

ARTICLE I
GENERAL

Section 1. Applicability. These By-Laws provide for the self-government of MADISON MANOR CONDOMINIUM, INC., ("The Condominium") pursuant to the requirements of Article 3, Chapter 4.2 of title 55 of the Code of Virginia. The Condominium is located within the City of Harrisonburg, Commonwealth of Virginia.

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

Section 3. Office. The office of the Unit Owners Association of the Condominium or at such other place as may be designated from time to time by the Board of Directors.

Section 4. Definitions. Capitalized terms used in these By-Laws which are not defined shall have the meanings specified for such terms in the Declaration of the Condominium, which Declaration is recorded immediately prior hereto, or if not defined therein, the meanings specified for such terms in Section 55-79.41 of the Virginia Condominium Act.

ARTICLE II
UNIT OWNERS ASSOCIATION

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

Section 2. Annual Meetings. At such time as the Unit Owners Association comes into existence, the Unit Owners Association shall hold at least one (1) annual meeting each year. The annual meetings of the Unit Owners Association shall be held during the month of October each year on a date selected 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 4 of Article III of these By-Laws. So long as the Declarant shall own Units representing more than twenty-five percent (25%) of the aggregate Common Element Interests (including such Common Element Interests

as may be appurtenant to Units which may be created on any Additional Land), and provided the maximum time for Declarant control permitted by Section 55-79.74(a) has not elapsed, the Declarant shall be entitled to designate the members of the Board of Directors.

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

Section 4. Special Meetings.

(a) The President shall call a special meeting of the Unit Owners Association if so directed by resolution of the Board of Directors or, upon a petition signed and presented to the Secretary by Unit Owners of not less than twenty-five percent (25%) of the aggregate Common Element Interests. The notice of any special meeting shall state the time, place and purpose thereof. No business shall be transacted at a special meeting except as stated in the notice.

(b) Not later than the earlier of:

(i) the day after deeds of conveyance of Units representing seventy-five percent (75%) or more of the aggregate Common Element Interests shall have been delivered to Unit Owners by the Declarant; or

(ii) the expiration of the maximum time permitted by Section 55-79.74(a) of the Condominium Act, a special meeting of the Unit Owners Association shall be held at which all of the members of the Board of Directors designated by the Declarant shall resign, with such resignations being effective as of the earlier of the dates set forth in (i) or (ii) of this subsection (b), and the Unit Owners, including the Declarant if the Declarant owns one or more Units, shall thereupon elect successor members of the Board of Directors to act in the place and stead of those resigning until the first annual meeting at which time the initial Board of Directors shall be elected pursuant to Section 4 of Article III.

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

Section 6. Adjournment of Meetings. If any meetings of the Unit Owners Association cannot be held because a quorum is not present, Unit Owners owning a majority of the Common Element Interests who are present at such meeting, either in person or by proxy, may adjourn the meeting to a time not less than forty-eight (48) hours from the time the original meeting was called in which event any business which could have been transacted at the meeting originally called may be transacted without further notice, but only with the presence of a quorum.

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

(a) Roll Call;

(b) Proof of Notice of Meeting;

- (c) Reading of Minutes of Preceding Meeting;
- (d) Reports of Officers and Board of Directors;
- (e) Report of Management Agent, if any, and if present;
- (f) Reports of Committees;
- (g) Election or Appointment of Inspectors of Election (when so required);
- (h) Election of members of the Board of Directors (when so required);
- (i) Unfinished Business;
- (j) New Business;
- (k) Adjournment;

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

Section 9. Voting. At every meeting of the Unit Owners Association, each of the Units shall have the right to cast a vote proportionate to its Common Element Interest, as set forth in the Declaration as said Declaration may be amended from time to time. Where the ownership of a Unit is in more than one person, the person who shall be entitled to cast the vote of such Unit may be any record Owner of said Unit, unless any other record Owner of said Unit shall, at the time the vote is cast object to the casting of said vote, in which event the person who shall be entitled to cast the vote of such Unit shall be the person named in a certificate executed by all record Owners of said Unit. Any voting certificate executed pursuant to this Section shall remain valid until revoked by a subsequent certificate similarly executed. In the event that no certificate is supplied, no record Owner shall be entitled to cast the vote. Subject to the requirements of Section 55-79.72 of the Condominium Act, wherever the approval or disapproval of a Unit Owner is required by the Condominium Act, the Declaration or these By-Laws, such approval or disapproval shall be made only by the person who would be entitled to cast the vote of such Unit at any meeting of the Unit Owners Association. Except where a greater number is required by the Condominium Act, the Declaration or these By-Laws, the Owners of more than fifty percent (50%) of those Units present and voting in person or by proxy at one time at a duly convened meeting at which a quorum is present ("Majority of the Unit Owners") is required to adopt decisions at any meeting of the Unit Owners Association. Any specified percentage of the Unit Owners means the Unit Owners owning such number of Units in the aggregate. If the Declarant owns or holds title to one or more Units, the Declarant shall have the right at any meeting of the Unit Owners Association to cast the votes to which such Unit or Units are entitled. No Unit Owner may vote at any meeting of the Unit Owners Association or be elected to or serve on the Board of Directors if the Unit Owners Association has perfected a lien against his Unit and the amount necessary to release such lien has not been paid within seventy-two (72) hours prior to the time of such meeting or election.

Section 10. Proxies. A vote may be cast in person or by proxy. Such proxy may be granted by any Unit Owner in favor of another Unit Owner, a Mortgagee, the Declarant or any other person designated. Proxies shall be dated, shall be duly executed in writing and witnessed by a person who shall sign his full name and address and shall be valid only for the particular meeting designated therein and must be filed with the Secretary before the appointed time of the meeting. Such proxy shall be deemed revoked only upon actual receipt by the person presiding over the meeting of notice of revocation from any of the persons owning such Unit. Except with respect to proxies in favor of a Mortgagee, no proxy shall in any event be valid for a period in excess of one hundred and eighty days (180) after the execution there. Any proxy which is undated or any proxy not executed by a person having authority at time of execution thereof to execute deeds on behalf of that person shall be void.

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

Section 12. Quorum. The presence, either in person or by proxy, of members representing at least twenty-five percent (25%) of the total votes of the Condominium shall be requisite for, and shall constitute a quorum for the transaction of business of all meetings of members.

ARTICLE III

BOARD OF DIRECTORS

Section 1. Number and Qualification. The affairs of the Unit Owners Association shall be governed by a Board of Directors. Until deeds of conveyance representing seventy-five percent (75%) or more of the aggregate Common Element Interests of all Units (including all those Units which may be added from the Additional Land registered with the Virginia Real Estate Commission) shall have been delivered to Unit Owners by the Declarant, the Board of Directors shall consist of such persons as may be designated by the Declarant; provided, however, that the foregoing power of designation shall not extend beyond the maximum time permitted by Section 55-79.74(a) of the Condominium Act. The Board of Directors shall be composed of five (5) persons, all of whom shall be Unit Owners or spouses of Unit Owners, Mortgagees (or designees of Mortgagees) or designees of the Declarant; provided, however, that, anything in these By-Laws to the contrary notwithstanding, so long as the Declarant owns Units representing more than twenty-five percent (25%) of the aggregate Common Element Interests, (but in no event after the expiration of the maximum time permitted by Section 55-79.74(a) of the Condominium Act) the Board of Directors shall consist of at least three (3) members, all of whom shall be designated by the Declarant. The Declarant shall have the right in its sole discretion to replace such Directors as may be so designated, and to designate their successors. The time limit on the period of Declarant's control shall commence upon settlement of the first Unit to be sold in any portion of the Condominium.

Section 2. Powers and Duties. The Board of Directors shall have all of the powers and duties necessary for the administration of the affairs of the Unit Owners Association and may do all such acts and things as are not by the Condominium Act, the Declarant or by these By-Laws required to be exercised

and done by the Unit Owners Association. The Board of Directors shall have the power from time to time to adopt any Rules and Regulations deemed necessary for the benefit and enjoyment of the Condominium; provided, however, that such Rules and Regulations shall not be in conflict with the Condominium Act, the Declaration or these By-Laws. The Board of Directors shall delegate to one of its members or to a person employed for such purpose the authority to act on behalf of the Board of Directors on such matters relating to the duties of the Managing Agent (as defined in Section 3 of this Article), if any, which may arise between meetings of the Board of Directors as the Board of Directors deems appropriate. In addition to the duties imposed by these By-Laws or by any resolution of the Unit Owners Association that may hereafter be adopted, the Board of Directors shall on behalf of the Unit Owners Association:

- (a) Prepare an annual budget, in which shall be established the assessments of each Unit Owner for the Common Expenses.
- (b) Make assessments against Unit Owners to defray the cost and expenses of the Condominium, establish the means and methods of collecting such assessments from the Unit Owners and establish the period of the installment payment of the annual assessment for Common Expenses. Unless otherwise determined by the Board of Directors, the annual assessment against each Unit Owner for his proportionate share of the Common Expenses shall be payable in equal monthly installments, each such installment to be due and payable in advance on the first day of each month for such month.
- (c) Provide for the operation, care, upkeep and maintenance of all 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 bank depositories designated by the Board of Directors and use the proceeds to carry out the administration of the property.
- (f) Make and amend the Rules and Regulations.
- (g) Open bank accounts on behalf of the Unit Owners Association and designate the signatories thereon.
- (h) Make, or contract for the making of, repairs, additions and improvements to, or alterations of the property and repairs to and restoration of the property, in accordance with these By-Laws, after damage or destruction by fire or other casualty, or as a result of condemnation or eminent domain proceedings.
- (i) Enforce by legal means the provisions of the Declaration, these By-Laws and the Rules and Regulations and act on behalf of the Unit Owners with respect to all matters arising out of any eminent domain proceeding.
- (j) Obtain and carry insurance against casualties and liabilities, as provided in Article VII of these By-Laws, pay the premiums therefor and adjust and settle any claims thereunder.

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

(l) Keep books with detailed accounts in chronological order of the receipts and expenditures affecting the property, and the administration of the Condominium, specifying the expenses of maintenance and repair of the Common Elements and any other expenses incurred. Such books and vouchers accrediting the entries thereupon shall be available for examination by the Unit Owners, their duly authorized agents or attorneys, during general business hours on working days at the times and in the manner set and announced by the Board of Directors for the general knowledge of the Unit Owners. All books and records shall be kept in accordance with generally accepted accounting principles, and the same shall be audited at least once each year by an independent accountant retained by the Board of Directors who shall not be resident of the Condominium or a Unit Owner. The cost of such audit shall be a Common Expense.

(m) Notify a Mortgagee of any default hereunder by the Unit Owner or the Unit subject to such Mortgage, in the event such default continues for a period exceeding thirty (30) days.

(n) Borrow money on behalf of the Condominium when required in connection with any instances relating to the operation, care, upkeep and maintenance of the Common Elements, provided, however, that the consent of at least two-thirds (2/3) in number of all Unit Owners, obtained by either a mail ballot or at a meeting duly called and held for such purpose in accordance with the provisions of these By-Laws, shall be required to borrow any sum in excess of Fifteen Thousand Dollars (\$15,000.00). If any sum borrowed by the Board of Directors on behalf of the Condominium pursuant to the authority contained in this subparagraph (n) is not repaid by the Unit Owners Association, a Unit Owner who pays to the creditor such portion thereof as his Common Element Interest bears to the total of Common Element Interests in the Condominium shall be entitled to obtain from the creditor a release of any judgment or other lien which such creditor shall have filed or shall have the right to file against such Unit Owner's Condominium Unit.

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

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

(q) Furnish the statement required by Section 55-79.97 of the Condominium Act, within ten (10) days after the receipt of a written request therefor from any Unit Owner.

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

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

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

(a) Requirements. The Managing Agent shall be a bona fide business enterprise, which may be affiliated with the Declarant, which manages common interest residential communities. Such firm shall have a minimum of two (2) years experience in real estate community management.

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

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

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

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

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

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

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

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

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

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

(C) Any actual or pending obligations which are in excess of budgeted amounts by an amount exceeding the operating reserves for ten percent (10%) of a major budget category (as distinct from a specific line item in an expanded chart of accounts).

(d) Limitations. Subject to the provisions of Section 55-79.74(b) of the Condominium Act, during the period when persons designated by the Declarant constitute a majority of the Board of Directors, the Board of Directors may employ a Managing Agent for an initial term not to exceed one (1) year. The Unit Owners Association and the Board of Directors shall not undertake

"self-management" or fail to employ a Managing Agent without the consent of a majority vote and the written consent of Mortgagees together holding sixty-six and two thirds percent (66-2/3%) of the mortgages on the Condominium Units. 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 on no more than thirty (30) days written notice, and the term of such contract or agreement may not exceed one (1) year.

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

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

Section 6. Vacancies. Vacancies in the Board of Directors caused by any reason other than the removal of a director by a vote of the Unit Owners Association shall be filled by a vote of a majority of the remaining Directors at a special meeting of the Board of Directors held for such purpose promptly after the occurrence of any such vacancy, even though the directors present at such meeting may constitute less than a quorum. Each person so elected shall be a member of the Board of Directors for the remainder of the term of the member being replaced and until a successor shall be elected at the next annual meeting of the Unit Owners Association. Notwithstanding anything to the contrary in this Section or in the preceding Section 5, so long as the Declarant owns more than twenty-five percent (25%) of the aggregate Percentage Interests, (but in no event after the expiration of the maximum time permitted by Section 55-79.74(a) of the Condominium Act) the Declarant shall designate the successor to any resigned or removed member previously designated by the Declarant.

Section 7. Organization Meeting. The date of the first meeting of the members of the Board of Directors elected at the annual meeting of the Unit Owners Association shall be determined by the Board immediately following the Unit Owners Association meeting and no further notice shall be necessary to the newly elected members of the Board of Directors. Such meeting shall occur within thirty (30) days.

Section 8. Regular Meetings. Regular meetings of the Board of Directors may be held at such time and place as shall be determined from time to time by a majority of the directors, but at least once every two (2) months. Notice of regular meetings

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

Section 9. Special Meetings. Special meetings of the Board of Directors may be called by the President on three (3) business days' notice to each director, given personally, by mail, telephone or telegraph, which notice shall state the time, place and purpose of the meetings. Special meetings of the Board of Directors shall be called by the President or Secretary in like manner and on like notice on the written request of at least two (2) directors.

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

Section 11. Fidelity Bonds. The Board of Directors shall require adequate fidelity bonds for all officers and employees of the Condominium handling or responsible for Condominium funds. The premium of such bonds shall constitute a Common Expense.

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

Section 13. Conduct of Meetings. The President shall preside over all meetings of the Board of Directors and the Secretary shall keep a Minute Book of the Board of Directors, recording therein all resolutions adopted by the Board of Directors and a record of all transactions and proceedings occurring at such meetings. Robert's Rules of Order (latest edition) shall govern the conduct of the meetings of the Board of Directors when not in conflict with the Declaration, these By-Laws or the Condominium Act.

Section 14. Action Without Meeting. Any action by the Board of Directors required or permitted to be taken at any meeting may be taken without a meeting if all the members of the Board of Directors shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the Minutes of the proceedings of the Board of Directors.

Section 15. Quorum of Board of Directors. At all meetings of the Board of Directors a majority of the directors shall constitute a quorum for the transaction of business, and the votes of a majority of the directors present at a meeting at which a quorum is present shall constitute the decision of the Board of Directors. If at any meeting of the Board of Directors there shall be less than a quorum present, a majority of those present may adjourn the meeting from time to time. At any such adjourned meeting at which a quorum is present, any business which might have been transacted at the meeting originally called may be transacted without further notice.

ARTICLE IV

OFFICERS

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

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

Section 3. Removal of Officers. Upon the affirmative vote of a majority of the members of the Board of Directors, any officer may be removed, either with or without cause, and his successor may be elected at any regular meeting of the Board of Directors, or at any special meeting of the Board of Directors.

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

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

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

Section 7. Treasurer. The Treasurer shall have the responsibility for overseeing the Condominium funds and securities and shall cause the keeping of full and accurate financial records and books of account showing all required financial data; he shall also oversee the deposit of all monies and other valuable effects in the name of the Board of Directors, or the Managing Agent, in such depositories as may from, time to time, be designated by the Board of Directors.

Section 8. Agreements, Contracts, Deeds, etc. All agreements, contracts, deeds, leases, and other instruments of the Condominium shall be executed by two (2) officers of the Condominium, or by such other person or persons as may be designated by the Board of Directors.

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

ARTICLE V

LIABILITY AND INDEMNIFICATION OF OFFICERS AND DIRECTORS

Section 1. Liability and Indemnification of Officers and Directors. The Unit Owners Association shall indemnify every officer and director of the Condominium against any and all expenses, including counsel fees, reasonably incurred by or imposed upon any officer or director in connection with any action, suit or other proceeding (including settlement of any suit or proceeding if approved by the Board of Directors of the Condominium) to which he may be a party by reason of being or having been an officer or director of the Condominium whether or not such person is an officer or director at the time such expenses are incurred. The officers and directors of the Condominium shall not be liable to the Unit Owners for any mistake of judgment, negligence or otherwise, except for their own individual willful misconduct or bad faith. The officers and directors of the Condominium shall have no personal liability with respect to any contract or other commitment made by them, in good faith, on behalf of the Condominium project (except to the extent that such officers or directors may also be owners of Condominium Units) and the Condominium shall indemnify and forever hold each such officer and director free and harmless against any and all liabilities to others on account of any such contract or commitment. Any right to indemnification provided herein shall not be exclusive of any other rights to which any officer or director of the Condominium or former officer or director of the Condominium, may be entitled.

