

BY-LAWS

OF

THE QUARTERS AT HERON'S LANDING

(By-Laws Adopted and Effective as of December 13, 2006)

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BYLAWS**

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BY-LAWS
OF
THE QUARTERS AT HERON'S LANDING
HOMEOWNERS' ASSOCIATION, INC.

(By-Laws Adopted and Effective as of December 13, 2006)

County of Pulaski, Virginia

ARTICLE I

IDENTITY

These are the Bylaws of The Quarters at Heron's Landing Homeowners' Association, Inc., a non-profit, non-stock corporation organized under the laws of the Commonwealth of Virginia, the Articles of Incorporation of which were filed with the Virginia State Corporation Commission in 2006. The Quarters at Heron's Landing Homeowners' Association, Inc., (the "Association") has been organized for the purpose of managing The Quarters at Heron's Landing Community in the County of Pulaski, Virginia, a town homes community.

Section A. Provisions of Declaration and Articles of Incorporation to Control. The provisions of these Bylaws are applicable to The Quarters at Heron's Landing Community, and the terms and provisions hereof are expressly subject to those terms, definitions, provisions, conditions and authorizations contained in the Articles of Incorporation of The Quarters at Heron's Landing Homeowners' Association, Inc. ("Articles") and the Declaration of Covenants, Conditions, and Restrictions of The Quarters at Heron's Landing ("Declaration") which have been recorded in the Clerk's Office, Circuit Court, County of Pulaski, Virginia. The terms and provisions of the Articles of Incorporation and Declaration shall control wherever the same may be in conflict herewith.

Section B. Defined Terms and Coverage.

1. Unless otherwise specifically defined in these Bylaws or the Declaration, the applicable terms herein shall be defined as follows:

- (a) "Articles of Incorporation" or "Articles" shall mean and refer to the Articles of Incorporation of the Association.
- (b) "Assessment" shall mean and refer to a Member's share of the Common Expenses from time to time assessed against a Member by the Association in the manner herein provided.
- (c) "Association" shall mean and refer to The Quarters at Heron's Landing Homeowners' Association, Inc., its successors and assigns.
- (d) "Association Property" shall mean and refer to the real property owned by the Association described in Exhibit B, the attachments to the Declaration.
- (e) "Board" or "Board of Directors" shall mean and refer to the Board of Directors of the Association.
- (f) "Common Areas" shall have the same meaning for these Bylaws as "Common Areas" are defined in the Declaration.
- (g) "Common Expenses" shall mean and refer to all expenditures lawfully made or incurred by or on behalf of the Association.
- (h) "Common Maintenance Areas" shall have the same meaning for these Bylaws as "Common Maintenance Areas" is defined in the Declaration.
- (i) "Declaration" shall mean and refer to the Declaration of Covenants, Conditions and Restrictions of The Quarters at Heron's Landing, as the same now exists or may be hereafter amended.
- (j) "Developer" shall mean RRNRV, L.L.C., a Virginia limited liability company, or its successors and assigns.
- (k) "IDA" shall refer to the Industrial Development Authority of Pulaski County, Virginia.

- (l) "Lot" or "Lots" shall refer to any or all of the townhouse dwellings and improvements thereon, designated as Lot 301 through and including Lot 347, on the map recorded as Instruments Nos. LR2006002202, LR2006002203, LR2006002204, and LR2006002205 in the Circuit Court for the County of Pulaski, Virginia, together with such additional lots as may be shown on any additional maps of The Quarters at Heron's Landing recorded from time to time in said Clerk's Office. Additional information concerning the Lots may be found in Exhibit A attached to the Declaration.
- (m) "Member" shall mean and refer to all those Members who are members of the Association as provided in Article II of the Declaration and for voting purposes shall mean one (1) vote for each Lot as stipulated in the said Article II, unless otherwise provided for in said Article II.
- (n) "Mortgage" shall mean and refer to any mortgage, deed of trust or similar instrument encumbering a Lot as security for the performance of any obligation. "Mortgagee" shall mean the holder of a Mortgage.
- (o) "Occupant" shall mean and refer to any person, including without limitation, any guest, invitee, tenant, lessee or family member of a Member, occupying or otherwise using or visiting a town home.
- (p) "Owner" or "Lot Owner" shall mean and refer to the record owner, whether one or more persons or entities, of a fee simple title to any town home, including contract sellers, but shall not mean or refer to any mortgagee or subsequent holder of a mortgage, unless and until such mortgagee or holder has acquired title pursuant to foreclosure or any proceedings in lieu of foreclosure.
- (q) "Property" shall mean and refer to the real property described on Exhibit A of the Declaration and all subsequent additions thereto, which includes

