

**BYLAWS OF
THE HIGHLANDS COMMUNITY ASSOCIATION, INC.**

**ARTICLE I
NAME, PRINCIPAL OFFICE, AND DEFINITIONS**

Section 1. Name. The name of the Association shall be The Highlands Community Association, Inc. (hereinafter sometimes referred to as the "Association").

Section 2. Principal Office. The principal office of the Association shall be located at 8400 Highland Glen Drive, Chesterfield, Virginia 23838, but meetings of members and directors may be held at such places within the Commonwealth of Virginia as may be designated by the Board of Directors. The Association may have such other offices, as the Board of Directors may determine or as the affairs of the Association may require.

Section 3. Definitions. The words used in these Bylaws shall have the same meaning as set forth in the Articles of Incorporation of The Highlands Community Association, Inc. ("Articles") and as set forth in that Declaration of Covenants and Restrictions Affecting All Property Known As The Highlands Owned By Oliver D. Rudy, Trustee Under the Provisions of a Trust Agreement Dated March 20, 1988, Designated as Nash Road/Woodpecker Road Trust Agreement, which has been recorded in the Clerk's Office of the Circuit Court of Chesterfield County, Virginia, on April 13, 1992, in Deed Book 2221, at Page 1952 and that Declaration of Covenants and Restrictions of the Highlands Community Association, Inc. and Oliver D. Rudy, Trustee Under the Provisions of a Trust Agreement Dated March 20, 1988 and Designated as the Nash Road/Woodpecker Road Trust Agreement, which has been recorded in the Clerk's Office of the Circuit Court of Chesterfield County, Virginia on April 13, 1992, in Deed Book 2221, at Page 1973 (said Declarations, as amended, renewed, or extended from time to time, are hereinafter sometimes referred to as the "Declaration" and "Joint Declaration," respectively, and are also hereinafter sometimes referred to collectively as the "Declarations"), unless the context shall prohibit.

**ARTICLE II
ASSOCIATION: MEMBERSHIP, MEETINGS, QUORUM, VOTING, PROXIES**

Section 1. Membership. The Association shall have two (2) classes of membership, Type "A" and Type "B", as more fully set forth in the Articles and Declarations, the terms of which pertaining to membership are specifically incorporated herein by reference.

Section 2. Place of Meetings. Meetings of the Association shall be held at the principal office of the Association or at such other suitable place in the Commonwealth

of Virginia convenient to the Members as may be designated by the Board of Directors either within the Properties or as convenient thereto as possible and practical.

Section 3. Annual Meetings. The annual meeting of the Members shall be held during the month of September each year at such date, time and place to be determined by the Board of Directors.

Section 4. Special Meetings. Special meetings of the Members may be called at any time by the President, by the Board of Directors, or upon a written request of the Members to the Board who are entitled to vote one-fourth (1/4) of all of the votes of the Type A membership.

Section 5. Notice of Meetings. Except as otherwise specifically provided in these Bylaws, the Declarations, the Articles, or except in an emergency as determined by the Board of Directors, written notice of each meeting of the Members shall be given by, or at the direction of, the secretary or person authorized to call the meeting, by delivering personally or by mailing a copy of such notice, postage prepaid, at least fourteen (14) days and not more than thirty (30) days before such meeting, to each Member entitled to vote thereat, addressed to the Member's address last appearing on the books of the Association, or supplied by such Member to the Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting, and in the case of a special meeting, the purpose of the meeting.

Section 6. Waiver of Notice. Waiver of notice of a meeting of the Members shall be deemed the equivalent of proper notice. Any Member may, in writing, waive notice of any meeting of the Members, either before or after such meeting. Attendance at a meeting by a Member shall be deemed waiver by such Member of notice of the time, date, and place thereof, unless such Member specifically objects to lack of proper notice at the time the meeting is called to order. Attendance at a special meeting shall also be deemed waiver of notice of all business transacted thereat unless objection to the calling or convening of the meeting, of which proper notice was not given, is raised before the business is put to a vote.

Section 7. Adjournment of Meetings. If any meeting of the Association cannot be held because a quorum is not present, a majority of the Members who are present at such meeting may adjourn the meeting to a time not less than five (5) days from the time the original meeting was called. At the reconvened meeting, if a quorum is present, any business which might have been transacted at the meeting originally called may be transacted. If a time and place for reconvening the meeting is not fixed by those in attendance at the original meeting or if for any reason a new date is fixed for reconvening the meeting after adjournment, notice of the time and place for reconvening the meeting shall be given to Members in the manner prescribed for regular meetings.

The Members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum, provided that Members representing, in

person or by proxy, at least twenty-five percent (25%) of the total Type "A" votes of the Association remain in attendance, unless otherwise provided in the Declarations, and provided further that any action taken is approved by at least a majority of the Members required to constitute a quorum.

Section 8. Voting. The voting rights of the Members shall be as set forth in the Declarations and Articles, and such voting rights provisions are specifically incorporated herein.