Section 2. Common or Interested Directors. The Directors shall exercise their powers and duties in good faith and with a view to the interests of the Condominium project. No contract or other transaction between the Condominium and one or more of its Directors, or between the Condominium and one or more of its Directors, or between the Condominium and any corporation, firm or association (including the Declarant) in which one or more of the Directors of the Condominium are directors or officers or are pecuniarily or otherwise interested, is either void or voidable because such Director or Directors are present at the meeting of the Board of Directors or any committee thereof, which authorizes or approves the contract or transaction, or because his or their votes are counted for such purposes, if any of the conditions specified in any of the following subparagraphs exists:

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

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

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

Common or interested Directors may be counted in determining the presence of a quorum of any meeting of the Board of Directors or committee thereof which authorizes, approves or ratifies any contract or transaction, and may vote thereat to authorize any contract or transaction with like force and effect as if he were not such director or officer of such Condominium or not so interested.

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

ARTICLE VI

OPERATION OF THE PROPERTY

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

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

(b) Preparation and Approval of Budget. Each year or before thirty (30) days before the commencement of the next fiscal year, the Board of Directors shall adopt a budget for the Condominium containing an estimate of the total amount which it considers necessary to pay the cost of utility services, maintenance, management, operation, repair and replacement of the Common Elements and those parts of the Units as to which the Board of Directors has all powers and responsibility with regard to maintenance, repair, renovation, restoration and replacement, and the cost of wages, materials, insurance premiums, service, supplies and other expenses that may be declared to be Common Expenses by the Condominium Act, these By-Laws or a Resolution of the Unit Owners Association, and which will be required during the ensuing fiscal year for the administration, operation, maintenance and repair of the Condominium and the rendering to the Unit Owners of all related services. The budget may also include:

(i) The cost of maintenance or repair of any Condominium Unit in the event such maintenance or repair is reasonably necessary in the discretion of the Board of Directors to protect the Common Elements or to preserve the appearance of value of the Condominium project or is otherwise in the interest of the general welfare of all Owners of the Condominium Units; provided, however, that no such maintenance or repair shall be undertaken without a resolution by the Board of Directors and not without reasonable written notice to the Owner of the Condominium Unit proposed to be maintained and provided further that the cost thereof, shall be assessed against the Condominium Unit on which such maintenance or repair is performed and, when so assessed, a statement for the amount thereof shall be rendered promptly to the then Owner of said Condominium Unit, at which time the assessment shall become due and payable and continuing lien and

obligation of said Owner in all respects as provided in Article X of these By-Laws. The cost of the maintenance or repair of those parts of the Units to which the Board of Directors has all powers and responsibility with regard to maintenance, repair, renovation, restoration and replacement shall not be a cost controlled by the terms of this subparagraph (i).

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

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

(iv) Any Common Expenses benefitting less than all of the Condominium Units or caused by the conduct of less than all those entitled to occupy the same or by their licensees or invitees pursuant to Section 55-79.83(b) of the Condominium Act.

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

Section 2. Assessment and Payment of Common Expenses.

(a) Except for those Common Expenses which may be specially assessed against the Condominium Unit or Units involved pursuant to the provisions of subparagraph (b) (iv) of Section 1 of this Article VI and except for those Common Expenses specially assessed pursuant to Section 55-79.83(a) of the Condominium Act, the total amount of the estimated funds required for the operation of the property set forth in the budget for the fiscal year adopted by the Board of Directors shall be assessed against each Condominium Unit in proportion to its respective proportionate undivided interest in the Common Elements (i.e., its Common Elements Interest) as set forth in the Declaration of the Condominium as the same may be amended from time to time. Said assessment shall be a lien against each Unit Owner's Unit as provided in the Condominium Act as set forth in Section 55-79.84. On or before the first day of each fiscal year, and the first day of each succeeding eleven (11) months in such fiscal year, such Unit Owner shall be obligated to pay to the Board of Directors or the Managing Agent (as determined by the Board of Directors), one-twelfth (1/12) of the assessment for such fiscal year made pursuant to the foregoing provisions. Any amount accumulated in excess of the amount required for actual expenses and reserves may, if the Board of Directors deems it advisable, be credited according to each Unit Owner's Undivided Interest in the Common Elements to the installments due in the succeeding months of that fiscal year.

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

(b) Right of Acceleration. The payment and collection of the assessments made pursuant to this Article VI shall be in accordance with the terms providing for the payment and collection of assessments in these By-Laws and the Condominium Act, including without limitation the right reserved to the Board of Directors to accelerate payment of assessments and the right to recover attorneys' fees and costs.

(c) Repair and Replacement Reserve. The Board of Directors shall obtain from members contributions to capital on a regular basis, which contributions will be used to establish a replacement and repair reserve. Such contributions shall be paid monthly and be in an amount to be designated, from time to time, by the Board of Directors. Such funds shall be conclusively deemed to be a Common Expense. Such funds shall be deposited in an account with a lending institution, the accounts of which are insured by an agency of the United States of America, or may, in the discretion of the Board of Directors, be invested in obligations of, or fully guaranteed as to principal by, the United States of America. Such funds also may, in the discretion of the Board of Directors, be invested in Money Market Funds which, although they themselves are not guaranteed by the United States Government, invest solely in United States Government securities (or in State bonds which are backed in principal by the State Funds from the replacement reserve may be expended only for the purpose of the replacement and repair of the Common Elements; the replacement and repair of those parts of Units as to which the Board of Directors has all powers and responsibility with regard to maintenance, repair, renovation, restoration and replacement; and the replacement and repair of equipment of the Condominium as designated by the Board of Directors. The amounts required to be allocated to the replacement reserve may be reduced by appropriate resolution of the Board of Directors, upon the accumulation in such replacement reserve of a sum equal to the full replacement value of the items for which the reserve is established. Full replacement value shall be annually determined by the Board of Directors for casualty insurance purposes. The proportionate interest of any member in any replacement reserve shall be considered an appurtenance of his Condominium Unit and shall not be separately withdrawn, assigned or transferred with such Condominium Unit. The payment and collection of the assessment made pursuant to the foregoing provisions shall be in accordance with the terms providing for payment and collection of assessments in these By-Laws and the Condominium Act, including without limitation, the right reserved to the Board to accelerate payment of assessment and the right to recovery of attorneys' fees and costs.

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

payable in installments, the amount of such assessments in these By-Laws and the Condominium Act, including without limitation, the right reserved to the Board to accelerate payment of assessments and the right to recovery of attorneys' fees and costs.

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

(e) Initial Assessments. When the initial Board of Directors, elected or designated pursuant to these By-Laws, takes office, it shall determine the budget as defined in this Section for the period commencing thirty (30) days after their election or designation and ending on the last day of the fiscal year in which their election or designation occurs. Assessments shall be levied against the Unit Owners during said period as provided in subparagraph (a) of this Section. The Board of Directors will levy an "initial assessment" against the initial Purchaser, at the time he settles on his purchase contract. Such initial assessment shall be in an amount equal to two (2) months regular assessments, and shall be utilized for commencing business of the Unit Owners Association and providing the necessary working fund for it. In addition to the foregoing initial assessment, the Board of Directors will levy against the initial Purchaser at the time he settles on his purchase contract part of one (1) monthly annual assessment payment, prorated from the date of settlement to the end of the calendar month in which the settlement occurs.

(f) Effect of Failure to Prepare or Adopt Budget. The failure or delay of the Board of Directors to prepare or adopt the annual budget for any fiscal year shall not constitute a waiver or release in any manner of a Unit Owner's obligation to pay his allocable share of the Common Expenses as herein provided, whenever the same shall be determined, and in the absence of any annual budget or adjusted budget, each Unit Owner shall continue to pay the monthly charge at the then existing monthly rate established for the previous fiscal period until the new annual or adjusted budget shall have been mailed or delivered.

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

Section 3. Payment of Common Expenses. All Unit Owners to the extent set forth shall be obligated to pay the Common Expenses assessed by the Board of Directors pursuant to the provisions of this Article VI and such expenses not paid by the 15th day of each month shall be in default. No Unit Owner shall be liable for the payment of any part of the Common Expenses assessed against his Unit subsequent to a sale, transfer or other conveyance by him of such Unit. The Purchaser of a Unit shall be jointly and severally 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 conveyance, without prejudice to the Purchaser's right to receive from the selling Unit Owner the amounts paid by the Purchaser therefor. Any Unit Owner may be entitled to a statement from the Board of Directors or Managing Agent setting forth the amount of the unpaid assessments against the Unit Owner pursuant to Section 55-79.84(b) of the Code of Virginia, as amended. Such request shall be in writing, directed to the Board of Directors or Managing Agent. Failure to furnish such a statement within five (5) business days from receipt of the request shall extinguish the lien as to the condominium unit involved. 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, except for claims for a pro rata share of such assessments or charges resulting from a pro rata reallocation of such assessments or charges to all Condominium Units including the mortgaged Condominium Unit.

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

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

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

(b) By the Unit Owner.

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

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

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

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

(d) Manner of Repair and Replacement. All repairs and replacements shall be substantially similar to the original construction and installation and shall be of first-class quality. The method of approving payment vouchers for all repairs and replacements shall be determined by the Board of Directors.

Section 6. Additions, Alterations or Improvements by Board of Directors. Except for the initial Board of Directors, established pursuant to Article III, Section 1, whenever in the judgment of the Board of Directors the Common Elements shall require additions, alterations or improvements costing a sum in excess of fifteen percent (15%) of the total annual budget of the Condominium for any consecutive twelve (12) month period, the making of such additions, alterations or improvements shall be approved by at least the number of Units to which a majority of the Common Element Interests appertain.

Subject to the provisions of Article VI, Section 2(d) of these By-Laws, any additions, alterations, or improvements costing a sum less than fifteen percent (15%) of the total annual budget of the Condominium for any consecutive twelve (12) month period may be made by the Board of Directors without approval of the Unit Owners and the cost thereof shall constitute part of the Common Expenses.

Notwithstanding the foregoing, if in the opinion of not less than a majority of the members of the Board of Directors, such additions, alterations or improvements are exclusively or substantially exclusively for the benefit of the Unit Owner or Unit Owners requesting the same, such requesting Unit Owner or Unit Owners shall be assessed therefor in such proportions as they jointly approve, or if they are unable to agree thereon, in such proportions as may be determined by the Board of Directors.

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

affected, any Unit may be sub-divided or may be altered so as to relocate the boundaries between such Unit and any adjoining Units. The Secretary, at the cost of the Unit Owner, shall record any necessary amendment to the Declaration to effect such action as provided in Sections 55-79.69 or 55-79.70 of the Condominium Act. The provisions of this Section 7 shall not apply to Units owned by the Declarant until deeds of conveyance of such Units shall have been recorded.

Section 8. Easements in Favor of Unit Owners Association.

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

(b) There is reserved to the Unit Owners Association or its delegate, the right of entry to any Unit and an easement for access therein, as provided by Section 55-79.79(a) of the Condominium Act, when and as necessary, in connection with any repairs, maintenance, landscaping or construction for which the Unit Owners Association is responsible, or for which any Unit Owner is responsible hereunder. Any damage caused by such entry shall be repaired at the expense of the Unit Owners Association. Provided, however, that requests for entry are made in advance and that such entry is at a time reasonably convenient to the Unit Owner. In case of an emergency, such right of entry shall be immediate, whether the Unit Owner is present at the time or not.

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

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

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

ARTICLE. VII

INSURANCE

Section 1. Authority to Purchase.

(a) Except as otherwise provided in Section 5 of this Article VII, all insurance policies relating to the property shall be purchased by the Board of Directors. Neither the Board of Directors nor the Managing Agent nor the Declarant shall be liable for failure to obtain any coverages required by this requirement or for any loss or damage resulting from such failure if such failure is due to the unavailability of such coverages from reputable insurance companies or if such coverages are available only at a demonstrably unreasonable cost.

(b) Each such policy shall provide that:

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

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

(3) Such policy may not be cancelled or substantially modified without at least sixty (60) days prior written notice to the Board of Directors and the Managing Agent and, in the case of physical damage insurance to all Mortgagees of Units.

(4) The named insured under any such policies shall be the Unit Owners Association of the Condominium project, as a trustee for the Owners of the Condominium Units, or its authorized representative, including any trustee with which such Association may enter into any insurance Trust Agreement, or any successor trustee, each of which shall be referred to as the "Insurance Trustee" who shall have exclusive authority to negotiate losses under these policies. Further, the Declarant, so long as Declarant shall own any Unit, shall be protected by all such policies as a Unit Owner.

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

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

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

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

(2) That until the expiration of sixty (60) days after the insurer gives notice in writing to the Mortgagee of any Unit, the Mortgagee's insurance coverage will not be affected or jeopardized by any act or conduct of the Unit Owner of such Unit, the other Unit Owners, the Board of Directors, or any of their agents, employees or household members, nor cancelled for non-payment of premiums.

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

(4) That the Master insurance policy shall contain a standard mortgage clause in favor of each Mortgagee of a Unit to the extent of the portion of the coverage of the Master policy allocated to such Unit, which shall provide that the loss, if any, thereunder shall be payable to such Mortgagee and the Unit Owner as their interests may appear, subject, however, to the loss payment and adjustment provisions in favor of the Board of Directors and the Insurance Trustee, if one is designated.

(f) That the "no control" clause be part of the Master policy which states that coverage must not be prejudiced by:

(1) any act or neglect of the Owners of Condominium Units when such act or neglect is not within the control of the Unit Owners Association; or

(2) any failure of the Unit Owners Association to comply with any warranty or condition regarding any portion of the premises over which the Unit Owners Association has no control.

Section 2. Physical Damage Insurance.

(a) The Board of Directors shall obtain and maintain a "master" or "blanket", "All Risk" policy or property insurance equal to full replacement value (i.e., one hundred percent (100%) of current "replacement cost", with a reasonable deductible amount, exclusive of land, foundation, excavation and other items normally excluded from coverage) with an Agreed Amount Endorsement to the Condominium project, including all building service equipment, air conditioning equipment and the like, and any fixtures or equipment within the Condominium Unit including all of the kitchen and bathroom fixtures initially installed therein by the Declarant and the replacements thereto installed by the Declarant, but not including furniture, wall coverings, furnishings or other personal property supplied or installed by Unit Owners. Furthermore, a Demolition and Contingent Liability from Operation of Building Laws Endorsement and an Increased Cost of Construction Endorsement shall be procured as required. The amount of coverage is to be redetermined annually by the Board of Directors with the assistance of the insuring company. The Master Insurance Policy must afford protection against at least the following:

(1) Loss or damage by fire and other hazards covered by the standard extended coverage endorsement and by sprinkler leakage, debris removal, cost of demolition, vandalism, malicious mischief, windstorm and to the extent determined by the discretion of the Board of Directors, water damage.

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

(b) Such policy shall also provide:

(1) That despite any provisions giving the carrier the right to elect to restore damage in lieu of a cash settlement, such operation shall not be exercisable without the prior written approval of the Unit Owners Association (or any Insurance Trustee) or when in conflict with provisions of any Insurance Trust Agreement to which the Association may be a party, or any requirement of law.

(2) The following endorsements (or equivalent):

(i) "no control";

(ii) "contingent liability from operation of building laws or codes";

(iii) "increased cost of construction" or "condominium replacement cost"; and

(iv) "agreed amount" or elimination of co-insurance clause.

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

Section 3. Liability Insurance. The Board of Directors shall obtain and maintain comprehensive general liability libel, slander, false arrest and invasion of privacy coverage and liability coverage for acts of the Unit Owners Association, officers and directors of the Unit Owners Association, and property damage insurance in a limit no less than One Million Dollars (\$1,000,000.00) per occurrence, insuring the Unit Owners Association, each member of the Board of Directors, the Managing Agent, each Unit Owner, those entitled to occupy any Unit, against any liability to the public or to the Unit Owners (and their invitees, agents and employees) arising out of or incidental to the ownership and/or use of the Common Elements. Such insurance shall be issued on a comprehensive liability basis and shall contain:

(i) a cross liability endorsement under which the rights of a named insured under the policy shall not be prejudiced with respect to his action against another named insured;

(ii) hired and non-owned vehicle coverage;

(iii) host liquor liability coverage with respect to events sponsored by the Unit Owners Association;

(iv) deletion of the normal products exclusion with respect to events sponsored by the Unit Owners Association, and

(v) a "severability of interest" endorsement which shall preclude the insurer from denying liability to a Unit Owner because of negligent acts of the Unit Owners Association or of another Unit Owner.

The Board of Directors shall review such limits once each year, but in no event shall such insurance be less than One Million Dollars (\$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.

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

(a) Adequate fidelity coverage to protect against dishonest acts on the part of officers, directors, trustees and employees of the Unit Owners Association and all others who handle, or are responsible for handling, funds of the Unit Owners Association, 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-half (1/2) the total annual Condominium assessments for the year or the current amount required by the Mortgagees, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, whichever is greatest; and

(iii) contain waivers of any defense based upon the exclusion of persons who serve without compensation from any definition of "employee" or similar expression.