all Lots and town homes, Association Property, and Common Areas. The Property is further shown on the plat which is recorded in Plat Cabinet 2, Slide 47, Pages 8-10 and in Plat Cabinet 2, Slide 48, Page 1, and as Instruments Nos. LR2006002202, LR2006002203, LR2006002204, and LR2006002205.

2. Coverage. All present or future Owners, present or future tenants, the employees of tenants or Owners, or any other person who might use the Property or any of the facilities thereof in any manner, are subject to all the terms and provisions of these Bylaws. The foregoing notwithstanding, the Bylaws shall not apply to the IDA unless the IDA owns one or more town home dwellings or unless otherwise provided in these Bylaws.

Section C. Office. The office of the Association shall be at The Quarters at Heron's Landing Community located in Pulaski, Virginia, or such other place as the Board of Directors shall designate.

ARTICLE II

THE ASSOCIATION

Section A. Qualification of Members. The qualifications of Members of the Association, the manner of their admission to membership and termination of such membership shall be as set forth in the Declaration. For all purposes having to do with the administration of the Association Property, the Association shall act as an agent for the Members of the Association.

Section B. Powers of the Association. The Association shall have, in addition to those powers listed in the Articles of Incorporation, all the powers reasonably necessary to implement and effectuate the rules and objectives set forth in the Declaration, these Bylaws and all other documents pertaining to the Association.

Section C. Meetings of the Association. The Association shall hold one (1) meeting annually on the fifteenth day of November of each year, with the first such annual meeting to be

held on the 15th day of November, 2007. The foregoing notwithstanding, the Board of Directors may specify another date for any given annual meeting, provided that such meeting date occurs within thirty (30) days of November 15. At the annual meeting the membership shall adopt the budget and elect members to Board of Directors by ballot of the Members in accordance with the requirements of Section H. of this Article. Meetings of the Association shall be held at a suitable place convenient to the Members as may be designated by the Board of Directors.

Section D. Special Meetings. Special meetings of the Association may be called at any time by the president or the officers of the Association, or upon written the request of those Members holding not less than one-third (1/3) of the votes entitled to be cast at such meeting. 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.

Section E. Notice of Meeting. The secretary shall be responsible for a notice stating the time, place and purpose of scheduled and special meetings to be hand-delivered or mailed by registered mail to each Member. For scheduled meetings, members will be provided notice at least ten (10) days, but no more than sixty (60) days, in advance. For special meetings, members will be provided notice at least seven (7) days in advance. Notices delivered by mail shall be addressed to the Member's address last appearing on the books of the Association, as supplied by the Member to the Association for the purpose of notice.

Section F. Title to Lots. The Association may acquire, hold and transfer full legal title to one or more Lots or Common Areas in the Property in its own name.

Section G. Proxies. At all meetings of Members, each Member may vote in person or by proxy. All proxies shall be in writing, signed and dated by the Member granting the proxy, and filed with the Secretary. Every proxy shall be revocable and shall automatically cease upon conveyance by the Member of his Lot.

Section H. Voting. Voting at all meetings of the Association shall be on a one (1) equal vote per Lot basis, unless otherwise provided in the Declaration. No Member may vote at

any meeting of the Association or be elected to serve as any Officer of the Association if said Member is delinquent in the payment of any assessment.