Section 9. Proxies. Any Member entitled to vote may do so by written proxy (and must do so by written proxy in the case of a Member which is a corporation, partnership, or other similar entity not a natural person or persons) duly executed by the Member, or in cases where the Member is more than one (1) person, by the person selected by the group to be the voting Member, setting forth the meeting at which the proxy is valid. To be valid, a proxy must be in writing, signed by the Member and filed with the officer designated by the Board prior to the opening of the meeting for which it is to be used and must be dated. Except as herein provided, no proxy shall be revocable except by written notice delivered to the Association. A proxy shall automatically terminate if the Member who has given such proxy is in attendance at a meeting or if the Member who has given the proxy conveys his interest in and to the property to which the vote pertains. In any event, no proxy shall be valid after eleven (11) months from its date of execution unless otherwise specified in the proxy.

Section 10. Majority. As used in these Bylaws, the term "majority" shall mean those votes, owners, or other group as the context may indicate totaling more than fifty percent (50%) of the total eligible number.

Unless otherwise provided by law or by specific provisions herein, the vote of a majority of the votes entitled to be cast by the Members present or represented by proxy at a meeting at which a quorum is present shall be necessary for the adoption of any matter voted upon by such Members.

Section 11. Quorum. Except as otherwise provided in these Bylaws or in the Articles, Declarations, or in the Virginia Nonstock Corporation Act (the "Nonstock Act"), the presence in person or by proxy of the Members representing twenty-five percent (25%) of the total eligible Type "A" votes in the Association shall constitute a quorum at all meetings of the Association, unless otherwise provided in the Declarations. Any provision in the Declarations concerning quorums is specifically incorporated herein.

Section 12. Conduct of Meetings. The President shall preside over all meetings of the Association, and the Secretary shall keep the minutes of the meeting and record in a minute book all resolutions adopted at the meeting, as well as a record of all transactions occurring at the meeting. If the President and/or Secretary are not present then those directors present shall choose a pro-tem official.

Section 13. Action Without A Meeting. Any action required or permitted by law to be taken at a meeting of the Members, or any action which may be taken at a meeting of the Members, may be taken without a meeting, without prior notice and without a vote if written consent specifically authorizing the proposed action is signed by the Members holding at least the minimum number of votes necessary to authorize such action at a meeting if all Members entitled to vote thereon were present. Such consents shall be signed within sixty (60) days after receipt of the earliest dated consent, dated and delivered to the Association at its principal place of business or such other location as specified by the Board. Such consents shall be filed with the minutes of the Association, and shall have the same force and effect as a unanimous vote of the Members.

ARTICLE III

BOARD OF DIRECTORS: NUMBER, ELECTION, POWERS, MEETINGS

A. Composition and Selection

Section 1. Governing Body; Composition. The affairs of the Association shall be governed by a Board of Directors, each of whom shall have one (1) equal vote. The Board of Directors shall comprise two classes of Directors, Class I directors, who are elected by the Type "A" Members in accordance with the Articles and Declarations, and Class II directors, who are elected by the Type B Members in accordance with the Articles and Declarations. Except with respect to directors elected by the Type "B" Members, the directors shall be Members or spouses of such Members; provided, however, no person and his or her spouse may serve on the Board at the same time. In the case of a Member which is not a natural person, any officer, directors, partner or trust officer of such Member shall be eligible to serve as a director unless otherwise specified by written notice to the Association signed by such Member; provided, no Member may have more than one such representative on the Board at a time, except in the case of Class II directors elected by the Type "B" Members.

Section 2. Number and Class of Directors. The number of directors in the Association shall be five (5). The Board shall comprise two classes of directors, Class I directors and Class II directors, as established by the Articles and Declarations. The number of Class I and Class II directors shall be determined by the formula set forth in the Articles and Declarations.

Section 3. Nomination of Directors. Except with respect to Class II directors selected by Type "B" Members, nominations for election to the Board of Directors shall be made by a Nominating Committee. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and three (3) or more Members of the Association. The Nominating Committee shall be appointed by the Board of Directors not less than five (5) months prior to each annual meeting of the Members to serve a term of one (1) year or until their successors are appointed, and such appointment shall be announced at each such annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it

shall in its discretion determine, but in no event less than the number of positions to be filled. The Nominating Committee shall nominate separate slates for the directors to be elected by the Members. Nominations for each slate shall also be permitted from the floor. All candidates shall have a reasonable opportunity to communicate their qualifications of the Members and to solicit votes.

Section 4. Election and Term of Office. Notwithstanding any other provisions contained herein:

(a) The Class II directors shall be elected by the Type "B" Members. Class II Directors elected by the Type "B" Members shall serve for a term of one (1) year, and such directors may be appointed or elected for an unlimited number of successive terms.

(b) Prior to the September 2004 Annual Meeting, the Board of Directors shall be comprised of three (3) Class II members and two (2) Class I members. At the September 2004 annual meeting, the Class I member whose term shall expire in 2005 shall remain on the Board, and the Board of Directors shall be elected to comprise three (3) Class I members and two (2) Class II members, in accordance with the formula and terms set forth in the Articles and Declarations. The Members representing the Type "A" Members shall elect the two (2) remaining Class I directors in the following manner: The candidate receiving the highest number of votes for director shall be elected for a term of three (3) years and the candidate receiving second highest number of votes for director shall be elected for a term of two (2) years. At the expiration of the initial term of office of each Class I member of the Board of Directors and at each annual meeting thereafter, successor Class I members shall be elected to serve for a term of three (3) years. The directors elected by the Type "A" Members shall not be subject to removal by the Type "B" Members acting alone.