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

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

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

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

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

Section 6. Insurance Trustee.

(a) The Board of Directors shall have the right (but shall not be required) to designate any bank, trust company, management agent, savings and loan association, building and loan association, insurance company or any institutional lender, or the Unit Owners Association, insurance company or any institutional lender, or the Unit Owners Association, as the Insurance Trustee, and all parties beneficially interested in such insurance coverage shall be bound thereby. The Insurance Trustee at the time of the deposit of such policies and endorsements shall acknowledge that the policies and any proceeds therefrom will be held in accordance with the terms of these By-Laws.

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

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

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

ARTICLE VIII

REPAIR AND RECONSTRUCTION AFTER FIRE OR OTHER CASUALTY

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

Section 2. Procedure for Reconstruction and Repair.

(a) Cost Estimates. Immediately after a fire or other casualty causing damage to a building, the Board of Directors shall obtain reliable and detailed estimates of the cost of repairing and restoring the building, including any damaged Unit, but not including any other furniture, furnishings, fixtures or equipment installed by the Unit Owners in the Unit to a condition as good as that existing before such casualty. Such costs may

also include professional fees and premiums for such bonds as the Board of Directors determines to be necessary.

(b) Assessments. If the proceeds of insurance are not sufficient to defray the said estimated costs of reconstruction and repair as determined by the Board of Directors, or if at any time during the reconstruction and repair, or upon completion of reconstruction and repair, the funds for the payment of the costs thereof are insufficient, assessments necessary to cover such insufficiency shall be made against all the Condominium Units according to the respective Common Element Interests as set forth in the Declaration of the Condominium, as the same may be amended from time to time. Notwithstanding anything to the contrary herein contained, the Unit Owners Association shall not be responsible for any items of repair, replacement, or maintenance or consequential damage to any Unit, for which it would not otherwise be responsible under the provisions of these By-Laws unless the loss or consequential damage caused to said Unit and requiring repair, replacement or maintenance, was occasioned through the fault of the Unit Owners Association. This provision shall be deemed to include the payment by the Unit Owner or Owners of any deductible amount under any Association insurance policy.

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

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

Section 3. Disbursements of Construction Funds.

(a) Construction Fund. The net proceeds of insurance collected on account of a casualty and the funds collected by the Board of Directors from assessments against the Unit Owners on account of such casualty shall constitute a construction fund which shall be disbursed in payment of the cost of reconstruction and repair in the manner set forth in this Section. If the net proceeds of insurance collected on account of a casualty exceeds Twenty-Five Thousand Dollars (\$25,000.00), then the funds collected by the Board of Directors from assessments against the Unit Owners shall be deposited by the Board of Directors with the Insurance Trustee, if any, and the entire construction fund shall be held by the Insurance Trustee and disbursed as ordered by the Board of Directors.

(b) Method of Disbursement. The construction fund shall be paid by the Board of Directors or the Insurance Trustee, as the case may be, in appropriate progress payments, to such contractor(s), supplier(s) and personnel performing the work of supplying the materials or services for the repair and reconstruction of the building as is designated by the Board of Directors.

(c) Surplus. It shall be presumed that the first monies disbursed in payment of the cost of reconstruction and repair shall be from insurance proceeds, and, if there is a balance in the construction fund after the payment of all the costs of the reconstruction and repair for which the fund is established, such

balance shall, at the determination of the Board of Directors, either be deposited in the Unit Owners Association general operating account or rebated to the Unit Owners.

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

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

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

(ii) The name of the payee and the amount to be paid with respect to disbursements from any construction fund held by it or whether surplus funds to be distributed are less than the assessments paid by the Unit Owners; and

(iii) All other matters concerning the holding and disbursing of any construction fund held by it. Any such certificate shall be delivered to the Insurance Trustee, if any, promptly after request.

Section 4. When Reconstruction is Not Required. In the event the Board of Directors elects not to repair insubstantial damage to the Common Elements, any insurance proceeds received on account of such damage shall be distributed among all Unit Owners in proportion to their respective Common Element Interests. If the Condominium shall be terminated pursuant to Section 55-79.72 of the Condominium Act, the net assets of the Condominium together with the net proceeds of insurance policies, if any, shall be divided by the Board of Directors or the Insurance Trustee, as the case may be, among all Unit Owners in proportion to their respective Common Element Interests, after first paying out of the share of each Unit Owner, to the extent sufficient therefor, the amount of any unpaid liens on his Unit in the order of priority of such liens.

ARTICLE IX

MORTGAGES

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

Section 2. Notice of Unpaid Assessments. The Board of Directors, whenever so requested in writing by a First Mortgagee, shall promptly report any then unpaid assessments due from, or any other default by, the owner of the mortgaged Unit.

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

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

Section 5. Notices of Damages, Condemnation. The Board of Directors shall timely notify:

(i) the First Mortgagee of a Unit whenever damage to the Unit covered by the mortgage exceeds One Thousand Dollars (\$1,000.00), or whenever the Unit or portion thereof is made the subject matter of any condemnation or eminent domain proceeding or is otherwise sought to be acquired by a condemning authority. For purposes of this Section, the Board of Directors, when giving notice to any Mortgagee, shall also notify the Federal Home Loan Mortgage Corporation (FHLMC), the Federal National Mortgage Association (FNMA), or the Veterans Administration (VA) and any other public or private secondary mortgage market entity participating in purchasing or guarantying mortgages of Units in the Condominium if the Board of Directors has notice of such participation.

Section 6. Notice of Termination of Management Contracts. The Board of Directors shall notify all First Mortgagees in writing of the termination of any management contract within ten (10) days of receipt or issuance of any notice of such termination by either the Association or the Managing Agent. Notwithstanding the foregoing, the prior written approval of at least two-thirds (2/3) of all First Mortgagees shall be required to effectuate any decision by the Unit Owners Association to terminate professional management and assume self-management of the Condominium.

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

Section 8. Rights of First Mortgagees. Unless at least two-thirds (2/3) of the First Mortgagees (bases upon one vote for each first mortgage owned) have given their prior written approval, the Unit Owners Association shall not:

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

(b) Partition or subdivide any Unit or that Unit's Common Element Interest of the Condominium, or abandon, partition, subdivide, encumber, sell or transfer the Common Elements of the Condominium (the granting of easements for public utilities or for other public purposes consistent with the intended use of the Common Elements shall not be deemed a transfer within the meaning of this clause) except as may be permitted by the Declaration;

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

(d) Modify the method of determining and collecting assessments or allocating distributions of casualty insurance proceeds or condemnation awards;

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

Section 9. "First Mortgagee", "Mortgagee", and "Mortgage". As used in this Article and generally in the Declaration and By-Laws, "First Mortgagee" and the term "Mortgagee" includes the holder of a note secured by a First Deed of Trust or Mortgage encumbering a Unit and recorded among the land records of the jurisdiction in which the Condominium is located, and the term "Mortgage" includes any Deed of Trust recorded among the said land records.

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

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

ARTICLE X

COMPLIANCE AND DEFAULT

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

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

(b) Additional Liability. Each Unit Owner shall be liable for the expense of all maintenance, repair or replacement rendered necessary by his act, neglect or carelessness or the act, neglect or carelessness of any member of his family or employees, agents, licensees, guests, or lessees, but only to the extent that such expense is not covered by the proceeds of insurance carried by the Board of Directors. Such liability shall include any increase in fire insurance rates occasioned by use, misuse, occupancy or abandonment of any Unit or its appurtenances. Nothing contained herein, however, shall be construed as modifying any waiver by an insurance company of its rights of subrogation.

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

(d) No Waiver of Rights. The failure of the Unit Owners Association, the Board of Directors, or of a Unit Owner to enforce any right, provision, covenant, or condition which may be granted by the Declaration, these By-Laws or the Rules and Regulations shall not constitute a waiver of the right of the Unit Owners Association, the Board of Directors, or the Unit Owner to enforce such right, provision, covenant or condition in the future. All rights, remedies and privileges granted to the Unit Owners Association, the Board of Directors, or any Unit Owner pursuant to any term, provision, covenant or condition of the Declaration, these By-Laws, or the Rules and Regulations shall be deemed to be cumulative, and the exercise of any one or more thereof, shall not be deemed to constitute an election of remedies, nor shall it preclude the party exercising the same from exercising such privileges as may be granted to such party by the Declaration, these By-Laws or the Rules and Regulations, or at law or in equity.

(e) Interest. In the event of a default by any Unit Owner in paying any sum assessed against the Condominium Unit other than for Common Expenses which continues for a period in excess of fifteen (15) days, interest at a rate not to exceed the lower of the maximum permissible interest rate which may be charged by a Mortgagee under a Mortgage at such time or eighteen percent (18%) per annum may be imposed in the discretion of the Board of Directors on the principal amount unpaid from the date due until paid.

(f) Abatement and Enjoinment of Violations by Unit Owners. The violation of any Rule or Regulation adopted by the Board of Directors, or the breach of any By-Law contained herein, or the breach of any provision of the Declaration shall give the Board of Directors the right, in addition to any other rights set forth in these By-Laws:

(1) To enter the Unit in which, or as to which, such violation or breach exists and summarily to abate and remove, at the expense of the defaulting Unit Owner, any structure, thing or condition that may exist therein contrary to the intent and meaning of the provisions hereof, the Board of Directors shall not thereby be deemed guilty in any manner of trespass; or

(2) To enjoin, abate or remedy by appropriate legal proceedings, either at law or in equity the continuance of any such breach.

(g) Other Penalties. Failure by a Unit Owner to comply with any of the terms of the Declaration, shall subject such Unit Owner to other penalties that may be established by resolution of the Board of Directors, including, but not limited to, the imposition of fines. Any such resolution duly adopted by the Board of Directors, shall be adopted in accordance with Section 55-79.80(b)(2) of the Virginia Condominium Act, as amended.

Section 2. Lien for Assessments.

(a) The total annual assessment of each Unit Owner for Common Expenses or any special assessment or any other sum duly levied, made pursuant to these By-Laws 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.

(b) The lien for assessments may be enforced and foreclosed in the manner provided by the laws of the Commonwealth of Virginia, by action in the name of the Board of Directors, or the Managing Agent, acting on behalf of the Unit Owners Association.

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

(d) Late Charges. Any assessment levied pursuant to the Declaration or these By-Laws, or any installment thereof, which is not paid within fifteen (15) days after it is due, may at the option of the Board of Directors be subject to a late charge of not less than ten dollars (\$10.00) per month for each monthly assessment in arrears or such other amounts as the Board of Directors may fix, and in addition, the Board of Directors may declare the installments which would otherwise be due during the remaining fiscal year immediately due and payable and may take those actions to collect such accelerated amounts as are provided in these By-Laws for the collection of assessments.

Section 3. Subordination and Mortgage Protection. Notwithstanding any other provisions hereof to the contrary, the lien of any assessment levied pursuant to these By-Laws upon any Unit (and any penalties, interest on assessments, late charges or the like) shall be subordinate to, 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 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.

ARTICLE XI

USE RESTRICTIONS ON UNITS AND COMMON ELEMENTS

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

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

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

(c) No immoral, improper, offensive or unlawful use shall be made of the property or any part thereof, and all valid laws, zoning ordinances and regulations of all governmental agencies having jurisdiction thereof shall be observed. All laws, orders,

rules, regulations or requirements of any governmental agency having jurisdiction thereof relating to any portion of the property shall be complied with, by and at the sole expense of the Unit Owner or the Board of Directors, whichever shall have the obligation to maintain or repair such portion of the property, and if the latter, then the cost of such compliance shall be a Common Element.

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

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

(f) No Unit shall be rented for transient or hotel purposes or in any event for an initial period of less than three (3) months. No portion of any Unit (other than the entire Unit) shall be leased for any period. No Unit Owner shall lease a Unit other than on a written form of lease requiring the lessee to comply with the Condominium Instruments and Rules and Regulations, and providing that failure to comply constitutes a default under the lease. The Board of Directors may provide a suggested standard form lease for use by Unit Owners. Each Unit Owner of a Condominium Unit shall, promptly following the execution of any lease of a Condominium Unit, forward a conformed copy thereof to the Board of Directors. The foregoing provisions of this subparagraph, except for the restriction against use for hotel or transient purposes, shall not apply to the Declarant, or a Mortgagee in possession of a Unit as a result of a foreclosure or other judicial sale or as a result of any proceeding in lieu of foreclosure. Nothing in these By-Laws shall be construed to prohibit the Declarant from using any Unit owned by the Declarant or Common Element of the Condominium for promotional, marketing, administrative office, display or other related purposes or from using any Unit or portion of the Common Elements for temporary hospitality quarters for residents of the Condominium temporarily displaced by renovation activity to any other Unit in the Condominium, or for the settlement of sales of Condominium Units.

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

(h) The maintenance, keeping, boarding and/or raising of animals, livestock, poultry or reptiles of any kind, regardless of number, shall be and is prohibited within any Unit or upon the Common Elements, except that the keeping of small, orderly domestic pets (e.g., dogs, cats or caged birds) not to exceed one cat or dog weighing not in excess of thirty (30) pounds and one

bird per Unit without the written approval of the Board of Directors, is permitted, subject to the Rules and Regulations adopted by the Board of Directors; provided, however, that such pets are not kept or maintained for commercial purposes or for breeding and provided, further, that any such pet causing or creating a nuisance or unreasonable disturbance or noise may be permanently removed from the property upon ten (10) days' written notice from the Board of Directors. Such pets shall not be permitted upon the Common Elements unless accompanied by an adult and unless carried or leashed. Any Unit Owner who keeps or maintains any pet upon any portion of the property shall be deemed to have indemnified and agreed to hold the Condominium, each Unit Owner and the Declarant free and harmless from any loss, claim or liability of any kind or character whatever arising by reason of keeping or maintaining such pet within the Condominium. All pets shall be registered with the Board of Directors and shall otherwise be registered and inoculated as required by law. Each pet owner shall be required to clean up any and all excrement caused by his pet on the Common Elements of the Condominium.

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

(j) Wall-to-wall carpeting and padding shall be maintained on all floor surfaces (excluding kitchens, closets and bathrooms) in Units located over other Units to adequately reduce transmission of sound between Units. Except as to those major appliances as may be installed by Declarant during its initial renovation of Units, or as may be installed by Unit Owners as replacements thereof, additional major appliances may not be installed in a Unit without prior written approval of the Board of Directors.

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

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

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

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

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

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

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

(r) No radio or television installation, or other wiring, shall be made without the written consent of the Board of Directors. Any antenna or aerial erected or installed on the exterior walls of a Unit or on the Limited Common Elements or Common Elements of the Condominium, which includes the roof, without the consent of the Board of Directors, in writing, is liable to removal and disposal thereof without notice and at the cost of the Unit Owner for whose benefit the installation was made.

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

(t) Unit Owners and occupants shall exercise extreme care not to disturb other Unit Owners or occupants with excessive noise from the use of radios, televisions, musical instruments, amplifiers, or telephones.

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

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

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

Section 5. Parking Spaces. Except to the extent limited by the Declarant as to such parking spaces as may be used by Declarant in conjunction with Declarant's sales program and such parking spaces as may be assigned by Declarant as Limited Common Elements, all parking spaces designated as such on the Plats and Plans shall be used by the Unit Owners for self-service parking purposes on a "first-come, first served" basis, except as the Board of Directors may otherwise determine. The cost of maintenance and repair of all parking areas shall be a Common Expense.

Section 6. Storage Areas; Disclaimer of Bailee Liability. Any storage cubicles or areas in the Condominium are Common Elements and may be assigned to Units by appropriate resolution of the Board of Directors. The Board of Directors, the Unit Owners Association, any Unit Owner and the Declarant shall not be considered a bailee, however, of any personal property stored on the Common Elements (including property located in storage cubicles or areas and vehicles parked in the parking areas of the Condominium), whether or not exclusive possession of the particular area is given to a Unit Owner for storage purposes, and shall not be responsible for the security of such personal property or for any loss or damage thereto, whether or not due to negligence.

ARTICLE XII

CONDEMNATION

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

ARTICLE XIII

MISCELLANEOUS

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

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

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

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

Section 3. Resale by Purchaser. The Unit Owners Association, in complying with Section 55-79.97(a), Code of Virginia, 1950, as amended, shall furnish to the Purchaser prior to contract date, the appropriate statements. The Board of Directors of the Unit Owners Association may charge the seller up

to the maximum amount allowed by law to comply with statements pursuant to Sections 55-79.84(h) and 55-79.85, Code of Virginia, 1950, as amended. In addition, the Board of Directors may fix such other amounts as are required in complying with Section 55-79.97(a), 2 through 7, Code of Virginia, 1950, as amended.

Section 4. Interchangeable Terms. As used in these By-Laws, the terms "mortgage" and "deed of trust" are interchangeable with each other, and the terms "Mortgagee" and "Deed of Trust Noteholder" are interchangeable with each other.

Section 5. Certain Contracts of Declarant. Any employment contract or lease of recreational facilities or parking areas entered into by the Declarant on behalf of the Unit Owners Association during the period within which Declarant is in control of the Unit Owners Association, may at the option of the Association be terminated without penalty upon not more than ninety (90) days notice.