Section I. Multiple Owner Voting. In the instance where a Lot is owned by more than one person, if one of the co-owners of the Lot is present at an Association meeting, that person shall be entitled to cast the vote for the Lot. If more than one of the owners is present, the vote shall be cast with their unanimous agreement and consent will be presumed if any one of the owners casts the vote without protest being made by any of the other co-owners at the meeting. Should the co-owners be unable to agree on the casting of their vote, this vote cannot be cast, but will be included in determining quorum.

Section J. Quorum. Except as otherwise provided in these Bylaws, the presence in person or by proxy of Members representing one-half (1/2) of all the votes of the Lot Owners shall constitute a quorum for any action. If, however, such quorum shall not be present or represented at any meeting, the Members entitled to vote thereat shall have power to adjourn the meeting from time to time without notice other than announcement at the meeting and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting.

Section K. Conduct of Meetings. The President shall preside over all meetings of the Association and the Secretary shall keep the minutes of all meetings and record in a minute book all resolutions adopted and all transactions occurring at each meeting. The then current edition of Robert's Rules of Order shall govern the conduct of all meetings of the Association when not in conflict with the Declaration, these Bylaws, or the Articles.

ARTICLE III

BOARD OF DIRECTORS

Section A. Number and Qualification. The affairs of the Association shall be governed by a Board of Directors. The Board of Directors shall be composed of three (3) individuals. One Director shall be designated as the President of the Board of Directors, one Director shall be

designated as the Vice-President of the Board of Directors, and the third Director shall be designated as the Secretary/Treasurer of the Board of Directors. Directors need not be Members.

Section B. Officers. The Officers of the Board of Directors, President, Vice-President, and Secretary/Treasurer, shall also serve as such officers of the Association. The Association may elect such other officers and designate their powers and duties as required to manage the affairs of the Association.

Section C. Term of Office. Board members shall be elected for staggered, three (3) year terms. The initial terms of office for the three Directors shall be as follows: President -- three (3) years; Vice-President -- two (2) years; and Secretary/Treasurer -- one (1) year. After such initial term, the term of office of each Director shall be three (3) years, with the result being that after the election or appointment of the initial Board of Directors, one (1) directorship shall come up for election in each year.

Section D. President. The President shall be the chief executive officer of the Board of Directors. This officer shall have all of the powers and duties which are usually vested in the office of the president of any association, including but not limited to, the power to appoint committees from among the members as needed. The President shall preside at all meetings of the Board of Directors; shall see that orders and resolutions of the Board are carried out; shall sign all leases, mortgages, deeds and other written instruments on behalf of the Association; and shall sign on behalf of the Association all promissory notes made by the Association.

Section E. Vice-President. The Vice-President shall act in the place and stead of the President in the event of his absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required of him by the Board.

Section F. Secretary/Treasurer. The separate duties of this one office are as follows:

1. The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the Members; 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; provide each new Member with a copy of the Declaration and By-laws of the Association; and shall perform such other duties as required by the Board.

2. 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 co-sign, on behalf of the Association, all promissory notes made the Association; keep proper books of accounts; at the request of a majority of the Members to cause an annual audit of the Association books to be made by a public accountant at the completion of each fiscal year; and shall prepare an annual budget and a statement of income and expenditures to be presented to the membership at its regular annual meeting and deliver a copy of each to the Members.

Section G. Powers and Duties. The Board of Directors shall have all of the power and duties necessary for the administration of the affairs of the Association and may do all such acts and things not prohibited by the Declaration or the Articles. 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 Property; provided, however, that such rules and regulations shall not be in conflict with the Declaration or the Articles. The Board of Directors, shall, on behalf of the Association:

1. Prepare an annual budget, in which there shall be established the assessments of each Member for the Common Expenses.

2. Recommend assessments (annual and special) against Members to defray the costs and expenses of the Association, establish the means and methods of collecting such assessments from the Lot Owners. Unless otherwise determined by the Board of Directors, the annual assessment against each Member for his proportionate share of the Common Expenses shall be payable in equal monthly installments, not later than the 10th day of each month.