Section 5. Removal of Directors and Vacancies. Any Class I director elected by the Type "A" Members may be removed, with or without cause at a regular or special meeting of the Association, by the vote of the Type "A" Members holding a majority of the votes entitled to be cast for the election of such director. Any director whose removal is sought shall be given notice prior to any meeting called for that purpose. Upon removal of a director, a successor shall be elected by the Members entitled to elect the director so removed to fill the vacancy for the remainder of the term of the director.

Any Class I or Class II director elected by the Members who has three (3) consecutive unexcused absences from Board meetings or who is delinquent in the payment of any assessment or other charge due the Association for more than thirty (30) days may be removed by a majority of the directors present at a regular or special meeting at which a quorum is present, and a successor may be appointed by the Board to fill the vacancy for the remainder of the term.

In the event of the death, disability, or resignation of any director, the Board shall declare a vacancy and appoint a successor to fill the vacancy until the next annual

meeting, at which time the Members entitled to fill such directorship shall elect a successor to serve for the remainder of the term.

B. Meetings

Section 6. Organizational Meetings. The first meeting of the Board of Directors following each annual meeting of the Membership shall be held within ten (10) days thereafter at such time and place as shall be fixed by the Board.

Section 7. 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 four (4) such meetings shall be held during each fiscal year with at least one (1) per quarter. Notice of the time and place of the meeting shall be communicated to directors not less than four (4) days prior to the meeting; provided, however, notice of a meeting need not be given to any director who has signed a waiver of notice or a written consent to holding of the meeting. Notice to the Members shall be given in accordance with the Virginia Property Owners' Association Act.

Section 8. Special Meetings. Special meetings of the Board of Directors shall be held when called by written notice signed by the President of the Association or by any three (3) directors. The notice shall specify the time and place of the meeting and the nature of any special business to be considered. The notice shall be given to each director by one of the following methods: (a) by personal delivery; (b) written notice by first class mail, postage prepaid; (c) by telephone communication, either directly to the director or to a person at the director's office or home who would reasonably be expected to communicate such notice promptly to the director; or (d) by telegram, charges prepaid. All such notices shall be given at the director's telephone number or sent to the director's address as shown on the records of the Association. Notices sent by first class mail shall be deposited into a United States mailbox at least four (4) days before the time set for the meeting. Notices given by personal delivery, telephone, or telegraph shall be delivered, telephoned, or given to the telegraph company at least seventy-two (72) hours before the time set for the meeting.

Section 9. Waiver of Notice. The transactions of any meeting of the Board of Directors, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice if: (a) a quorum is present, and (b) either before or after the meeting each of the directors not present signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. Notice of a meeting shall also be deemed given to any director who attends the meeting without protesting before or at its commencement about the lack of adequate notice.

Section 10. 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. A meeting at

which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting. If any meeting of the Board cannot be held because a quorum is not present, a majority of the directors who are present at such meeting may adjourn the meeting to a time not less than five (5) days from the date the original meeting was called. At the reconvened meeting, if a quorum is present, any business which might have been transacted at the meeting originally called may be transacted without further notice.

Section 11. Compensation. No director shall receive any compensation from the Association for acting as such unless approved by Members representing a majority of the total of votes of the Type "A" Members, in person or by proxy, at a regular or special meeting of the Association. Any director may be reimbursed for expenses incurred on behalf of the Association upon approval of a majority of the other directors. Nothing herein shall prohibit the Association from compensating a director, or any entity with which a director is affiliated, for services or supplies furnished to the Association in a capacity other than as a director pursuant to a contract or agreement with the Association, provided that such director's interest was made now to the Board prior to entering into such contract and such contract was approved by a majority of the Board of Directors, excluding the interested director.

Section 12. Conduct of Meetings. The President, or in his or her absence, the Vice President shall preside over all meetings of the Board of Directors, and the Secretary shall keep a minute book of meetings of the Board of Directors, recording therein all resolutions adopted by the Board of Directors and all transactions and proceedings occurring at such meetings.

Section 13. Open Meetings. All meetings of the Board shall be open to all Members. Subject to reasonable rules adopted by the Board, the Board shall provide a designated time during a Board meeting to allow Members an opportunity to comment on any matter relating to the Association. During a meeting at which the agenda is limited to specific topics or at a special meeting, the Board may limit the comments of Members to the topics listed on the meeting agenda. Other than the comment period mentioned above, Members other than directors may not participate in any discussion or deliberation unless permission to speak is requested on his or her behalf by a director. In such case, the President may limit the time any Member may speak. Notwithstanding the above, the President may adjourn any meeting of the Board of Directors and reconvene in executive session, excluding Members, but only in strict conformance with the procedures specified in Section 55-510(C) of the Virginia Property Owners' Association Act, Section 55-508 et seq. of the Code of Virginia, 1950, as amended.

Section 14. Action Without a Formal Meeting. Any action to be taken at a meeting of the directors or any action that may be taken at a meeting of the directors may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the directors, and such consent shall have the same force and effect as a unanimous vote.

C. Powers and Duties.

Section 15. Powers. The Board of Directors shall have all of the powers and duties necessary for the administration of the Association's affairs and for performing all responsibilities and exercising all rights of the Association as set forth in the Declarations, these Bylaws, the Articles, and as provided by law. The Board may do or cause to be done all acts and things as are not, by the Declaration, Articles, these Bylaws or Virginia law, directed to be done and exercised exclusively by the Members.