ARTICLE XIV

AMENDMENTS TO BY-LAWS

Section 1. Amendments. These By-Laws may not be modified or amended except as provided in Section 55-79.72 of the Condominium Act; provided, however, that until the expiration of the maximum time permitted by Section 55-79.74(a) of the Condominium Act:

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

Section 2. Approval of Mortgagees. These By-Laws contain provisions concerning various rights, priorities, remedies and interests of Mortgagees. Such provisions in these By-Laws are to be construed as covenants for the protection of such Mortgagees on which they may rely in making loans secured by Mortgages.

EXHIBIT "A" TO BYLAWS

Schedule of Maintenance Responsibility

MADISON MANOR, INC.
Maintenance Responsibilities

I ITEMS	II GENERAL COMMON ELEMENTS UNDER ASSOCIATION RESPONSIBILITY	III LIMITED COMMON ELEMENTS UNDER ASSOCIATION RESPONSIBILITY	IV UNIT COMPONENTS UNDER ASSOCIATION RESPONSIBILITY	V CERTAIN OTHER COMPONENTS UNDER UNIT OWNER'S RESPONSIBILITY WITHOUT RESPECT TO OWNERSHIP OF THE COMPONENT
Plumbing & related systems & components thereof.	All maintenance, repair & replacement of portions of plumbing serving more than one unit. Water damage to common elements or units other than the one which is the primary source of the problem through negligence of the occupants of such unit.	If any, same as in Column II.	Only to the extent that a malfunction originates outside the unit in which the malfunction occurs or may occur.	All portions within a unit including fixtures & appliances attached thereto. Water damage to a unit, when the primary source of such problem is through the negligence of the occupants of that unit.
Electrical & related systems & components thereof excluding appliances, fixtures & lights serving only one unit.	All, in all regards.	All, in all regards.	--	All, in all regards, for items serving only one unit.

Exhibit A to the Bylaws
Page 2

I	II	III	IV	V
ITEMS	GENERAL COMMON ELEMENTS UNDER ASSOCIATION RESPONSIBILITY	LIMITED COMMON ELEMENTS UNDER ASSOCIATION RESPONSIBILITY	UNIT COMPONENTS UNDER ASSOCIATION RESPONSIBILITY	CERTAIN OTHER COMPONENTS UNDER UNIT OWNER'S RESPONSIBILITY WITHOUT RESPECT TO OWNERSHIP OF THE COMPONENT
Heating & cooling systems & components thereof.	All, in all regards, serving more than one unit.	If any, same as in Column II.	All, in all regards, at the unit owner's expense.	Maintenance, repairs and replacement to be performed by Association at unit owner's expense.
Parking Spaces.	All surface parking spaces in all regards.	--	--	--
Storage Cubicles (if any).	All, in all regards except routine cleaning.	--	--	Routine cleaning.
Refuse collection System.	All, in all regards.	--	--	--
Grounds, including all paved areas and other improvements thereon lying outside the main walls of the building and all underground utility systems.	All.	--	--	Maintenance of plantings and improvements approved by the Association and installed by the unit owner on patios.

I ITEMS	II GENERAL COMMON ELEMENTS UNDER ASSOCIATION RESPONSIBILITY	III LIMITED COMMON ELEMENTS UNDER ASSOCIATION RESPONSIBILITY	IV UNIT COMPONENTS UNDER ASSOCIATION RESPONSIBILITY	V CERTAIN OTHER COMPONENTS UNDER UNIT OWNER'S RESPONSIBILITY WITHOUT RESPECT TO OWNERSHIP OF THE COMPONENT
Building, exterior roof, exterior vertical walls, foundations.	All, in all regards. with certain exceptions expressed elsewhere herein regarding routine cleaning.	--	--	Replacement of skylights and repair of leaks or damage to or from skylights.
Windows.	All which do not serve a unit, in all regards.	All, in all regards except routine clean- ing.	--	Routine cleaning.
Doors, main entry to units.	--	--	All surfaces exposed to corridor or outside including door panel, buck, trim & sill.	Interior of door panel interior trim. Hardware set including lock and door chime assembly and hinges/closure.
Balcony or patio doors.	--	In all regards except routine cleaning, latch mechanism and weather- stripping.	--	Routine cleaning, latch mechanism and weather- stripping.

Exhibit A to the Bylaws
Page 4

I ITEMS	II GENERAL COMMON ELEMENTS UNDER ASSOCIATION RESPONSIBILITY	III LIMITED COMMON ELEMENTS UNDER ASSOCIATION RESPONSIBILITY	IV UNIT COMPONENTS UNDER ASSOCIATION RESPONSIBILITY	V CERTAIN OTHER COMPONENTS UNDER UNIT OWNER'S RESPONSIBILITY WITHOUT RESPECT TO OWNERSHIP OF THE COMPONENT
Balconies, patios & railings.	--	In all regards except routine cleaning.	--	Routine cleaning.
Screens (balcony or patio doors and windows).	All which do not serve a unit, in all regards.	--	--	All which serve the unit in all respects. Replace- ments to be of same color, grade & style.
Fireplaces and fire- place flues.	All which do not serve a unit, in all regards.	In all regards except routine cleaning.	In all regards except routine cleaning.	Routine cleaning.

NOTES

MAINTENANCE RESPONSIBILITIES:

This chart and the titles and headings used herein are not intended to describe or encompass all maintenance functions nor to delineate all respective responsibilities between the unit owners, severally, and the Association. The placement of responsibility under any specific column does not always accurately reflect the precise character and nature of ownership. The appropriate sections of the Declaration determine ownership. In many cases maintenance responsibility is allocated to the Unit Owners Association to ensure central maintenance responsibility, uniformity and quality of repair, and to protect community health and safety. Where such maintenance is required due to the negligent or wrongful act or omission of a unit owner (or such unit owner's family, tenants, employees, agents, visitors, guests or pets), the Association will perform the necessary maintenance at the sole expense of the unit owner.

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

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

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

Column IV: Unit Components Under Association Responsibility. The items in this column are legally and by definition a part of a unit but are attached or directly connected to or associated with the general common elements and common expense items in such a way that a clear distinction between unit owner and Association responsibility cannot be made. Moreover, such items frequently involve matters of concern relative to the general health, safety and welfare of all of the occupants of the building. Thus, certain costs which appear to benefit a single unit owner but which affect other unit owners are declared a common expense, especially when the correct functioning of an activity or element is integral to or supportive of the legally defined common elements and common expenses. Heating and cooling systems and components thereof are an exception due to the split system being used; the only practical method is to provide for central maintenance responsibility at the individual unit owner's expense.

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

APPENDIX III
FORM OF AMENDMENT

AMENDMENT TO
CONDOMINIUM INSTRUMENTS TO
MADISON MANOR CONDOMINIUM, INC.

THIS AMENDMENT TO CONDOMINIUM INSTRUMENTS is made this
day of _____, 198_____, by MADISON MANOR, INC., a
Virginia Corporation, "The Declarant";

* * W I T N E S S E T H * *

WHEREAS, by Declaration dated _____ and
recorded on _____ in Deed Book _____ at page _____
et. seq. among the Land records of the City of Harrisonburg,
Virginia ("The Declaration"), the Declarant did subject certain
real property in the City of Harrisonburg, Virginia, more
particularly described in said Declaration to be MADISON MANOR
CONDOMINIUM, INC. ("The Condominium");

WHEREAS, Declarant desires at this time to expand the
Condominium by adding to the Condominium a certain parcel of
land, which parcel of land is more particularly described in
Exhibit "A" attached hereto, together with certain improvements
located thereon.

NOW, THEREFORE, pursuant to the rights reserved by
Declarant, and in accordance with Paragraph IX of the Declaration
and in further accordance with Title 55, Section 79.63 of the
Code of Virginia, 1950, ed. as amended, Declarant does hereby
amend the Condominium Instruments to expand the Condominium
adding to the Condominium that certain parcel of land owned by
Declarant located in the City of Harrisonburg, Virginia,
described in Exhibit "A" attached hereto, together with certain
improvements on said land.

I. LOCATION OF BUILDINGS AND UNITS ADDED:

The addition of the land described in Exhibit "A" attached
hereto adds to the Condominium certain improvements, the location
of which are more particularly shown on the Plat attached as
Exhibit "C" hereto. Plans which show the location of the Units
and Common Elements within the buildings added and which further
designate an Identifying Number for each Unit are attached as
Exhibit "C" hereto. The Plats and Plans attached as Exhibits "B"
and "C" hereto are hereby added to all other Plats and Plans
previously filed for the Condominium.

II. UNIT BOUNDARIES:

The Unit boundaries for the Units added by this AMENDMENT TO
CONDOMINIUM INSTRUMENTS, shall be exactly the same as the Unit
boundaries created by the Declaration.

III. UNDIVIDED INTEREST IN COMMON ELEMENTS AND REALLOCATION OF
VOTES:

Pursuant to Section 55-79.56(b) of the Condominium Act the
Common Element Interests in the Condominium are hereby
reallocated to each Unit on an equal basis. That is to say that
upon recordation of this instrument the liability for Common
Expenses and votes in the Unit Owners Association are reallocated
so that all Units comprising the Condominium have an equal vote
and equal liability for Common Expenses.

IV. CONFIRMATION OF CONDOMINIUM INSTRUMENTS:

Except as modified by this Amendment, all of the terms and provisions of the Condominium Instruments are hereby expressly ratified and confirmed and shall remain in full force and effect and shall be applicable to the Condominium Units and Common Elements created hereby.

IN WITNESS WHEREOF, MADISON MANOR, INC., a Virginia Corporation, has caused this Instrument to be executed this _____ day of _____, 1985.

MADISON MANOR, INC.

A Virginia Corporation

By:

R. Marshall Moist
President

STATE OF VIRGINIA

COUNTY OF _____, to-wit:

The foregoing Instrument was acknowledged before me this day of 1985, by R. Marshall Moist, President of MADISON MANOR, INC., on behalf of said Corporation.

Notary Public

My Commission Expires: _____

APPENDIX IV
FINANCIAL INFORMATION

MADISON MANOR

TABLE OF REPAIR AND REPLACEMENT RESERVES

1985-86/96 Units

	Estimated Service Life (Years)	Estimated Replacement Cost In Current Dollars	Annual Proration To Reserves
COMMON RESERVES			
Roofs, Gutters and Downspouts	15 Years	\$ 69,888	\$4,659
Paving & Surfacing	15 Years	\$ 59,936	\$3,996
Painting	4 Years	\$ 10,667	\$2,666
Pool	20 Years	\$ 62,688	\$3,134
Tennis Court Surfacing	8 Years	\$ 4,000	\$ 500

MADISON MANOR

TABLE OF REPAIR AND REPLACEMENT RESERVES

1986-87/156 Units

Estimated Service Life (Years)	Estimated Replacement Cost In Current Dollars	Annual Proration To Reserves
---	--	------------------------------------

COMMON RESERVES

Roofs, Gutters and Downspouts	15 Years	\$113,568	\$7,571
Paving & Surfacing	15 Years	\$103,896	\$6,926
Painting	4 Years	\$ 17,334	\$4,333
Pool	20 Years	\$ 62,688	\$3,134
Tennis Court Surfacing	8 Years	\$ 4,000	\$ 500

MADISON MANOR

1985-86 FISCAL YEAR BUDGET

(96 UNITS)

Assessment Income	\$ 77,472
Operating Expenses and Reserves	
Administrative	
Financial Management	\$ 10,368
Supplies and Printing	30
Insurance	7,500
Audit	1,000
Legals	600
Sub Total	\$ 19,498
Land Services	
Grounds Maintenance	\$ 6,500
General Maintenance	2,700
Lighting	1,100
Snow Removal	2,800
Repair and Replacement Reserves	
Paving and Surfacing	3,996
Tennis Court Surfacing	500
Sub Total	\$ 17,596
Community Facilities	
Pool Operation and Maintenance	\$ 3,500
Repair and Replacement Reserves	
Pool	3,134
Sub Total	\$ 6,634
Unit Services	
Water and Sewer Usage	\$ 12,740
Common Area Electricity	2,700
Trash Collection	3,000
Cable TV	6,912
Miscellaneous Repairs	750
Repair and Replacement Reserves	
Roof, Gutters, Downspouts	4,659
Painting	2,666
Sub Total	\$ 33,427

TOTAL OPERATING EXPENSES, RESERVES AND CAPITAL IMPROVEMENTS \$ 77,155

MADISON MANOR

1986-87 FISCAL YEAR BUDGET

(156 UNITS)

Assessment Income	\$124,488
-------------------	-----------

Operating Expenses and Reserves

Administrative

Financial Management	\$ 16,848
Supplies and Printing	45
Insurance	12,150
Audit	1,400
Legals	900

Sub Total	\$ 31,343
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Land Services

Grounds Maintenance	\$ 10,500
General Maintenance	4,500
Lighting	1,750
Snow Removal	4,500
Repair and Replacement Reserves	
Paving and Surfacing	6,206
Tennis Court Surfacing	500

Sub Total	\$ 27,956
-----------	-----------

Community Facilities

Pool Operation and Maintenance	\$ 3,500
Repair and Replacement Reserves	
Pool	3,134

Sub Total	\$ 6,634
-----------	----------

Unit Services

Water and Sewer Usage	\$ 20,540
Common Area Electricity	2,700
Trash Collection	5,400
Cable TV	11,232
Miscellaneous Repairs	1,200
Repair and Replacement Reserves	
Roof, Gutters, Downspouts	9,434
Painting	5,400

Sub Total	\$ 55,906
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TOTAL OPERATING EXPENSES, RESERVES AND CAPITAL IMPROVEMENTS	\$121,906
---	-----------

MADISON MANOR BUDGET NOTES

96 UNITS

ADMINISTRATIVE

Assessment Income - \$67.25 X 96 Units X 12 months = \$77,472

Management - \$9.00 X 96 Units (per month) = \$10,368

Supplies and Printing - Allows for one informational mailing at end of year.

Insurance - Based on information from St. Paul Insurance Company. will allow coverage of \$4,225,000 for buildings exclusive of land and excavation costs.

Audit - Portion to be paid for yearly audit.

Legals - Legal matters such as by-law interpretation, lien filings, etc.

LAND SERVICES

Grounds Maintenance - Based on similar contract work performed for grass cutting and trimming, 2 applications for weeding and feeding, shrubbery trimming, mulching, and leaf removal.

GENERAL MAINTENANCE - Repairs to be made to general common elements, including landscape replacement and minor mechanical and carpentry work.

LIGHTING - For common lighting; allows for operation of common lighting for 8 buildings (stairwells, etc.) for an average of 12 hours per day, 365 days per year.

SNOW REMOVAL - Allows approximately 3 plowings per month for January and February and one plowing for March. Includes cost to clear sidewalks and walks leading to buildings.

REPAIR AND REPLACEMENT RESERVES

Paving and surfacing - Allocates \$3,996 per year for 100% resurfacing of asphalt roadways and replacement of portion of existing concrete in first 15 years.

Tennis Court Resurfacing - Allows for 100% resurfacing of court in first 8 years of use.

COMMUNITY FACILITIES

POOL MAINTENANCE - Allows for general maintenance of pool, filter and pump equipment.

REPAIR AND REPLACEMENT RESERVES

Pool - Allows for 100% resurfacing of pool, replacement of deck and miscellaneous accessories, and replacement of necessary mechanical equipment (filter, pump, etc.) in first 20 years

UNIT SERVICES

WATER AND SEWER USAGE - \$130.00 x 96 per year. Based upon average water and sewer usage costs for area. Also allows \$260 for club house, office and maintenance area use.

COMMON AREA ELECTRICITY - Based on average monthly cost to provide electric service to club house and office areas for lighting heat, and cooling.

TRASH COLLECTION - Based on cost to provide three 8 yard dumpsters with twice - weekly pick-up (monthly fee).

CABLE TV - Cost to provide access for all units to "basic" cable services of local cable TV company (bulk rate).

MISCELLANEOUS REPAIRS - Replacement of exterior light bulbs, repair of light fixtures, etc.

REPAIR AND REPLACEMENT RESERVES

Roofs, Gutters, and Downspouts - Allows for re-roofing of 100% of all flat and sloped roofs and replacement of 100% of all gutters and downspouts in first 15 years.

Painting - Allows for repainting of all exterior wood trim and metal railings using two coats of latex exterior paint in the first 4 years.

MADISON MANOR BUDGET NOTES

156 UNITS

ADMINISTRATIVE

Assessment Income - \$66.50 X 156 Units X 12 months = \$124,488

Management - \$9.00 X 96 Units (per month) = \$10,368

Supplies and Printing - Allows for one informational mailing at end of year.

Insurance - Based on information from St. Paul Insurance Company. Policy will allow coverage of \$6,438,977 for buildings exclusive of land and excavation costs.

Audit - Portion to be paid for yearly audit.

Legals - Legal matters such as by-law interpretation, lien filings, etc.

LAND SERVICES

Grounds Maintenance - Based on similar contract work performed for grass cutting and trimming, 2 applications for weeding and feeding, shrubbery trimming, mulching, and leaf removal.

GENERAL MAINTENANCE - Repairs to be made to general common elements, including landscape replacement and minor mechanical and carpentry work.