3. Provide for the operation, care, upkeep and maintenance of all the Association Property and the Common Maintenance Areas, and provide the services of the Association.

4. May employ a manager, an independent contractor, or such other employees as they deem necessary, and to prescribe their duties.

5. Collect the assessments against the Members, deposit the proceeds thereof in bank depositories designated by the Board of Directors and use the proceeds to carry out the administration and purposes of the Association.

6. Pay all taxes, charges and assessments which are or may become liens against any part of the Association Property, other than individual Lots and the appurtenances thereto, and assess the same against the Members and their respective Lots.

7. Make, or contract for the making of, repairs and improvements to the Association Property and Common Maintenance Areas, including private roadways and town home roofs after the end of their useful lives (but excluding town home roofs in the event of damage or destruction by fire or other casualty).

8. Enforce by legal means the provisions of the Declaration, the Articles of Incorporation, these Bylaws, the rules and regulations, and act on behalf of the Members with respect to all matters arising out of any eminent domain proceedings.

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

10. Pay the cost of all authorized services rendered to the Association and not billed to Members of individual Lots.

11. Keep books with detailed accounts in chronological order of the receipts and expenditures affecting the Association Property and Common Maintenance Areas and the administration of the Association, specifying the expenses of maintenance and repair of the Association Property, Common Maintenance Areas, and any other expenses incurred. Such financial records shall be available for examination by the Members. All books and records shall be kept in accordance with good and accepted accounting practices, and the same shall be audited at least once a year. The cost of such audit shall be a Common Expense.

12. In the case where an Owner remains in default under these Bylaws, the Declaration, or the Articles for a period of time in excess of thirty (30) days, the Board of Directors may notify the Mortgagees of such Owner's Lot of the default.

13. Acquire, lease, manage, hold, mortgage, and dispose of Lots if expenditures associated with such actions are included in the budget adopted by the Association.

14. Provide for such other responsibilities not inconsistent with the Declaration or the Articles which the Board of Directors may be authorized to do by its own resolution.

Section H. Meetings. Regular meetings of the Board of Directors shall be held at such time and place as shall be determined from time to time by a majority of the members of the Board, but such meetings shall be held at least once every three months during each fiscal year. Notice of regular meetings of the Board shall be given to each member of the Board by mail or telephone or actual delivery at least five (5) business days prior to the day named for such meeting. Special meetings of the Board of Directors may be called by the President on three (3) business days notice to each member, given by mail or telephone, or actual delivery, which shall state the time, place and purpose of the meeting. Special meetings of the Board of Directors shall be called by the President or in like manner and on like notice on the written request of at least two (2) members of the Board.

Section I. Waiver of Notice. Any member 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 member at any meeting of the Board of Directors shall constitute a waiver of notice by him of the time, place and purpose of such meeting, unless such member attends for the specific purpose of challenging such notice. If all members 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 J. Quorum of Board of Directors. At all meetings of the Board of Directors, a majority of the Board shall constitute a quorum for the transaction of business, and the votes of a

majority of the Board 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, the meeting may be adjourned to a new time. At any such adjourned meeting at which a quorum is present, any business which might have been transacted at the meeting originally called may be transacted without further notice.

Section K. Compensation. Directors' compensation, if any, shall be determined by the Members of the Association.

Section L. 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. The then current edition of Robert's Rules of Order shall govern the conduct of the meetings of the Board of Directors when not in conflict with the Declaration, these Bylaws, or the Articles.

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

Section N. Vacancies. Vacancies in the Board of Directors may be filled by the remaining Directors selecting someone to serve until the next Annual Meeting. In the event of two or more vacancies on the Board, a special meeting of the Members of the Association shall be called by the President and the vacancies filled by an election.