In addition to the duties imposed by these Bylaws or by any resolution of the Association that may hereafter be adopted, the Board of Directors shall have the power to establish policies relating to, and shall be responsible for performing or causing to be performed, the following, in way of explanation, but not limitation:

(a) Enforcing the provisions of the Declarations, duly adopted Rules and Regulations, these Bylaws, and the Articles of Incorporation, and to establish penalties for the infraction thereof;

(b) Suspending the voting rights of a Member during any period in which the Member shall be in default in the payment of any assessment levied by the Association. Such rights may also be suspended after notice and hearing, for a period not to exceed sixty (60) days, for infraction of the Declarations, these Bylaws or rules and regulations;

(c) Exercising for the Association all powers, duties and authority vested in or delegated to this Association and not reserved to the Members by other provisions of these Bylaws, the Articles of Incorporation, or the Declarations;

(d) Declaring the office of a member of the Board of Directors to be vacant if such member shall be absent from three (3) consecutive regular meetings of the Board of Directors; and

(e) Employing as manager, and independent contractor, or such other employees as they deem necessary, and to prescribe their duties;

(f) preparation and adoption, in accordance with Article V of the Joint Declaration, of annual budgets;

(g) making assessments to defray the common expenses and establishing the means and methods of collecting such assessments;

(h) collecting the assessments, depositing the proceeds thereof in a federally insured bank depository which it shall approve, and using the proceeds to operate the Association; provided, any reserve fund may be deposited, in the directors' best business judgment, in federally insured depositories other than banks;

(i) providing for the operation, care, upkeep, and maintenance of all of the Common Properties and those items specified in Article VI, Sections 1 and 2 of the Joint Declaration;

(j) designating, hiring, and dismissing the personnel necessary for the operation of the Association and the maintenance, operation, repair, and replacement of its Common Properties, and, where appropriate, providing for the compensation of such personnel and for the purchase of equipment, supplies, and materials to be used by such personnel in the performance of their duties;

(k) making and amending rules and regulations;

(l) opening of bank accounts on behalf of the Association and designating the signatories required;

(m) making or contracting for the making of repairs, additions, and improvements to or alterations of the Common Properties in accordance with the other provisions of the Declarations and these Bylaws;

(n) enforcing by legal means the provisions of the Declarations, these Bylaws, and the rules and regulations adopted by it and bringing any proceedings which may be instituted on behalf of or against the Owners concerning the Association;

(o) obtaining and carrying property and liability insurance and fidelity bonds, as provided in the Declarations, paying the costs thereof, and filing and adjusting claims, as appropriate;

(p) paying the cost of all services rendered to the Association or its Members and not chargeable directly to specific Owners;

(q) keeping books with detailed accounts of the receipts and expenditures affecting the Association and its administration, specifying the maintenance and repair expenses and any other expenses incurred;

(r) making available to any prospective purchaser of a Lot, any Owner, and the holders, insurers, and guarantors of a first Mortgage on any Lot, current copies of the Declarations, the Articles of Incorporation, the Bylaws, rules and all other books, records, and financial statements of the Association;

(s) permitting utility suppliers to use portions of the Common Properties reasonably necessary to the ongoing development or operation of the Properties;

(t) indemnifying a director, officer or committee member, or former director, officer or committee member of the Association in accordance with Virginia law, and in accordance with the Articles of Incorporation and the Declarations; and

(u) charging reasonable fees for the use of the Common Properties and all services provided by the Association.

Section 16. Duties. It shall be the duty of the Board of Directors to:

(a) Cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the Members at the annual meeting of the Members, or at any special meeting, when such statement is requested in writing by one fourth (1/4) of the Members who are entitled to vote;

(b) Supervise all officers, agents and employees of this Association, and see that their duties are properly performed;

(c) As more fully provided in the Declaration, to:

(i) Prepare an annual operating budget and amount of the annual assessment for every Owner, or present same for approval by the Owners at the Annual Meeting in accordance with the Declaration, and

(ii) Send written notice of each assessment to every Owner subject thereto at least twenty-one (21) days in advance of each annual assessment period, and

(iii) Foreclose the lien against any Lot for which assessments are not paid within ninety (90) days after the due date or to bring an action at law against the Owner personally obligated to pay the same, unless the Board determines that such action is not in the best interests of the Association.

(d) Issue, or cause an appropriate officer to issue, upon demand by any person, a certificate setting forth whether or not any assessment has been paid. A reasonable charge may be made by the Board for the issuance of these certificates. If a certificate states an assessment has been paid, such certificate shall be conclusive evidence of such payment;

(e) Procure and maintain adequate liability and hazard insurance on property owned by the Association, unless approved by a majority of owners not to provide such coverage;

(f) Enforce the provisions of these Bylaws, the Declarations, duly adopted Rules and Regulations, and the Articles of Incorporation; and

(g) Cause the Common Properties to be maintained.