LIGHTING - For common lighting; allows for operation of common lighting for 13 buildings (stairwells, etc.) for an average of 12 hours per day, 365 days per year.

SNOW REMOVAL - Allows approximately 3 plowings per month for January and February and one plowing for March. Includes cost to clear sidewalks and walks leading to buildings.

REPAIR AND REPLACEMENT RESERVES

Paving and surfacing - Allocates \$6,206 per year for 100% resurfacing of asphalt roadways and replacement of portion of existing concrete in first 15 years.

Tennis Court Resurfacing - Allows for 100% resurfacing of court in first 8 years of use.

COMMUNITY FACILITIES

POOL MAINTENANCE - Allows for general maintenance of pool, filter and pump equipment.

REPAIR AND REPLACEMENT RESERVES

Pool - Allows for 100% resurfacing of pool, replacement of deck and miscellaneous accessories, and replacement of necessary mechanical equipment (filter, pump, etc.) in first 20 years

UNIT SERVICES

WATER AND SEWER USAGE - \$130.00 x 156 units per year. Based upon average water and sewer usage costs for area. Also allows \$260 for club house, office and maintenance area use.

COMMON AREA ELECTRICITY - Based on average monthly cost to provide electric service to club house and office areas for lighting heat, and cooling.

TRASH COLLECTION - Based on cost to provide three 8 yard dumpsters with twice - weekly pick-up (monthly fee).

CABLE TV - Cost to provide access for all units to "basic" cable services of local cable TV company (bulk rate).

MISCELLANEOUS REPAIRS - Replacement of exterior light bulbs, repair of light fixtures, etc.

REPAIR AND REPLACEMENT RESERVES

Roofs, Gutters, and Downspouts - Allows for re-roofing of 100% of all flat and sloped roofs and replacement of 100% of all gutters and downspouts in first 15 years.

Painting - Allows for repainting of all exterior wood trim and metal railings using two coats of latex exterior paint in the first 4 years.

MULTI-YEAR FEASIBILITY BUDGET

	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95
AVERAGE RATE	\$67.25	\$66.50	\$68.35	\$71.75	\$75.50	\$79.00	\$83.00	\$87.25	\$91.60	\$96.15
Residential Assessments	77,472	124,488	127,951	134,316	141,336	147,888	155,376	163,332	171,475	179,993
Total Income	77,472	124,488	127,951	134,316	141,336	147,888	155,376	163,332	171,475	179,993
EXPENSES:										
Administrative:										
Management Fee	10,368	16,848	16,848	16,848	16,848	16,848	16,848	16,848	16,848	16,848
Supplies & Printing	30	45	45	45	45	45	45	45	45	45
Insurance	7,500	12,150	12,150	12,150	12,150	12,150	12,150	12,150	12,150	12,150
Audit	1,000	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400
Legal Fees	600	900	900	900	900	900	900	900	900	900
Inflation Factor (5%)	0	0	1,567	1,646	1,728	1,814	1,905	2,000	2,100	2,205
Total Administrative	19,498	31,343	32,910	34,556	36,284	38,098	40,003	42,003	44,103	46,308
Land Services:										
Grounds Maintenance	6,500	10,500	10,500	10,500	10,500	10,500	10,500	10,500	10,500	10,500
General Maintenance	2,700	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500
Lighting	1,100	1,750	1,750	1,750	1,750	1,750	1,750	1,750	1,750	1,750
Snow Removal	2,800	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500
Repair & Replacement Reserves:										
Paving & Surfacing	3,996	6,206	6,206	6,206	6,206	6,206	6,206	6,206	6,206	6,206
Tennis Court Surfacing	500	500	500	500	500	500	500	500	500	500
Inflation Factor (5%)	0	0	1,398	1,468	1,541	1,618	1,699	1,784	1,873	1,967
Total Land Services	17,596	27,956	29,354	30,822	32,363	33,981	35,680	37,464	39,337	41,304
Community Facilities:										
Pool Operation & Maintenance	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
Repair Replacement Reserves:										
Pool	3,134	3,134	3,134	3,134	3,134	3,134	3,134	3,134	3,134	3,134
Inflation Factor (5%)	0	0	332	348	366	384	403	423	445	467
Total Community Facility	6,634	6,634	6,966	7,314	7,680	8,064	8,467	8,890	9,335	9,802
Unit Services:										
Water & Sewer Usage	12,740	20,540	20,540	20,540	20,540	20,540	20,540	20,540	20,540	20,540
Common Area Electricity	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700
Trash Collection	3,000	5,400	5,400	5,400	5,400	5,400	5,400	5,400	5,400	5,400
Cable TV	6,912	11,232	11,232	11,232	11,232	11,232	11,232	11,232	11,232	11,232
Miscellaneous Repairs	750	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Repair & Replacement Reserve:										
Roof, Gutters, Downspouts	4,659	9,434	9,434	9,434	9,434	9,434	9,434	9,434	9,434	9,434
Painting	2,666	5,400	5,400	5,400	5,400	5,400	5,400	5,400	5,400	5,400
Inflation Factor (5%)	0	0	2,795	2,935	3,082	3,236	3,398	3,568	3,746	3,933
Total Unit Services	33,427	55,906	58,701	61,636	64,718	67,954	71,352	74,920	78,666	82,599
Total Annual Expenditures	77,155	121,839	127,931	134,328	141,045	148,097	155,502	163,277	171,441	180,013
General Operating Reserves	317	2,649	20	[12]	291	[209]	[126]	55	34	20
Cumulative Balance	317	2,966	2,986	2,974	3,265	3,056	2,930	2,985	3,019	2,999

APPENDIX V

LIMITED WARRANTY CERTIFICATE

LIMITED WARRANTY CERTIFICATE
Issued to and Accepted by Individual Unit Owner
MADISON MANOR CONDOMINIUM, INC.

MADISON MANOR, INC., a Virginia Corporation, ("Declarant") and ("Unit Owner") hereby acknowledge that the Unit No. _____ ("The Unit") and Common Elements at MADISON MANOR CONDOMINIUM, INC., covered under the Limited Warranty Certificate, are subject only to the statutory Condominium Warranties below.

I. APPLICABLE STATUTORY WARRANTIES:

a. Pursuant to the requirements of Section 55-79.79(b) of the Virginia Condominium Act, Declarant warrants that it shall repair or replace (at its sole option) any defect in the structural elements of the Unit (as enumerated in the Condominium Declaration) for a period of two years from the date on which the Unit is conveyed.

Defects in the structural elements shall be those defects in components constituting the Unit which reduce the stability or safety of the structure below acceptable standards or restrict the normal intended use of all or part of the structure, and which require repair, renovation, restoration or replacement.

b. To the extent required by Section 55-79.79(b) of The Condominium Act that the Unit is fit for habitation and constructed in a workmanlike manner so as to pass without objection in the trade.

c. Pursuant to the requirements of Section 55-79.79(b) of The Virginia Condominium Act, Declarant warrants that it shall repair or replace (at its sole option) any defect in the structural elements of the Common Elements for two (2) years. The two (2) years referred to above shall begin as to each of the Common Elements whenever the same has been completed, or if later, (1) as to any Common Element within any additional land or portion thereof, at the time the first Unit therein is conveyed, and (2) as to any Common Element within any other portion of the Condominium at the time the first Unit therein is conveyed.

Defects in the structural elements shall be those defects in components constituting the Common Elements which reduce the stability or safety of the structure below acceptable standards or restrict the normal intended use of all or part of the structure, and which require repair, renovation, restoration or replacement.

d. Nothing in this Section shall be construed to make Declarant responsible for any items of maintenance relating to the Units or Common Elements.

EXCEPT TO THE EXTENT REQUIRED BY THE ABOVE STATUTORY WARRANTIES, THE UNIT AND COMMON ELEMENTS ARE SOLD "AS IS" AND THE DECLARANT MAKES NO OTHER WARRANTIES OR UNDERTAKINGS EXCEPT AS HEREIN SET FORTH, AND NO WARRANTY SHALL BE IMPLIED, AND TO THE EXTENT SAME MAY BE APPLICABLE TO ANY PART OF THE UNIT OR COMMON ELEMENTS, ALL IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE ARE HEREBY EXPRESSLY DISCLAIMED BY DECLARANT.

II. SPECIFIC EXCLUSIONS:

Declarant does not warrant, and shall not be liable under this warranty for any of the following:

1. All appliances or equipment.
2. Loss or damage caused by defective design or materials supplied by any Unit Owner or installed under the Unit Owner's direction.
3. Normal wear and tear and items of normal maintenance.
4. Dampness or condensation or damage or loss caused by the failure of any Unit Owner or the Unit Owner's Association to maintain adequate ventilation.
5. Loss or damage caused by negligence, improper maintenance or operation, or alteration by persons other than the Declarant, its subcontractors or agents, with respect to the systems, appliances, equipment or fixtures in the Condominium, including the Unit.
6. Accidental loss or damage caused by roof leaks, fire, explosion, smoke, or water escape; changes not foreseeable in the level of underground water table; glass breakage; windstorm; hail or lightning; falling trees; aircraft; vehicles; flood; earthquake; soil movement; insects; or any other acts of God.
7. Loss or damage caused by the failure of the Unit Owner or the Unit Owner's Association to keep and maintain the Condominium, including the Unit, in good repair and condition.
8. Stoppage in the plumbing system caused by misuse of Unit Owners, their tenants or guests.
9. Any cracks, nail pops, effects of aging, normal settlement or expansion, contraction, shrinkage of materials that may occur in walls, floors, ceiling, doors or any of the components of the Unit, provided same do not prevent the normal or intended use of all or part of the Unit.
10. Any imperfections in plaster and other wall surfaces and defects or smudges on painted surfaces.
11. ANY LIABILITY FOR INCIDENTAL OR CONSEQUENTIAL DAMAGES TO ANY PERSON, THE UNIT, OTHER COMPONENTS OR OTHER REAL OR PERSONAL PROPERTY RESULTING FROM ANY DEFECT. (SOME STATES DO NOT ALLOW EXCLUSION OF LIMITATIONS OF INCIDENTAL OR CONSEQUENTIAL DAMAGES SO THIS LIMITATION OR EXCLUSION MAY NOT APPLY TO YOU.)

III. DECLARANT'S OBLIGATIONS REGARDING UNWARRANTED ITEMS:

Declarant's sole obligation for items not warranted, including newly installed equipment and appliances, will be to deliver and assign (to the extent assignable) to the Unit Owner any manufacturers' warranties conveying any such appliances and equipment installed in the Condominium Unit which may be in effect. DECLARANT SHALL HAVE NO OBLIGATION FOR PERFORMANCE UNDER ANY MANUFACTURERS WARRANTY, IT BEING EXPRESSLY UNDERSTOOD THAT DECLARANT DISCLAIMS ANY WARRANTIES ON SAID APPLIANCES OR EQUIPMENT INCLUDING ANY IMPLIED WARRANTIES OR MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

IV. WARRANTY PROCEDURES:

The following procedures have been established to permit maximum efficiency in administering work under warranty. Each Unit Owner inspected his Unit or waived that right prior to settlement and a list of items needing correction was prepared. If any additional items arise, the procedure to be followed for correcting these items is as follows:

1. If the Unit Owner has discovered defects that are covered by this Limited Warranty Certificate, in order to obtain performance of any of the Declarant's warranty obligations, a written statement of all warranty claims should be sent to the Declarant at the address given below.
2. Upon receipt of such written statement, Declarant's representative will respond to the Unit Owner and when deemed necessary, meet with the Unit Owner, inspect the Unit, and list the warranted defects on a "Warranty Inspection Form" to be signed by both the Unit Owner and Declarant's representative. If the Declarant requires, the Unit Owner shall be present at the Unit throughout the inspection and throughout the performance of any corrective work as the same are scheduled by Declarant.
3. In case there is a failure to agree between Declarant and the Unit Owner concerning the items to be noted on the Warranty Inspection Form, Declarant will, within five (5) days after the date of inspection, submit the disagreement to the Project Architect for decision; such decision shall be final and binding on Declarant and the Unit owner. The Project Architect will render his decision on the items in dispute based on the plans and specifications for the Unit, the Limited Warranty Certificate, the Public Offering Statement, the Declaration and By-Laws for the Condominium and the Purchase Agreement. The charge by the Project Architect for this service will be paid one-half (1/2) by Declarant and one-half (1/2) by the Unit Owner upon the rendering of the decision.
4. The signature of Declarant's representative on the Warranty Inspection Form constitutes agreement by the Declarant to complete in a workmanlike manner all items noted on such form. Work shall start promptly and be carried on expeditiously by Declarant. Unit Owner agrees to grant reasonable access to the Unit for the purpose of such work during normal working hours and as required by the work schedule of Declarant's contractor. If Unit Owner fails to grant such access, Declarant will so notify Unit Owner in writing. If Unit Owner still fails to grant access five (5) days after receipt of such notice, then Unit Owner waives any rights to the completion of work noted on the Warranty Inspection Form.
5. Upon completion of all work noted on the Warranty Inspection Form, Declarant will so notify the Unit Owner in writing and the Unit Owner shall acknowledge such completion by signing the second part of the form. In the event the Unit Owner and Declarant fail to agree on the satisfactory completion of the work referred to above, Declarant, within five (5) days after notifying the Unit Owner, will submit the disagreement to the Project Architect and the provisions established in paragraph 3, above, for disagreement concerning the items to be noted on the Warranty Inspection Form will govern.

V. INTERPRETATION:

THIS LIMITED CONDOMINIUM WARRANTY APPLIES TO THE UNIT OWNER
NAMED HEREIN AND IS NOT ASSIGNABLE. THIS WARRANTY SHALL BE
CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE COMMONWEALTH OF
VIRGINIA, and shall not be in derogation of any warranty afforded
to Purchaser pursuant to Section 55-79.79(b) of the Virginia
Condominium Act. This Limited Warranty Certificate gives you
specific legal rights; you may also have other legal rights.

MADISON MANOR, INC.
a Virginia Corporation

Date _____ By : _____

Date _____ By : _____ Unit Owner

Date _____ By : _____ Unit Owner

Date _____ By : _____ Unit Owner

ADDENDUM TO
LIMITED WARRANTY CERTIFICATE
MADISON MANOR CONDOMINIUM, INC.

ADDENDUM TO
LIMITED WARRANTY CERTIFICATE
MADISON MANOR CONDOMINIUM, INC.

THIS ADDENDUM is made this _____ day of _____, 198_____, to the Limited Warranty Certificate for Condominium Unit No. _____, dated _____, 198_____, by and between MADISON MANOR, INC., a Virginia Corporation ("Declarant"):

** W I T N E S S E T H **

WHEREAS, Declarant wishes to establish a period of limitation within which an action for breach of warranty may be brought by the Unit Owner;

WHEREAS, Unit Owner wishes to allow Declarant to establish such a period of limitation as hereinafter set forth.

NOW, THEREFORE, in consideration of the payment of One Dollar (\$1.00) by Declarant to Unit Owner, receipt of which is hereby acknowledged, it is mutually agreed as follows:

1. A judicial proceeding for breach of the Condominium Warranty prescribed by Section 55-79.79 of The Condominium Act must be commenced within two (2) years after the cause of action accrues.

2. A cause of action for breach of said warranty, regardless of the Unit Owner's lack of knowledge of the breach, accrues as to the Unit at the time the Unit is first conveyed by the Declarant.

3. A cause of action for breach of said warranty, regardless of the Unit Owner's lack of knowledge of the breach, accrues (i) as to any Common Element within an Additional Land or portion thereof, at the time the first Unit therein is conveyed, or when the Common Element is completed, whichever is later, (ii) as to any Common Element within any Convertible Land or portion thereof, at the time the first Unit therein is conveyed, or when the Common Element is completed, whichever is later, and (iii) as to any Common Element within any other portion of the Condominium, at the time the first Unit therein is conveyed, or when the Common Element is completed, whichever is later.

IN WITNESS WHEREOF, the parties have executed this Addendum as of the date first written above.