Section O. Liability of the Board of Directors, Officers, Members, and Association.

1. The Officers and members of the Board of Directors of the Association shall not be liable to the Association for any mistake of judgment caused by negligence or otherwise, except for their own individual willful misconduct or bad faith. The Association shall indemnify and hold harmless the officers and Board of Directors from and against all contractual

liability to others arising out of contracts made by the Officers or the Board of Directors on behalf of the Association unless any such contract shall have been made in bad faith or contrary to the provisions of the Declaration, Articles of Incorporation, or these Bylaws, in which case those persons dealing in bad faith or dealing knowingly in a contrary manner to the aforesaid provisions shall not be indemnified. Other than has previously been stated in this Section, Officers and members of the Board of Directors shall have no personal liability with respect to any contract made by them on behalf of the Association and shall be considered as only acting as agents for the Association. The liability, if any, of any Member arising out of any contract made by the Officers or Board of Directors or out of the aforesaid indemnity in favor of the members of the Board of Directors or Officers, or for damages as a result of injuries arising in connection with the Association or its property, or for liability incurred by the Association, shall result solely by virtue of the assessments (including special assessments) made against his Lot by the Association as provided for in these Bylaws and in the Declaration. Every agreement made by the Officers, Board of Directors, or the Managing Agent on behalf of the Association shall, if obtainable, provide that the Officers, the members of the Board of Directors, or the Managing Agent, as the case may be, are acting only as agents of the Association and that they shall have no personal liability thereunder.

2. The Association shall not be liable for any failure of water supply or other services to be obtained by the Association or paid for as a Common Expense, or for injury or damage to any person or property caused by the elements or by any Member, or any other person, or resulting from electricity or water, snow, or ice which may leak or flow from any portion of the Association's Property or from any pipe, drain, conduit, appliance or equipment. The Association shall not be liable to any Member for loss or damage, by theft or otherwise, of articles which may be stored upon any of the Association's Property. No diminution or abatement of any assessments, as elsewhere provided herein, shall be claimed or allowed for inconvenience or discomfort arising from the making of repairs or improvements to other Association Property, or from any action taken by the Association to comply with any law, ordinance, or with the order or directive of any municipal or other governmental authority.

Section P. Common or Interested Members. Each Officer of the Association shall exercise his powers and duties in good faith and with a view to the best interests of the Association. No contract or other transaction between the Association and any of its Members, or between the Association and any corporation, firm or association in which any of the Members of the Association are members or officers or are pecuniarily or otherwise interested, is either void or voidable because any such Member is present at the meeting of the Board of Directors or any committee thereof which authorizes or approves the contract or transaction, or because his vote is counted for such purpose, if any of the conditions specified in any of the following subparagraph exists:

1. The fact of the common membership or interest is disclosed or known to the majority of the Board of Directors 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

2. The fact of the common membership or interest is disclosed or known to at least a majority of the Members, and the Members approve or ratify the contract or transaction in good faith by a vote sufficient for the purpose; or

3. The contract or transaction is commercially reasonable to the Association at the time it is authorized, ratified, approved or executed.

Any common or interested Member 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 or disallow any contract or transaction with like force and effect as if such Member were not such member or officer of the Association or not so interested.

Section Q. Execution of Documents. All agreements, contracts, deeds, leases, checks and other instruments of the Association for expenditures or obligations in excess of Two Hundred Dollars (\$200) unless specified by the budget shall be executed by any two (2) individuals designated by the Board of Directors. All such instruments for expenditures or

obligations of Two Hundred Dollars (\$200) or less may be executed by any one (1) individual designated by the Board of Directors.

Section R. Managing Agent. The Board of Directors may employ or contract for the Property a "Professional Managing Agent" at a compensation to be established.

1. Requirements. The Managing Agent and its employees shall be persons possessing a high level of competence in the technical skills necessary for proper management of the Property. The Managing Agent must be able to advise the Board of Directors regarding the administrative operations of the Property.