Section 17. New Construction. With regard to new construction only, no amendments to the Association's Rules and Regulations, Architectural Guidelines, Plan of Approval Process, Landscaping Requirements, or Driveway Requirements shall be

adopted and applied to those Lots in the new construction phase. The applicability of this provision to each Lot in the new construction phase shall cease and be of no effect upon the completion of the new construction phase and the issuance of a certificate of occupancy on that Lot.

Section 18. Borrowing. The Board of Directors shall have the power to borrow money for the purpose of maintenance, repair or restoration of the Common Properties and such other areas of Association responsibility expressly provided for in the Declarations without the approval of the Members of the Association. The Board shall also have the power to borrow money for other purposes, provided the Board shall obtain Member approval in the same manner provided in the Declarations for special assessments in the event that the proposed borrowing is for the purpose of making discretionary capital improvements and the total amount of such borrowing, together with all other debt incurred within the previous twelve (12) month period, exceeds or would exceed ten percent (10%) of the budgeted gross expenses of the Association for that fiscal year. Prior to the September 2004 Annual meeting, no Mortgage lien shall be placed on any portion of the Common Properties without the affirmative vote or written consent, or any combination thereof, of the Members representing at least fifty-one percent (51%) of the total votes of the Type "A" Members of the Association.

Section 19. Rights of the Association. In accordance with the Articles of Incorporation and the Declarations, the Association shall have the right to contract with any person for the performance of various duties and functions. Without limiting the foregoing, this right shall entitle the Association to enter into common management, operational, or other agreements with trusts, condominiums, cooperatives, or other owners or residents associations, both within and without the Properties. Such agreements shall require the consent of a majority of the total number of directors of the Association.

Section 20. Enforcement. In addition to such other rights as are specifically granted under the Declaration and Virginia law, the Board or its delegate shall have the power to assess charges against an Owner for his or her or his or her families', tenants', guests', residents' or other invitees' violation of any provision of the Declarations, these Bylaws, or Rules and Regulations of the Association, after notice and an opportunity for a hearing have been provided to the Owner pursuant to state law. The Board or its delegate shall also have the power to suspend the voting rights for the nonpayment of assessments or the right of an Owner to use facilities or services, including utility services, provided directly, through the Association for nonpayment of assessments which are more than sixty (60) days past due, to the extent that access to the lot through the common properties is not precluded and provided that such suspension shall not endanger the health, safety, or property of any owner, tenant or occupant, if any (i) for any period during which any charge against such Owner's Lot remains delinquent for more than sixty (60) days, and (ii) for a period not to exceed sixty (60) days for a single violation or for a longer period in the case of any continuing violation, of the Declaration, Bylaws or Rules and Regulations of the Association, after notice and an opportunity for a hearing have been provided to the Owner pursuant to state law. The failure of the Board

or its delegate to enforce any provision of the Declaration, Bylaws, or any Rule or Regulation shall not be deemed a waiver of the right of the Board to do so thereafter.

(a) Notice. Prior to imposition of any sanction hereunder, the Board or its delegate shall serve the alleged violator with written notice describing: (i) the nature of the alleged violation; (ii) the proposed sanction to be imposed; (iii) a period of not less than ten (10) days within which the alleged violator may present a written request to the Covenants Committee, if any, or Board of Directors for a hearing; and (iv) a statement that the proposed sanction shall be imposed as contained in the notice unless a challenge is begun within fourteen (14) days of the notice. If a timely challenge is not made, the sanction stated in the notice shall be imposed.

(b) Hearing. If a hearing is requested within the allotted ten (10) day period, the Board or its delegate shall send the owner notice of the date, time and place of the hearing by registered or certified mail, return receipt requested, to the Member at the address of record with the association at least fourteen (14) days prior to the hearing. The hearing shall be held in executive session affording the alleged violator a reasonable opportunity to be heard. Prior to the effectiveness of any sanction hereunder, proof of proper notice shall be placed in the minutes of the meeting. Such proof shall be deemed adequate if a copy of the notice, together with a statement of the date and manner of delivery, is entered by the officer, Director, or agent who delivered such notice. The notice requirement shall be deemed satisfied if the alleged violator appears at the meeting. The minutes of the meeting shall contain a written statement of the results of the hearing and the sanction, if any, imposed. The Board of Directors or the Covenants Committee may, but shall not be obligated to, suspend any proposed sanction if the violation is cured within the fourteen (14) day period. Such suspension shall not constitute a waiver of the right to sanction future violations of the same or other provisions and rules by any Person. Notice of the results of the hearing shall be hand-delivered or mailed by registered or certified mail, return receipt requested, to the Member at the address of record with the Association within seven (7) days of the hearing. In the event of any conflict between this provision and the Act, the Act shall control.

(c) Additional Enforcement Rights. Notwithstanding anything to the contrary herein contained, the Association, acting through the Board of Directors, may elect to enforce any provision of the Declaration, these Bylaws, or the Rules and Regulations of the Association by self-help or by suit at law or in equity to enjoin any violation or to recover monetary damages or both without the necessity of compliance with the procedure set forth above. In any such action, to the maximum extent permissible, the Owner or occupant responsible for the violation of which abatement is sought shall pay all costs, including reasonable attorneys' fees, actually incurred.

ARTICLE IV **ASSESSMENTS**

The Association shall be responsible for and required to collect sufficient dues that at a minimum provide for:

(a) fund repairs/maintenance and replacement of common properties and any facilities located thereon; and

(b) fund any other expense of the Association related and necessary to it fulfilling its obligations in the Articles of Incorporation, Declaration or these Bylaws.