MADISON MANOR, INC.
a Virginia Corporation

Date

By: _____

Date

By: _____
Unit Owner

Date

By: _____
Unit Owner

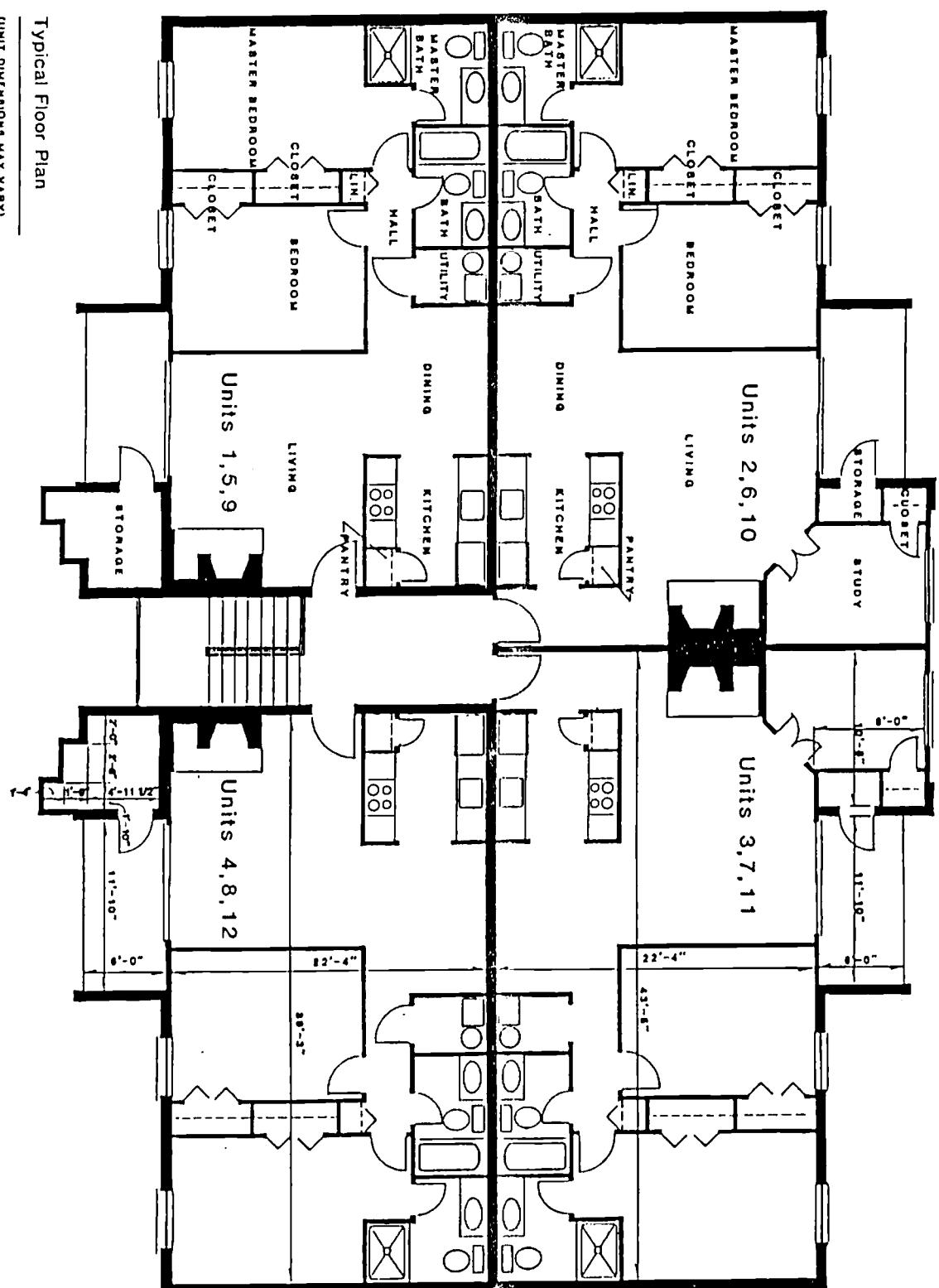
Date

By: _____
Unit Owner

APPENDIX VI

TYPICAL FLOOR PLANS

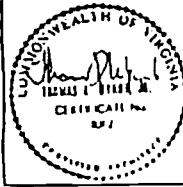
Typical Floor Plan
(UNIT DIMENSIONS MAY VARY)

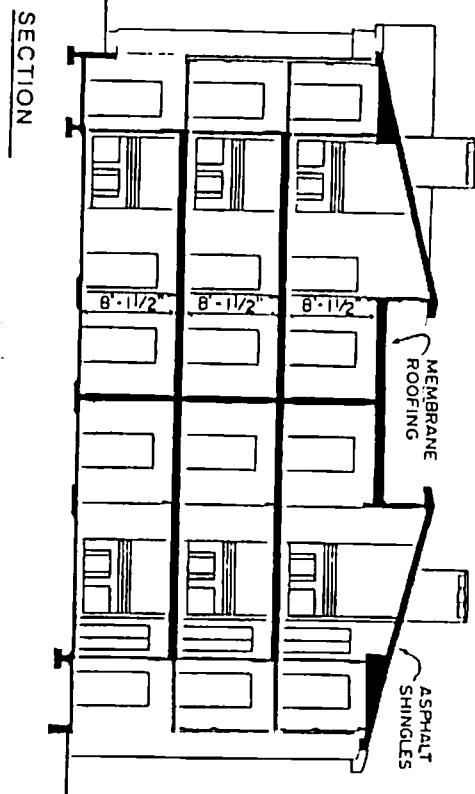


I, THOMAS R. WYANT, JR., A REGISTERED ARCHITECT FOR THE STATE OF VIRGINIA, DO HEREBY CERTIFY THAT TO THE BEST OF MY KNOWLEDGE AND BELIEF THESE DRAWINGS ARE ACCURATE AND THAT THEY COMPLY WITH THE REQUIREMENTS OF VIRGINIA CODE ANNOTATED SUB-SECTION 55-79.58 (B). *Thom R. Wyant Jr.*

NOTE:

1. MEASURE VERTICALLY FROM TOP OF SUBFLOOR TO BOTTOM OF FLOOR JOIST OR RAFTER ABOVE.
2. MEASURE HORIZONTALLY FROM BACK OF GYPSUM WALL BOARD OR FROM FACE OF INTERIOR FINISH MASONRY.





I, THOMAS R. WYANT, JR., A REGISTERED ARCHITECT FOR THE STATE OF VIRGINIA, DO HEREBY CERTIFY THAT TO THE BEST OF MY KNOWLEDGE AND BELIEF THESE DRAWINGS ARE ACCURATE, AND THAT THEY COMPLY WITH THE PROVISIONS OF VIRGINIA CODE ANNOTATED SUB-SECTION 55-79.58 (D) *Thomas R. Wyant Jr.*

NOTE:

1. MEASURE VERTICALLY FROM TOP OF SUBFLOOR TO BOTTOM OF FLOOR JOIST OR RAFTER ABOVE.
2. MEASURE HORIZONTALLY FROM BACK OF GYPSUM WALL BOARD OR FROM FACE OF INTERIOR FINISH MASONRY.



MADISON MANOR
Harrisonburg, Virginia
Madison Manor, Inc.

DRAWING
2

APPENDIX VII
RULES AND REGULATIONS

RULES AND REGULATIONS
OF
MADISON MANOR CONDOMINIUM, INC.

GENERAL:

1. MADISON MANOR CONDOMINIUM, INC., Unit Owners Association ("Association"), acting through its Board of Directors, has adopted the following Rules and Regulations ("Regulations"). These Regulations may be amended, from time to time, by resolution of the Board of Directors.

2. Wherever in these Regulations reference is made to "Unit Owners", such term shall apply to the Owner of any Unit, to such Owner's family, tenants whether or not in residence, servants, employees, agents, visitors and to any guests, invitees or licensees of such Unit Owner, his family or tenant of such Unit Owner. Wherever in these Regulations reference is made to the Association, such reference shall include the Association and the Managing Agent when the Managing Agent is acting on behalf of the Association.

3. The Unit Owners shall comply with all the Regulations hereinafter set forth governing the building, stairwells, building entrances, patios, balconies, drives, recreational areas, grounds, parking areas and any other appurtenances.

4. The Association reserves the right to alter, amend, modify, repeal or revoke these Regulations and any consent or approval given hereunder at any time by resolution of the Association of the Board of Directors.

RESTRICTIONS ON USE:

5. No part of the Condominium shall be used for any purpose except housing and the common purposes for which the Condominium were designed. Other than any Unit designated by the Board of Directors for non-residential use, each Unit shall be used as a private residence.

6. There shall be no obstruction of the Common Elements. Nothing shall be stored on the Common Elements without the prior consent of the Board of Directors except as herein or in the By-Laws expressly provided. No portion of the Common Elements shall be decorated or furnished by any Unit Owner in any manner. 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. The sidewalks, building entrances, and stairwells shall be used for no purpose other than for normal transit.

7. Nothing shall be done or kept in any of the Common Elements which will increase the rate of insurance for building or contents thereof applicable for residential use without the prior written consent of the Board of Directors. No Unit Owner shall permit anything to be done or kept in the Unit or on the Common Elements which will result in the cancellation of insurance on the building or contents thereof or which would be in violation of any public law, ordinance or regulations. No gasoline or other explosive or inflammable material may be kept in any Unit or storage area. No waste shall be committed on the Common Elements.

8. All garbage and trash must be placed in the proper receptacles designated for refuse collection and no garbage or trash shall be placed elsewhere on any Common Element.

9. Except in the recreational areas designated as such by the Board of Directors, no playing or lounging shall be permitted, nor shall baby carriages, velocipedes, bicycles, playpens, wagons, toys, benches, chairs or other articles of personal property be left unattended in common areas of the building, stairwells, building entrances, parking areas, sidewalks or lawns or elsewhere on the Common Elements.

10. The toilets and other water and sewer apparatus shall be used only for the purposes for which designed, and no sweeping, matches, rags, ashes or other improper articles shall be thrown therein. The cost of repairing any damage resulting from misuse of any of such apparatus shall be borne by the Unit Owner causing such damage.

11. Each Unit Owner shall keep the Unit in a good state of preservation, repair and cleanliness and shall not sweep or throw or permit to be swept or thrown therefrom or from the doors, windows, patios or balconies thereof, any dirt or other substance.

12. Nothing shall be done in any Unit or on the Common Elements which may impair the structural integrity of the building or which may structurally change the building nor shall anything be altered or constructed on or removed from the Common Elements, except upon the prior written consent of the Board of Directors.

13. No improper, unlawful, noxious or offensive activity shall be carried on in any Unit or on the Common Elements, nor shall anything be done therein which may be or become an annoyance or nuisance to the other Unit Owners or occupants. No Unit Owner shall make or permit any disturbing noises in any building or do or permit anything which will interfere with the rights, comforts or convenience of other Unit Owners. All Unit Owners shall keep the volume of any radio, television musical instrument or other sound producing device in their Units sufficiently reduced at all times so as not to disturb other Unit Owners. Despite such reduced volume, no Unit Owner shall operate or permit to be operated any such sound producing devices in a Unit between the hours of eleven o'clock p.m., and the following eight o'clock a.m., if such operation shall disturb or annoy other occupants.

14. No industry, business, trade, occupation or profession of any kind, commercial, religious, educational or otherwise, designed for profit, altruism, exploitation or otherwise, shall be conducted, maintained or permitted on any part of the Condominium nor shall any "For Sale", "For Rent" or "For Lease" signs or other window displays or advertising be maintained or permitted on any part of the Condominium or in any Unit, nor shall any Unit be used or rented for transient, hotel or motel purposes. The right is reserved by the Declarant and the Board of Directors or the Managing Agent, to place "For Sale", "For Rent" or "For Lease" signs on any unsold or unoccupied Units, and the right is hereby given to any Mortgagee who may become the Owner of any Unit to place such signs on any Unit owned by such Mortgagee, but in no event will any sign be larger than one (1) foot by two (2) feet.

15. Draperies, curtains or venetian blinds must be installed or maintained by each Unit Owner on all windows of the Unit and must be so maintained thereon at all times so that the exterior color will appear beige or off-white.

16. No Unit Owner shall cause or permit anything to be hung, displaced or exposed on the exterior of a Unit or Common Elements appurtenant thereto, whether through or upon the windows, doors, masonry, patio or balcony of such Unit. The prohibition herein includes without limitation laundry, clothing, rugs, signs, awnings, canopies, shutters, radio or television antennas or any other items. Under no circumstances shall any exhaust fan, air conditioning apparatus, television or radio antennas or other items be installed by the Unit Owner beyond the boundaries of the Unit. A Unit Owner may, however, use a central television antenna provided as a part of the Unit. No clothesline, clothes rack or any other device may be used to hang any items on any window, patio or balcony, nor may such devices be used anywhere on the Common Elements except in such areas as may be specifically designated for such use by the Board of Directors.

17. No Unit shall be used for any unlawful purpose and no Unit Owner shall do or permit any unlawful act in or upon a Unit.

PET RULES:

18. No animals or reptiles of any kind shall be raised, bred or kept in any Unit or on the Common Elements, except that small, orderly dogs, cats or other household pets, not to exceed one (1) per Unit without the prior approval of the Board of Directors, may be kept in a Unit, subject to compliance with the By-Laws and the Regulations.

19. A pet may be maintained in a Unit so long as it is not a nuisance. Actions which will constitute a nuisance include but are not limited to abnormal or unreasonable crying, barking, scratching or unhygienic offensiveness.

20. All pets must be registered and inoculated as required by law and registered with the Association office.

21. Pet owners are fully responsible for personal injuries and/or property damage caused by their pets.

22. Except in designated pet exercise areas, pets must be leashed or carried; leashes may not exceed six (6) feet in length.

23. Owners of pets walked upon the Common Elements must promptly clean up their pet's droppings in all areas outside the authorized pet exercise areas.

PARKING AND STORAGE:

24. No personal property may be stored on the Common Elements except in storage areas designated as such by the Common Element Instruments or by the Board of Directors. All personal property placed in any portion of the building or any place appurtenant thereto, including without limitation, the storage areas, shall be at the sole risk of the Unit Owner and the Association shall in no event be liable for the loss, destruction, theft or damage to such property.

25. Should an employee of the Association at the request of a Unit Owner move, handle or store any articles or handle, move, park or drive any automobile placed in the parking areas, then, and in every such case, such employee shall be deemed the agent of the Unit Owner. The Association shall not be liable for any loss, damage or expense that may be suffered or sustained in connection therewith.

26. Unless otherwise authorized by the Association, the parking areas may not be used for any purpose other than parking automobiles or motorcycles. No buses, trucks, trailers, boats, recreational or commercial vehicles shall be parked in the parking areas or in driveways except in such areas, if any, specifically designated for such parking by the Board of Directors. All vehicles must have current license plates and be in operating condition. No vehicles shall be parked on the Condominium with conspicuous "For Sale" signs attached. Vehicle repairs, other than ordinary light maintenance, shall not be permitted on the Condominium.

27. All Unit Owners shall observe and abide by all parking and traffic regulations posted by the Association or by municipal authorities. Vehicles parked in violation of any such regulations may be towed away at the Unit Owner's sole risk and expense.

28. Parking so as to block sidewalks or driveways shall not be permitted. If any vehicle owned or operated by a Unit Owner, any member of such Unit Owner's family, tenants, guests, invitees or licensees shall be illegally parked or abandoned on the Condominium, the Association shall be held harmless by such Unit Owner for any and all damages or losses that may ensue, and any and all rights in connection therewith that the Owner or driver may have under the provisions of state or local laws and ordinances are hereby expressly waived. The Unit Owner shall indemnify the Association against any liability which may be imposed on the Association as a result of such illegal parking or abandonment and any consequences thereof.

ENTRY INTO UNITS:

29. The agents of the Board of Directors or the Managing Agent, and any contractor or workman authorized by the Board of Directors or the Managing Agent, may enter any room or Unit in the building with the written permission of the Unit Owner at any reasonable hour of the day (except in case of emergency in which case entry may be immediate and without such permission) for the purpose of exercising and discharging their respective powers and responsibilities, including without limitation, inspecting such Unit for the presence of any vermin, insects or other pests and for the purpose of taking such measures as may be necessary to control or exterminate any such vermin, insects or other pests.

30. Employees and agents of the Association are not authorized to accept packages, keys, money or articles of any description from or for the benefit of a Unit Owner. If packages, keys (whether for a Unit or an automobile), money or articles of any description are left with the employees or agents of the Association, the Unit Owner assumes the sole risk therefor and the Unit Owner, not the Association, shall be liable for injury, loss or damage of any nature whatsoever directly or indirectly resulting therefrom or connected therewith. The Association does not assume any responsibility for loss or damage in such cases. Deliveries requiring entrance to a Unit Owner's Unit will not be accepted.

RECREATIONAL AND COMMON FACILITIES:

31. All persons using any of the recreational or common facilities do so at their own risk and sole responsibility. The Association does not assume responsibility for any occurrence, accident or injury in connection with such use. No Unit Owner shall make any claim against the Association, its servants, agents, or employees, for or on account of any loss or damage to life, limb or property sustained as a result of or in connection with any such use of any of the recreational or common

facilities. Each Unit Owner shall hold the Association harmless from any and all liabilities and any action of whatsoever nature by any tenants, guests, invitees or licensees of such Unit Owner growing out of the use of the recreational or common facilities, except where such loss, injury or damage can be clearly proved to have resulted from and been proximately caused by the direct negligence of the Association or its agents, servants or employees in the operation, care or maintenance or such facilities.

32. Any damage to the building, recreational facilities, or other Common Elements or equipment caused by a Unit Owner or such Unit Owner's pets shall be repaired at the expense of the Unit Owner.

SUSPENSION OF RIGHT TO USE RECREATIONAL FACILITIES:

33. In addition to all other rights which the Board of Directors has for nonpayment of assessments, the Board of Directors of the Association shall have the right to bar the use by a Unit Owner of any of the recreational facilities for failure to make payment of any assessments or fees due as provided for in the By-Laws of the Condominium.

ASSOCIATION:

34. All charges and assessments imposed by the Association are due and payable on the first day of each month, unless otherwise specified. Payment shall be made at the Managing Agent's office by check or money order, payable to the Condominium. Cash will not be accepted.