As more fully provided in the Declaration, each Member is obligated to pay to the Association annual and special assessments which are secured by a continuing lien upon the Lot against which the assessment is made. Any assessments which are not paid when due shall be delinquent. If the assessment is not paid within thirty (30) days after the due date, the assessment shall bear interest from the date of delinquency at the rate of twelve percent (12%), together with a late charge in the greater amount of ten dollars (\$10.00) or ten percent (10%) of the assessment amount due. Further, if any Owner fails to pay any installment of its annual assessment within thirty (30) days of its due date, the remainder of the Owner's unpaid annual assessment is hereby accelerated and immediately due and payable. In addition, the Association may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien against the Lot, and interest, costs, and reasonable attorney's fees of any such action shall be added to the amount of such assessments provided for herein by abandonment of his Lot.

ARTICLE V **OFFICERS**

Section 1. Officers. The officers of the Association shall be elected by the Board and shall be a President and Vice President to be elected from among members of the Board, and a Secretary and a Treasurer. The Board of Directors may appoint such other officers, including one or more Assistant Secretaries and one or more Assistant Treasurers, as it shall deem desirable, such officers to have the authority and perform the duties prescribed from time to time by the Board of Directors. Such other officers may, but need not be members of the Board. Any two (2) or more officers may be held by the same person, except the offices of President and Secretary.

Section 2. Election, Term of Office, and Vacancies. The officers of the Association shall be elected annually by the Board of Directors at the first meeting of the Board of Directors following each annual meeting of the Members, as herein set forth in Article III. A vacancy in any office arising because of death, resignation, removal, or otherwise may be filled by the Board of Directors for the unexpired portion of the term.

Section 3. Removal. Any officer may be removed by the Board of Directors whenever in its judgment the best interests of the Association will be served thereby. A vacancy in any office arising because of death, resignation, removal or otherwise, may be filled by the Board of Director for the unexpired portion of the term.

Section 4. Powers and Duties. The officers of the Association shall each have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as may from time to time specifically be conferred or imposed by the Board of Directors. Although some of the duties of the officers may be delegated to a managing agent or other professional, the responsibility for the delegated duties shall remain those of the respective officer. The duties of the officers are as follows:

(a) President. The President shall be the chief executive officer of the Association. The president shall preside at all meetings of the Board of Directors and Owners; shall see that orders and resolutions of the Board are carried out; shall sign all leases, mortgages, deeds and other written instruments and shall co-sign all checks (unless otherwise delegated to a managing agent) and promissory notes.

(b) Vice President. The vice president, if any, shall act in the place and stead of the president upon the president's absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required of him by the Board.

(c) Secretary. The secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the Members; keep the corporate seal of the Association and affix it on all papers requiring a seal; serve notice of meetings of the Board and of the Members, keep appropriate current records showing the members of the Association together with their addresses, and shall perform such other duties as required by the Board.

(d) Treasurer. The treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board of Directors; shall sign all checks and promissory notes of the Association; keep proper books of account, shall prepare an annual budget to be presented to the Members at their regular annual meeting; and prepare a statement of income and expenditures after the end of each fiscal year and deliver a copy to the Members.

Section 5. Resignation. Any officer may resign at any time by giving written notice to the Board of Directors, the President, or the Secretary. Such resignation shall take effect on the date of the receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 6. Agreements, Contracts, Deeds, Leases, Checks, Etc. All agreements, contracts, deeds, leases, checks, and other instruments of the Association shall be executed by at least two (2) officers or by such other person or persons as may be designated by resolution of the Board of Directors.

Section 7. Compensation. Compensation of officers shall be subject to the same limitations as compensation of directors under Article III, Section 12 of these Bylaws.

ARTICLE VI **COMMITTEES**

Section 1. General. The Board may appoint such committees as it deems appropriate to perform such tasks and to serve for such periods as the Board may designate by resolution. Each committee shall operate in accordance with the terms of the resolution of the Board of Directors designating the committee or with rules adopted by the Board of Directors.

Section 2. Covenants Committee. In addition to any other committees which may be established by the Board pursuant to Section 1 of this Article, the Board of Directors may appoint a Covenants Committee consisting of at least three (3) and no more than seven (7) members. Acting in accordance with the provisions of the Declaration, these Bylaws, and resolutions the Board may adopt, the Covenants Committee, if established, shall be the hearing tribunal of the Association and shall conduct all hearings held pursuant to Article III, Section 18 of these Bylaws.

ARTICLE VII **LIABILITY AND INDEMNIFICATION OF OFFICERS AND DIRECTORS**

Section 1. Liability and Indemnification of Officers and Directors. The Association shall indemnify every officer, director and committee member of the Association against any and all expenses, including attorneys' 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) to which the officer, director or committee member may be made a party by reason of being or having been an officer or director of the Association regardless of whether he is an officer or director at the time such expenses are incurred. The officers, directors and committee members of the Association shall not be liable to the Members for any mistake of judgment, negligence, or otherwise, except for their own individual willful misconduct or bad faith. The officers, directors and committee members of the Association shall have no personal liability with respect to any contract or other commitment made by them, in good faith, on behalf of the Association (except to the extent that such officers, directors or committee members are liable as Members) and the Association shall indemnify and forever hold each officer, director and committee member free and harmless against any and all liability to others on account of any such contract or commitment. Any right to indemnification provided for herein shall not be exclusive of any other rights to which any officer, director or committee member of the Association, or former officer, director or committee member of the Association, may be entitled.