35. Complaints regarding the management of the Condominium or regarding actions of other Unit Owners shall be made in writing to the Managing Agent or the Board of Directors. No Unit Owner shall direct, supervise or in any manner attempt to assert control over or request favors of any employee of the Managing Agent or the Unit Owners Association.

CONSIDERATION IN USE OF UNITS:

36. All persons shall be properly attired when appearing in any common area of the property including stairwells, community buildings and any other public spaces of the Condominium.

37. All radio, television or other electrical equipment of any kind or nature installed or used in each Unit shall fully comply with all rules, regulations, requirements or recommendations of the Board of Fire Underwriters and the public authorities having jurisdiction, and the Unit Owner alone shall be liable for any damage or injury caused by any radio, television or other electrical equipment in such Unit.

38. Unit Owners are cautioned against excessive use of soaps and other detergents in their appliances or plumbing apparatus which may cause overflow of suds in any Unit or in any central waste disposal system. Detergents and soaps shall be used only pursuant to manufacturer's directions.

GENERAL:

39. The planting of plants, flowers, trees, shrubbery and crops of any type is prohibited anywhere on the Common Elements without the prior written consent of the Board of Directors. No fences may be erected around or on the Common Elements.

40. Solicitors are not permitted. If any Unit Owner is contracted by a solicitor on the property, the Managing Agent must be notified immediately.

41. Wall-to-wall carpeting and padding shall be maintained on all floor surfaces (excluding kitchens, mechanical rooms and bathrooms) in Units located over other Units to adequately reduce transmission of sound between Units.

APPENDIX VIII

APPENDIX VII

MANAGEMENT AGREEMENT

This AGREEMENT, made in The Commonwealth of Virginia, this
----- by and between MRM REALTY, INC.,
a corporation of the State of Virginia, and the Council of Unit
Owners of MADISON MANOR, INC., an association of the State
of Virginia.

Whereas the Council of Unit Owners of MADISON MANOR, INC.,
hereinafter referred to as the "Council", exists principally for the
purpose of the performance of various functions pertaining to the
maintenance and administration of certain real property and improvements
thereto described in a certain Declaration, executed by MADISON MANOR, INC
and recorded together with By-Laws among the Land Records of
Harrisonburg, VA; and

Whereas among these functions is financial management and physical
management of the general common elements of the real property and
improvements described in said Declaration, hereinafter collectively
referred to as the "Property", and

Whereas the Council is desirous of employing MRM REALTY, INC.,
as Agent for said purpose and

Whereas MRM REALTY, INC., hereinafter referred to as "MRM",
is desirous of accepting such employment under the terms and
conditions hereinafter set forth,

Now, therefore, in consideration of the foregoing and other terms and
conditions hereinafter set forth, the parties hereto hereby mutually

agree as follows:

- I. The Council hereby employs MRM and hereby accepts employment as exclusive management agent under the terms and conditions set forth herein.
- II. MRM shall render services and perform duties as follows:
 - (a) Ascertain the general condition of such of the common elements of the Property as have been conveyed to or are otherwise available for the use by the Council (including any community facilities) and establish liaison with the Declarant or any successor thereto and such other parties as may be necessary in order to facilitate completion of any necessary corrective work upon said areas.
 - (b) Cause the common elements and community facilities of the Property which have been conveyed to the Council, and any other property or improvements pertaining to the Property otherwise required to be maintained or available for use by the Council, to be maintained according to and on the basis of such annual operating budgets, job standards, and plan and schedule of operation as previously approved by the Board of Directors of the Council, including but not limited to exterior cleaning, painting and decorating, plumbing, steamfitting, carpentry and repair work and such other normal maintenance and repair work as may be necessary, subject to any limitations imposed by the Board of Directors of the Council. Except as may be expressly provided herein or specifically authorized in any operating budget or plan of operation of the Council, the expenses incurred for any one item of repair or replacement shall not exceed the sum of \$500.00 unless specifically authorized by the Board of Directors of the Council; provided, further, that pursuant to this authority MRM in any event

shall not incur liabilities (direct or contingent) which will at any time exceed the aggregate of \$1500, or any contractual liability maturing more than one year from the creation thereof, without first obtaining the approval of said Board of Directors. The foregoing cost limitations shall not apply in the case of emergency repairs necessary, in the judgement of MRM, to preserve the property of the Council and the safety of the Members of the Council, or which involve manifest danger to life and property or which are required to avoid the suspension of any necessary services. It is understood and agreed that MRM will, to the extent practicable, confer immediately with the Board of Directors of the Council regarding any expenditure made pursuant to this emergency repair authority and it is further agreed that, notwithstanding anything otherwise stated above, expenditures for any one item of repair or replacement made pursuant to this emergency repair authority shall not exceed the sum of \$3000 unless specifically authorized by the Board of Directors. It is further understood and agreed that, pursuant to the general maintenance and repair authority conferred by the Paragraph, MRM will undertake regular weekly inspections of said common elements and community facilities and shall include the results of said inspections, with accompanying recommendations and action taken, if any, in the monthly management report furnished the Board in accordance with Paragraph (j) below. Upon request from the Board of Directors of the Council, MRM will inform the Members of the Council of rules, regulations and notices arising from the exercise of the authority conferred by this Paragraph and affecting said common elements and community facilities.

(c) Take such action as may be necessary to comply promptly with any and all orders or requirements, of which proper notice is given,

which affect the common elements or community facilities and are placed thereon by any federal, state, county or municipal authority having jurisdiction thereover; subject to the limitations set forth in Paragraph (b) above concerning the making of repairs; provided, however, that in the event the Council is contesting or has affirmed an intention to contest (and afforded proper notice thereof) any said order or requirement, no such action will be taken under this Paragraph except as may be expressly authorized by the Board of Directors of the Council of any said order or requirements and any actions taken pursuant to this paragraph.

(d) Make contracts with respect to the common elements and community facilities for necessary utility services (e. g. water, sewer, natural gas, and electricity), cleaning, vermin extermination, trash and snow removal, landscaping and lawn maintenance, and for all other such services relating to the functions to be performed by MRM under this Agreement as may be deemed advisable by MRM; provided, however, that all such contracts shall be made in the name of the Council and be subject to approval by the Board of Directors of the Council. It is understood and agreed that MRM, to the best of its ability and in accordance with sound contracting practices, shall endeavor to provide the Board with a minimum of three (3) bids on all said contracts with the exception of those made for necessary utility services, provided that in all other respects the provisions of this Paragraph shall apply to such contracts. This authority shall include the placing of orders for such materials and supplies as are necessary to properly maintain the common elements or as may be otherwise necessary in connection with the services to be provided by MRM under this Agreement (excluding MRM

overhead), and shall include responsibility to monitor contractor performance. All such contracts and orders shall be subject to the limitations set forth in Paragraph (b) above. In negotiating contract or issuing purchase orders pursuant to this Paragraph, MRM will at all times act in a manner consistent with its duty as Agent for the Council and will credit to the Council any discounts, credits, commissions or rebates reasonably obtainable as a result of such purchases.

- (e) Cause to be placed and kept in force, as authorized by the Board of Directors of the Council, and, to the extent available, in accordance with the By-Laws thereof, all forms of insurance adequate to protect the Council and its Members, including, but not limited to, public liability insurance, and fire and extended coverage insurance; provided, however, that under no circumstance shall MRM have any responsibility for the placement or purchase of any individual unit owner's condominium "Tenant's Homeowners Policy" or other individual unit owner's insurance. The particular companies, particular amounts and particular beneficial interests of any insurance coverage placed pursuant to this Paragraph shall be subject to approval of the Board of Directors of the Council. MRM shall promptly investigate and make full written reports to the Board of Directors of the Council as to all accidents or claims for damage relating to the Property (except for those relating solely to individual units), including the estimated costs of repair or replacement, and shall cooperate and make any and all report required by any insurance company in connection therewith.
- (f) Provide for periodic exterior maintenance upon the units included in the Property as may be required by the provisions of the above Declaration and By-Laws or as may be otherwise agreed among the

Members of the Council and/or formally adopted as a common expense of the Council (e.g. periodic cleaning of exterior window surfaces), on the basis of annual operating budgets, job standards and plan and schedule of operation previously approved by the Board of Directors of the Council, and in accordance with the authority and subject to the limitations set forth in Paragraph (b) and (d) above.

(g) Collect all assessments due from Members of the Council. This authority shall include authority to initiate legal action in the name of the Council to collect delinquent assessments due the Council as set forth in the By-Laws thereof, including preparation and filing of Statements of Condominium Lien; provided, however, that such legal action or lien statements shall not be initiated without the express authorization of the Board of Directors of the Council. MRM is hereby authorized to provide notification to and demand payment of members from whom delinquent assessments are due in accordance with such delinquency procedures as may be approved by the Board of Directors of the Council; provided, further, that the Board shall have the right to approve on a collective basis the form and manner of such notification and demand. MRM shall furnish the Board of Directors of the Council with an itemized list of delinquent accounts on a monthly basis in accordance with the provisions of Paragraph (j) below. Nothing contained herein shall be construed to obligate MRM to pay any delinquent assessments which may, from time to time, be due. For purposes of this Paragraph, "Assessments" refers to monthly or other sums established by the Board of Directors of the Council which the Members are bound to pay as their share of the common expenses of the Council pursuant to the above By-Laws, or as otherwise agreed by the Members, or such special or emergency assessments as may, from time to time, be declared by the

Board of Directors of the Council, and may include such interest thereon or costs of collection thereof as may be provided for by said By-Laws or otherwise established by the Board of Directors of the Council.

(h) Deposit in a bank whose deposits are insured by the Federal Deposit Insurance Corporation or other entity acceptable to the Board of Directors of Council, the funds collected pursuant to Paragraph (g) above; plus any miscellaneous income of the Council accruing to MRM under any provision of this Agreement, including interest income pursuant to Paragraph (i); provided that no such funds will be commingled with funds accruing to MRM from any other source, including other clients. Notwithstanding the above, it is understood and agreed by the parties hereto that in the event MRM should wish to establish a special account for the commingled deposit of funds of its clients, the Board of Directors of the Council may authorize MRM to deposit funds collected pursuant to this Agreement in a sub-account of said special account subject to all other terms and conditions set forth herein; provided, however, that nothing contained herein shall be construed to obligate MRM or the Board of Directors of the Council to any such action. MRM shall have the authority to draw upon said special account or sub-account for payments to be made by MRM to discharge liabilities or obligations incurred pursuant to this Agreement; provided, however, that such payments shall be disbursed only as otherwise provided herein.

(i) Disburse on a regular basis from funds deposited pursuant to Paragraph (h) above all compensation due and payable to independent contractors hired pursuant to the authority contained herein and all premiums for the payment of insurance placed pursuant to the authority contained herein, and any other sums otherwise due and payable by the

Council as operating expenses authorized to be incurred under the terms of this Agreement or otherwise, including compensation to MRM as hereinafter provided. Any remaining balance of said funds not otherwise disbursed pursuant to this Paragraph may be disbursed from time to time or transferred only as specifically authorized by the Board of Directors of the Council in writing. It is understood and agreed by the parties hereto that MRM in the course of prudent management of funds accruing pursuant to this Agreement may, from time to time, recommend to the Board particular dispositions of said excess balances, such as temporary deposit in special interest-bearing accounts, or other short-term investments; such disposition, however, to occur only upon the express authorization of the Board.

- (j) Render regular reports to the Council as set forth below:
- Monthly-(to be rendered no later than the fifteenth (15th) of each succeeding month).
- (1) Income/Expense Statement (showing all income and itemized expenses, including comparison with annual operating budget);
 - (2) Disbursement Listing (including payee, invoice number, invoice date, date paid, number and amount of corresponding payment check and account charged; copy of each invoice to be furnished to the Treasurer of the Council);
 - (3) Delinquency Report (including months delinquent, amount due, and action taken, if any);
 - (4) Prepay Report (including months prepaid and amount by homeowner); and
 - (5) Management Report (including currently pending management actions, correspondence, and results of inspections undertaken pursuant to Paragraph (b) above).

-Quarterly-(to be rendered no later than the twentieth (20th) of the month following the close of each calendar quarter).

- (1) Balance Sheet (listing of Council assets, liabilities and equities);
- (2) Cash Flow Forecast (itemizing projected income and expenses through end of calendar year except for the quarter ending December 31st when no report is prepared).

It is understood by the parties that the format of particular reports may evolve over time, however, the above information as a minimum will be provided in each case. In addition, MRM shall render to the Council such special financial reports as may, from time to time, be requested by the Board of Directors and which are reasonable under the circumstances, and such other reports as may be otherwise provided for herein.

- (k) Maintain a comprehensive system of office records, books and accounts in a manner sufficient to adequately protect the interests of the Council. The records and books of account of the Council shall be maintained on an accrual accounting basis, and shall be kept separate from any other records or books maintained by MRM for the account of other clients of MRM. The records and books of account of the Council shall be made available for inspection and audit by the Board of Directors of the Council or their duly authorized representatives, at all reasonable hours, and to any member of the Council or institutional holder of any first mortgage on any unit by appointment. MRM shall cooperate to the extent required by the Board of Directors in the preparation, by a Certified Public Accountant designated by the Board, of a complete annual financial report based upon examination of the Council's books and records, including those maintained by MRM pursuant

to this Agreement, provided that the Council shall bear the fees and expenses of the Certified Public Accountant. Upon request of the Board, MRM will undertake distribution of an annual financial statement in accordance with the By-Laws of the Council, provided that the expenses of said distribution shall be paid by the Council pursuant to the provisions of Article III below.

- (l) Prepare, after consultation with the Board of Directors of the Council or appropriate officer or committee thereof, an annual operating budget for each annual assessment period taking into account the general condition of the Property, historical costs, existing contracts or contractors and current inflationary trends and qualitative budget assumptions based upon the existing level of services and including reasonable reserves for repair and replacement. The budget is to be prepared in a format consistent with the classification of the accounts of the Council and furnished together with a suggested plan of operation outlining the major points in the budget and justifying particular estimates in all important respects, said budget and operating plan to be furnished with Board of Directors of the Council at least forty-five (45) days prior to the commencement of the annual period for which prepared. The budget shall provide for sufficient estimates, on a consistent periodic basis, to permit comparison to and analysis of deviations from the reports furnished the Council, pursuant to Paragraph (j) above, of the actual results of operations and actual financial condition of the Council, in accordance with generally accepted accounting practices consistently applied.
- (m) Receive, investigate and dispose of service requests and related complaints of the members of council, and record said

requests or complaints along with an indication of the action taken, if any; provided, however, that said requests or complaints, if considered by MRM to be of sufficient magnitude or in the event they are incapable of resolution by MRM shall, after thorough investigation, be reported to the Board of Directors of the Council, together with recommendation if appropriate. Nothing contained herein shall be construed to obligate MRM in connection with service requests or complaints pertaining to individual units except as may relate to exterior maintenance undertaken pursuant to the provisions of Paragraph (f) above or repairs to the common elements or otherwise relating to MRM's foregoing responsibilities under this Agreement or as specifically provided herein.

(n) Provide to any member of the Council, upon request and payment of fee as set forth below, a "Resale Disclosure Certificate" or such other certificate as may be necessary to enable said member to comply with any requirement of law pertaining to information to be furnished a purchaser upon resale of any unit included in the Property, provided that the fee for each such certificate payable to MRM shall be Thirty dollars (\$30.00), said fee to be due and payable to MRM separate and apart from any compensation otherwise provided MRM pursuant to this Agreement; provided further, however, that MRM shall include with such certificate at no additional charge such related material as may be required by law. The same fee shall be charged by MRM for any "Assessment Certificate" or other such certificate prepared and furnished any member of the Council pursuant to the By-Laws thereof.

(o) Operate and maintain the Property at all times in accordance with the highest standard achievable consistent with the terms of this

Agreement and the overall plan of operation of the Council, and perform all other acts and duties as are reasonably necessary and proper to the discharge by MRM of the duties under this Agreement. MRM hereby agrees, notwithstanding any authority as may be otherwise conferred herein, to confer freely and fully with the Board of Directors of the Council in the performance of its duties as set forth herein and to make every effort to attend meetings of said Directors as reasonably requested, provided, however, that MRM shall attend a maximum of fourteen (14) such meetings per year of the Board or committees thereof. For attendance at additional meetings beyond said maximum, MRM may charge a fee to be separate from and in addition to the compensation otherwise provided MRM by the Council pursuant to Article VII hereof. Notwithstanding the foregoing, MRM shall meet and confer with the Board on matters of an emergency nature at any reasonable time for no such additional fee.

III. Everything done by MRM pursuant to the provisions of this Agreement shall be done as Agent of the Council and, except as otherwise specifically provided herein, all obligations or expenses of MRM incurred or paid pursuant to this Agreement shall be obligations and expenses of the Council, including miscellaneous costs specifically incurred by MRM for the Council such as postage for general mailing of notices, budgets, etc. to members of the Council, or duplicating costs for the same but excluding overhead expenses of MRM. For purposes of this Agreement, overhead expenses of MRM include salaries of employees, office expenses, accounting costs incurred in furtherance of the provisions of paragraph (k) of Article II hereof, miscellaneous correspondence costs, including correspondence pertaining to specific delinquencies (but excluding postage costs of registered mail pertaining

to the same which shall be of the officers and employees of MRM. Legal fees and expenses incurred for the direct benefit of the Council, including those specifically incurred pursuant to Paragraph (g) of Article II above, shall be paid by the Council.

IV. It is understood and agreed by the parties hereto that, except as otherwise specifically provided herein, the authorities and duties conferred upon MRM under this Agreement are confined to the general common elements and community facilities of the Property, and do not and shall not include physical management and supervision of units except specifically provided herein or as requested by the Board of Directors of the Council and agreed to in writing by MRM.

V. It shall be the duty of the Board of Directors of the Council to appoint one member of said Board as Liaison with MRM in its capacity as Agent under this Agreement. MRM shall be advised in writing of the identity of said liaison officer and all communications with MRM relating to this Agreement shall, to the extent practicable, be made by or delivered to said liaison officer.

VI. Those employees of MRM who handle or are responsible for the handling of funds of the Council shall, at the expense of RMSI, be bonded by an Employee Dishonesty Bond in the amount of \$300,000. In addition, notwithstanding any other provision of this Agreement, MRM hereby agrees to cause to be placed and kept in force \$1,000,000 of general liability insurance for damage to property and bodily injury.

VII. As compensation for the services performed under this Agreement, the Council will pay MRM the sum of seven dollars and fifty cents (\$7.50) per unit per month; provided that the compensation paid MRM

pursuant to this Article VII shall be computed on the basis of the total number of units within the Property as of the fifteenth of each month which title to the unit has been conveyed by the Declarant or any successor thereto, to any other party or parties, whether or not such party or parties have actually taken possession of such unit; and provided further that notwithstanding the foregoing, in no event shall the minimum monthly compensation paid MRM pursuant to this Article VII be less than three hundred fifty dollars (\$350.00). Said compensation shall be due and payable to MRM as of the first (1st) of each month, to commence from and after the effective date of this Agreement.

VIII. Unless terminated as otherwise provided herein, this Agreement shall be in effect from _____ - to and including _____. Notwithstanding the above, this Agreement may be terminated by either party at its option upon thirty (30) days written notice to the other, said notice to be served by certified mail with return receipt requested. In the event a Petition in Bankruptcy is filed by or against either party, or in the event that either party shall make an assignment for the benefit of creditors or take advantage of any insolvency act, the other party hereto may terminate this Agreement upon notice to the insolvent party. Upon any termination pursuant to this Article, the parties shall account to each other with respect to all matters outstanding as of the date of termination, and the Council shall furnish MRM reasonable satisfactory security against any outstanding obligations or liabilities which MRM may have incurred pursuant to the provisions of the Agreement. Unless terminated pursuant to this Article, the parties may renew this Agreement at the end of the original term for successive one year terms, under such terms and conditions as

may hereafter be agreed, provided in the event either party shall intend not to so renew the Agreement at the end of any term, said party shall give notice of said intention to the other in writing at least thirty-two (32) days prior to the end of said term.

IX. The Council agrees to save and hold MRM, its representatives, agents and employees, harmless from damages or injuries to persons or property resulting from any cause whatsoever in, on or about the common elements or community facilities or elsewhere when MRM is carrying out the provisions of this Agreement or acting under the express or implied direction of the Board of Directors of the Council and, subject to any limitations otherwise stated herein, the Council agrees to reimburse MRM upon demand for any monies which MRM is required to pay out in connection with, or as an expenses in defense of, any claim, civil or criminal action, proceeding, charge or prosecution made, instituted or maintained against MRM, or MRM and the Council jointly, affecting or due to the condition or use of the Property, or relating to acts or omissions of employees of the Council or of MRM, or arising out of or based upon any law, regulation, requirement, contract or award relating to the hiring of employees, the hours of employment, working conditions, wages and/or compensation of employees or former employees of the Council; provided, however, that the foregoing provisions shall not apply in the event of damage or injuries suffered as a result of gross negligence or willful misconduct on the part of MRM, its agents, or employees. Subject to the same limitations, the Council agrees to defend promptly and diligently at its own expense any claim, action or proceeding against MRM or against MRM and the Council jointly which arises out of or is connected with any of the foregoing and the Council

further agrees to fully indemnify MRM from any judgment, loss or settlement on account thereof; provided, however, that the foregoing indemnity provision shall not apply to any settlement of any cause entered into by MRM without the prior written consent of the Board of Directors of the Council. The provisions of this Article IX shall survive the termination of this Agreement as to any actions, causes, proceedings or claims as stated above.

X. In the event of any dispute, disagreement or difference with respect to the interpretation of any term or provision of this Agreement not resolvable by the parties hereto and which, in the judgment of either party, materially affects or impairs its ability to perform under this Agreement, either party may, upon written notice to the other, demand that such dispute, disagreement or difference be submitted to arbitration. The dispute shall thereupon be promptly submitted to arbitration before three arbitrators (unless MRM and the Council agree to one arbitrator) designated by the American Arbitration Association and shall be conducted in accordance with the rules and procedures promulgated by said American Arbitration Association. The arbitrators designated and acting pursuant to this Article shall have no power to depart from or change any of the provisions thereof except as otherwise provided herein. MRM and the Council shall continue with the performance of their duties and obligations under this Agreement during the period of such arbitration. The determination of the arbitrator(s) (or the majority in the event of arbitration before three arbitrators) shall be binding upon both parties. In the event that a material breach is alleged and the arbitrator(s) determines that the offending party has committed a material breach of this Agreement, then such finding shall furnish the aggrieved party the right to terminate this Agreement thirty

(30) days after the final determination of the arbitrator(s) and the offending party shall bear all costs and expenses incurred in the arbitration, provided that such termination shall otherwise proceed as provided in Article VIII hereof. In the event that a material breach is alleged but the arbitrator(s) does not so determine, the aggrieved shall bear all costs and expenses incurred in arbitration. Notwithstanding the above, in any case the arbitrator(s) may make a determination as to the allocation of costs and expenses of arbitration.

XI. This Agreement shall be construed in accordance with the laws of the State of Virginia and shall be bind and inure to the benefit of the parties hereto and their respective successor and assigns; provided, however, that this Agreement shall not be assigned by MRM except with the prior written consent of the Board of Directors of the Council. This Agreement shall constitute the entire agreement between the parties hereto, and no variance or modification thereof shall be valid or enforceable, except by written supplement hereto, executed and approved in the same manner as this Agreement. For the convenience of the parties, this Agreement has been executed in several counterparts, which are in all respects similar and each of which shall be deemed to be complete in itself so that any one may be introduced in evidence or used for any other purpose without the production of the other counterparts.

In witness whereof the parties hereto have duly executed this Agreement as of the day and year first above written

MRM REALTY, INC.

Attest: _____ By: _____
President

Council of Unit Owners of
MADISON MANOR, INC.

Attest: _____ By: _____
Board of Directors

**Madison Manor Unit Owners Association
Resolution
Association Rules & Regulations**

WHEREAS the Board of Directors of the Association is charged with the responsibility of enforcing the Rules and Regulations deemed necessary for the benefit and enjoyment of the Condominium pursuant to Article III, Section 2 of the By-Laws; and

WHEREAS from time to time these Rules and Regulations are not followed by Unit Owners, their tenants and/or guests; and

WHEREAS the responsibility for the actions of residents and guests of a unit are the responsibility of the Unit Owner; NOW THEREFORE,

BE IT RESOLVED that pursuant to Article III, Section 2 of the Bylaws the Board does hereby adopt the following Rules and Regulations in addition to those itemized in Appendix VII:

- 1) The use of bicycles, skating equipment, and other equipment of similar nature is prohibited on the complex. Prompt bicycle ingress and egress to and from the complex is excluded from this prohibition.
- 2) Children under the age of sixteen (16) must be accompanied by a adult resident of the complex over the age of 21 (proof of age required) when using the following recreational facilities: swimming pool, jacuzzi, exercise room; and laundry room.
- 3) All persons or authorized groups using the swimming pool and jacuzzi must have in their possession at the time of use a Resident Use ID. There is a limit of three (3) guests per unit. Guests must be accompanied by a resident at all times. Residents are responsible for the actions of their guests.
- 4) Anyone using common amenities must follow posted Rules and Regulations at the amenity or recreational facility.
- 5) Use of the tennis court is limited to the playing of racquet sports.
- 6) No vehicle repair or maintenance may be performed on the Condominium. This shall include both oil changing and washing.

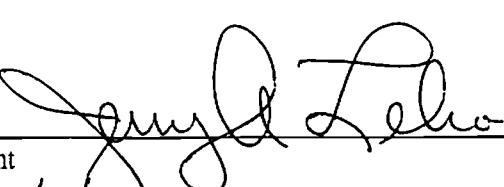
BE IT FURTHER RESOLVED that pursuant to Article X, Section 1(g) and in accordance with Section 55-79.80 of the Virginia Condominium Act the following penalties are established:

- 1) Unit owner shall be notified of first offense by certified mail. Unit owner shall have 7 days to correct the offense.
- 2) Failure to correct offense within the 7 day period or any additional violations of the same nature will result in Unit Owner being fined fifty dollars (\$50.00) per each single offense or ten dollars (\$10.00) per diem for offenses of a continuing nature, and shall be treated as an assessment against such Unit Owners' condominium unit.
- 3) Actual cost of repairing any and all damages to common areas will be assessed against Unit Owners' condominium unit, in addition to fine above, pursuant to Article VI, Section 8(c).
- 4) Unit Owner and/or tenants and guests may be barred from using recreational facilities.
- 5) Unit Owner may be required to secure eviction of tenant if tenant fails to comply with Rules and Regulations, Bylaws, or Declaration pursuant to Article VI, Section 9 of the Bylaws; and,

BE IT FURTHER RESOLVED that the Board of Directors does hereby delegate to the Managing Agent the authority to enforce the terms of this resolution on behalf of the Association; and,

BE IT FURTHER RESOLVED that a copy of this resolution and a copy of the current Rules and Regulations (Appendix VII of the Bylaws) shall be sent to all homeowners at their last known address.

This resolution was adopted by the Board of Directors and shall be effective on July 1, 1995.



President



Secretary

6/26/95
Date

6/30/95
Date

**Madison Manor Unit Owners Association
Resolution--A Collection Policy
for Delinquent Accounts**

WHEREAS the Board of Directors of the Association is charged with the responsibility of collecting assessments for common expenses from homeowners pursuant to Article III, Section 2(b) of the Bylaws; and

WHEREAS from time to time homeowners become delinquent in their payments of these assessments and fail to respond to the demands from the Board to bring their accounts current; and

WHEREAS the Board deems it to be in the best interests of the Association to adopt a uniform and systematic procedure for dealing with delinquent accounts in a timely manner, and further believes it to be in the best interests of the Association to refer these accounts promptly to an attorney for collection so as to minimize the Association's loss of assessment revenue; and

WHEREAS the Board has directed the Association's attorneys to represent the Association on the terms outlined in this resolution; NOW, THEREFORE,

BE IT RESOLVED that the Association's attorneys shall pursue all collection and other matters which the Board, acting through the Manager, may from time to time refer to them and to provide any advice and counsel which the Board may from time to time require; and

BE IT FURTHER RESOLVED that the Manager, acting on behalf of the Association, shall pay the Association's attorneys their usual and customary charges for time incurred in connection with their representation of the Association, together with all costs incurred by the firm, including but not limited to fees and charges for filing, service of process, messenger service, photocopies, postage, long distance calls, investigator's services, credit reports, and title reports, promptly upon receipt of the monthly invoice; and

BE IT FURTHER RESOLVED that pursuant to Article X, Section 2(d) of the Declaration there is hereby levied against any assessment account which is not paid in full as of the fifteenth (15th) day of the month a late fee in the amount of Ten Dollars (\$10.00) which the Manager is authorized and directed to charge to and collect from any delinquent homeowner, and

BE IT FURTHER RESOLVED that the Manager is directed to send to any homeowner who is more than fifteen (15) days delinquent in the payment of regular or special assessments, or other charges authorized by the Association's governing documents (hereinafter referred to as "Assessments"), a written notice (hereinafter referred to as the "First Notice") of the late fee and a request for immediate payment; and

BE IT FURTHER RESOLVED that the First Notice sent by the Manager to the delinquent owner shall also state that unless the owner disputes the validity of the debt, or any portion thereof, within thirty days after receipt of the notice, the debt will be assumed to be valid; and if the owner notifies the Manager in writing within the thirty-day period that the debt, or any portion thereof, is disputed, the Manager will obtain verification of the debt and a copy of such verification will be mailed to the owner by the Manager; and

BE IT FURTHER RESOLVED that the First Notice and the Second Notice sent by the Manager to the delinquent owner shall state that any request for special consideration of hardship circumstances, including all reasons why the Board should consider the request, must be submitted in writing to the Board before the Assessment becomes sixty (60) days delinquent, together with a request for a hearing, or in the alternative, a request that the determination be made by the Board based on the written request, and if not so submitted, then such request shall have been deemed waived; and

BE IT FURTHER RESOLVED that the Manager is directed to send to any homeowner who is more than one (1) month delinquent in the payment of Assessments written notice (hereinafter referred to as the "Second Notice") that, if the account is not paid in full within fifteen (15) days, a Notice of Claim of Lien will be recorded and a copy thereof will be forwarded to any lender with a mortgage against the unit; and

BE IT FURTHER RESOLVED that the Manager is directed to file a Notice of Claim of Lien against the delinquent unit as described in the letter to the homeowner and is further directed to send a copy thereof to the homeowner's lender if the homeowner's Assessments remain delinquent for fifteen (15) days after the date of the Second Notice; and

BE IT FURTHER RESOLVED that the Manager is directed to send to any homeowner who is more than sixty (60) days delinquent in the payment of Assessments, a written notice (hereinafter referred to as the "Third Notice"), that if the account is not paid in full within ten (10) days it will be turned over to the Association's attorneys for collection and the homeowner will be liable for payment of all charges imposed by the Association's attorneys to cover fees and costs charged to the Association; and

BE IT FURTHER RESOLVED that the Manager is directed to refer any account which remains delinquent for ten (10) days after the Third Notice to the Association's

attorneys for collection and to accelerate the total amount of assessment due by sending a notice of acceleration to the owner via certified mail, return receipt requested; and

BE IT FURTHER RESOLVED that the Manager is directed to consult with the Association's attorneys and turn over for collection immediately any account where the owner files or is the subject of a petition for relief in bankruptcy or a lender has commenced any action for foreclosure of its lien against the unit; and

BE IT FURTHER RESOLVED that the membership rights of any owner whose account is thirty (30) days past due may be suspended at any time at the discretion of the Board during the period that any installment, charge or assessment remains unpaid, subject to the terms of the Governing Documents; and

BE IT FURTHER RESOLVED that the following policies shall apply to all delinquent accounts turned over to the Association's attorneys for collection:

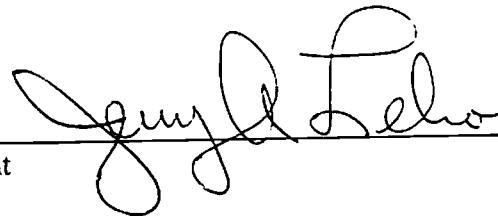
1. All contacts with a delinquent homeowner shall be handled through the Association's attorneys. Neither the Manager nor any Association officer or director shall discuss the collection of the account directly with a homeowner after it has been turned over to the Association's attorneys unless one of the Association's attorneys is present or has consented to the contact.
2. All sums collected on a delinquent account shall be remitted to the Association in care of the Association's attorneys until the account has been brought current.
3. The Association's attorneys' minimum legal fee shall be assessed against each delinquent unit and its owner (including repeat offenders) when the account is turned over to the Association's attorneys for collection. That amount shall be credited against the fees and costs actually incurred in the collection of the homeowner's account. All legal fees and costs incurred in the collection of a delinquent account shall be assessed against the delinquent unit and owner and shall be collectable as an Assessment as provided in Article VI, Section 2(b) of the Bylaws.
4. Where at the expiration of the period specified in the Association's attorneys demand letter, an account remains delinquent and without a payment plan-embodied in a signed Stipulation for Judgment, the Association's attorneys are authorized to take such further action as they, in consultation with the Board president, believe to be in the best interest of the Association, including but not limited to:
 - a. Filing suit against the delinquent homeowner for money due pursuant to Article X, Section 2(c) of the Bylaws;

- b. Instituting a non-judicial action for foreclosure of the Association's lien, pursuant to Article X, Section 2(b) of the Bylaws; or
- c. Filing a proof of claim in bankruptcy; or
- d. Instituting a judicial action for foreclosure of the Association's lien, pursuant to Article X, Section 2(b) of the Bylaws, and Section 55-79.84 of the Virginia Condominium Act.

BE IT FURTHER RESOLVED that a copy of this resolution shall be sent to all homeowners at their last known addresses.

This resolution was adopted by the Board of Directors and shall be effective on July 1, 1995.

President



6/26/95
Date

Secretary



6/30/95
Date

**MADISON MANOR UNIT OWNERS
ASSOCIATION**

**ASSESSMENT COLLECTION
TIME LINE**

Day 1.....Assessment Due
Day 15.....Late Fee Charged
Day 15.....First Notice Mailed
Day 30.....Second Notice Mailed
Day 45.....Claim of Lien Filed
Day 60.....Third Notice
Day 70.....Refer Account to Attorney