Section 2. Common or Interested Directors. The Board of Directors shall exercise its powers and perform its duties in good faith and with a view to the interests of

the Association. A contract or other transaction between the Association and one or more of its directors, or between the Association and any corporation, firm or association (including the Declarant) in which one or more of the directors of the Association are directors or officers or are pecuniarily or otherwise interested, shall not be 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 such director's or directors' votes are counted for such purpose, provided that any of the conditions specified in any of the following subparagraphs exist:

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

(c) The cost of any services or goods contracted for is competitive with the cost of like services or goods provided by other reputable companies offering such services or goods in the Richmond, Virginia metropolitan area; or

(d) The contract or transaction is commercially reasonable for the Association at the time it is authorized, ratified, approved or executed.

A common or interested director 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 as if he were not such a common or interested director.

ARTICLE VIII **MISCELLANEOUS**

Section 1. Fiscal Year. The fiscal year for the Association shall be the calendar year, subject to change by resolution of the Board of Directors.

Section 2. Parliamentary Rules. Except as may be modified by Board resolution, Robert's Rules of Order (current edition) shall govern the conduct of Association proceedings when not in conflict with Virginia law, the Articles of Incorporation, the Declaration, or these Bylaws.

Section 3. Conflicts. If there are conflicts between the provisions of Virginia law, the Articles of Incorporation, the Declaration, and these Bylaws, the provisions of Virginia law, the Declaration, the Articles of Incorporation, and the Bylaws (in that order) shall prevail.

Section 4. Books and Records.

(a) Inspection by Members and Mortgagees. The Board shall make available for inspection and copying by any holder, insurer or guarantor of a first Mortgage on a Lot, or by a Member of the Association in good standing, or by the duly appointed representative of any of the foregoing, for a purpose reasonably related to interest in the Lot, upon five (5) days' written notice at a mutually convenient time and location: the Declaration, Bylaws, and Articles of Incorporation, any amendments to the foregoing, the Rules and Regulations of the Association, the membership register, books of account, and the minutes of meetings of the Members, the Board, and committees. Any books or records kept by or on behalf of the Association may be withheld from inspection to the extent permitted by Section 55-510(C) of the Virginia Property Owners' Association Act, Section 55-508 *et seq.* of the Code of Virginia, 1950, as amended, and Sections 13.1-932 through 13.1-934 of the Virginia Nonstock Corporation Act, Section 13.1-801, *et seq.* of the Code of Virginia, 1950, as amended.

(b) Rules for Inspection. The Board shall establish reasonable rules with respect to:

- (i) notice to be given to the custodian of the records;
- (ii) hours and days of the week when such an inspection may be made; and
- (iii) payment of the actual cost of materials and labor for reproducing copies of documents requested prior to providing the requested copies.

(c) Inspection by Directors. Every director shall have the absolute right at any reasonable time to inspect all books, records, and documents of the Association and the physical properties owned or controlled by the Association. The right of inspection by a director includes the right to make extracts and a copy of relevant documents at the expense of the Association.

Section 5. Notices. Unless otherwise provided in these Bylaws, all notices, demands, bills, statements, or other communications under these Bylaws shall be in writing and shall be deemed to have been duly given if delivered personally or if sent by United States Mail, first class postage prepaid:

- (a) if to a Member, at the address of record with the Association; or
- (b) if to the Association, the Board of Directors, or the managing agent, at the principal office of the Association or the managing agent, if any, or at such other address as shall be designated by notice in writing to the Members pursuant to this Section.

Section 6. Amendments.

(a) By the Board of Directors. Unless otherwise provided in the Articles or in the Declarations, without action by the members, provisions of these Bylaws may be added to, amended, altered, changed or repealed by a vote of at least two-thirds (2/3) of the Board of Directors present at a meeting where a quorum is present. Any amendment made pursuant to this provision shall not be valid until the next regular annual meeting of the membership at which said amendment shall be ratified or rejected by a vote of at least two-thirds (2/3) of the members present at said meeting, in person or by proxy, at which a quorum is present. Nothing, however, shall prevent an earlier vote by the members of said amendment pursuant to Article VIII, Section 6(b), hereof. Notice of any amendment to these Bylaws by the Board, together with a copy of such amendment, shall be mailed to each member at the member's address currently appearing on the books of the Association.

(b) By Members Generally. Except as provided above, these Bylaws may be amended by the affirmative vote of Members representing two-thirds (2/3) of the total votes of the members in the Association at a meeting in which a quorum is present. If an Owner consents to any amendment to the Declaration or these Bylaws, it will be conclusively presumed that such Owner has the authority so to consent and no contrary provision in any Mortgage or contract between the Owner and a third party will affect the validity of such amendment. No amendment may remove, revoke or modify any right or privilege of without the written consent of Declarant or the assignee of such right or privilege.

ARTICLE XII
COMPLIANCE AND ENFORCEMENT

Section 1. Relief. As set forth in Section 55-515 of the Virginia Property Owners' Association Act each Lot Owner shall be governed by, and shall comply with, all of the terms of the Declaration, these Bylaws, any rules and regulations promulgated thereunder, the other applicable governing documents and any amendments thereof. Default by a Lot Owner shall entitle the 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 foregoing items set out in this section shall be grounds for relief which may include, without limitation, an action to recover any sums due for money damages, injunctive relief, foreclosure of the lien for payment of all assessments, any other relief provided for in these Bylaws or any combination thereof, and any other relief afforded by a court of competent jurisdiction, all of which relief may be sought by the Association, the Board of Directors, the Managing Agent, or, if appropriate, by any aggrieved Lot Owner.

(b) Additional Liability. Each Lot Owner shall be liable for the expense of all maintenance, repair or replacement to the extent rendered necessary by his

act, neglect or carelessness or the act, neglect or carelessness of any member of his family or employees, agents, licensees, invitees 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. Nothing contained herein, however, shall be construed as modifying any waiver by any insurance company of its rights of subrogation.

(c) Costs and Attorneys' Fees. In any proceeding arising out of any alleged default by a Lot Owner, the prevailing party shall be entitled to recover the costs incurred due to the proceeding, and such reasonable attorneys' fees as may be determined by the court or other appropriate forum in which such proceeding is instituted.

(d) No Waiver of Rights. The failure of the 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 or these Bylaws shall not constitute a waiver of the right of the 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 Association, the Board of Directors, or any Unit Owner pursuant to any term, provision, covenant or condition of the Declaration, these Bylaws or any rules and regulations promulgated thereunder 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 or rights as may be granted to such party by the Declaration, these Bylaws or such rules and regulations, or at law or in equity.

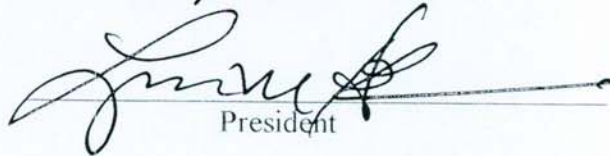
(e) Interest and Late Fees. If any Unit Owner defaults in the payment of any common expenses or other sum assessed against such Unit owner or Unit and the default continues for a period in excess of thirty (30) days, such Unit Owner shall pay interest on the amounts due and in default at a rate not to exceed the usury rate provided by the applicable statutes of the Commonwealth of Virginia from the due date thereof until paid. In addition, the common expenses or other sums due shall be subject to a late fee equal to five percent (5%) of the amount past due if not paid within ten (10) days after the due date thereof.

(f) Abatement and Enjoinment of Violations by Unit Owners. The violation of any rule or regulation adopted by the Board of Directors, or the breach of any Bylaw or Declaration provision or the breach of any provision of the Property Owners' Association Act shall give the Board of Directors the right, in addition to any other rights set forth in these Bylaws: (1) to enter, except by force or breach of the peace, the Lot in which or as to which, such violation or breach exists and summarily to abate and remove, at the expense of the defaulting Lot Owner, any structure, thing or condition that may exist therein contrary to the intent and meaning of the provisions hereof, and the Board of directors shall not thereby be deemed guilty in any manner of trespass; (2) to enjoin, abate or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any such breach.


Section 2. Lien for Contributions. Any sum assessed by the Association for the share of the common expenses chargeable to any Lot shall constitute a lien on such Lot and shall be enforced pursuant to the provisions of Section 55-516 of the Property Owners' Association Act. Such lien shall be inferior to the lien for assessments imposed by the Declarations as provided in these Bylaws.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said Association this 28th day of September, 2004.

[SEAL]

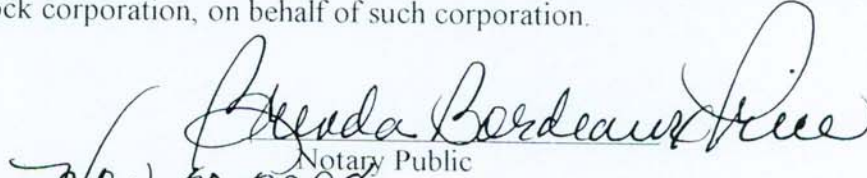

President

[SEAL]


Secretary

COMMONWEALTH OF VIRGINIA
CITY/COUNTY OF Chesterfield, to-wit:

I, Brenda Berdeaux Rice, Notary Public in and for the jurisdiction aforesaid, so certify that the foregoing Bylaws of Highlands Community Association, Inc., was executed and acknowledged before me this 29th day of September 2004, by Lynn Hillman as President of Highlands Community Association, Inc., a Virginia nonstock corporation, on behalf of such corporation.


Notary Public

My Commission Expires: Nov. 30, 2008

COMMONWEALTH OF VIRGINIA
CITY/COUNTY OF Chesterfield, to-wit:

I, Brenda Berdeaux Rice, a Notary Public in and for the jurisdiction aforesaid, so certify that the foregoing Bylaws of Highlands Community Association,

Inc., was executed and acknowledged before me this 28th day of September 2004, by Brian Patterson, as Secretary of Highlands Community Association, Inc., a Virginia nonstock corporation, on behalf of such corporation.

Brenda Berdeaux
Notary Public

My Commission Expires: Nov. 30, 2008