2. Duties. The Managing Agent shall perform such duties and services as the Board of Directors shall authorize.

3. 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.:

- (a) Cash accounts of the Association shall not be commingled with any other accounts except with the express permission of the Board of Directors.
- (b) No remuneration shall be accepted by the Managing Agent from vendors, independent contractors or others providing goods or services to the Association whether in the form of commissions, finder fees, service fees or otherwise;
- (c) Any discounts received shall benefit the Association; and
- (d) Any financial or other interest which the Managing Agent may have in any firm providing goods or services to the Association shall be disclosed promptly to the Board of Directors.

ARTICLE IV

OPERATION OF THE ASSOCIATION

Section A. Determination of Common Expenses and Assessments Against Owners.

1. Fiscal Year. The fiscal year of the Association shall be the calendar year unless otherwise determined by the Board of Directors.
2. Preparation and Approval of Budget.
 - (a) Each year, the Board of Directors shall recommend a budget for the Association. This budget will contain an estimate of the total amount considered necessary to pay the cost of maintenance, management, operation, repair and replacement of the various portions of the Association Property, and the cost of wages, materials, insurance premiums, services, supplies and other expenses. Such other expenses may be Common Expenses as provided by the Declaration, these Bylaws or a resolution of the Association and which will be required during the ensuing fiscal year for the administration, operation, maintenance and repair of the Association Property and Common Maintenance Areas and the rendering to the Members of all proper related services.
 - (b) The budget shall include such reasonable amounts as the Board of Directors considers necessary to provide working capital, a general operating reserve and reserves for contingencies and replacements. Thirty days prior to the Association's Annual Meeting, the Officers of the Board of Directors shall deliver to each Member a copy of the proposed budget in an itemized form which sets forth the amount of the Common Expenses and any special assessment payable by each Member. The adopted budget shall constitute the basis for determining each Member's assessment for the Common Expenses of the Association.
3. Assessment and Payment of Common Expenses. The total amount of the estimated funds required for the operation of the Association set forth in the budget adopted by the Association shall be assessed against each Member on an equal fractional basis, divided among all the Lots and shall be a lien against each Member's Lot as provided in the Declaration;

provided however, that no assessment shall apply to any Lot owned by the Developer so long as the Developer is a Class B Member as provided for in the Declaration. The due date for assessment shall be the first day of each month. Each Member shall be obligated to pay the Board of Directors or any Managing Agent (as determined by the Board of Directors), such Member's annual assessment. After the end of each fiscal year, the Board of Directors shall supply to all Members an itemized audited accounting of Common Expenses for such fiscal year.

4. Reserves. The Association through the Board of Directors shall build up and maintain reasonable reserves for working capital, operations, contingencies and replacements. These reserves will be invested by the Board of Directors in insured accounts, only. Extraordinary expenditures not originally included in the annual budget which may become necessary during the year shall be charged first against such reserves. If the reserves are inadequate for any reasons, including non-paying of any Member's assessment, the Board of Directors may at any time levy a special assessment, which shall be assessed against the Members according to their respective percentage interests, which 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 further assessment on all Members by a statement in writing giving the amount and reasons therefor, and such further assessment, shall, unless otherwise specified in the notice, become effective with the next monthly payment which is due at least 30 days after the delivery of such notice of a special assessment. All Members shall be obligated to pay the adjusted monthly amount or, if such special assessment is not payable in installments, to pay the amount of special assessment. Such assessment shall be a lien as of the effective date as set forth in the preceding paragraph 3. The foregoing notwithstanding, no annual or special assessment, including assessments related to any reserve fund, shall apply to any Lot owned by the Developer or its affiliates or assigns so long as the Developer or any of its affiliates or assigns is a Class B Member as provided for in the Declaration.

5. Effect of Failure to Prepare or Adopt Budget. The failure or delay of the Board of Directors to prepare or recommend a budget for any fiscal year shall not constitute a

waiver or release in any manner of a Member's obligation to pay his allocable share of the Common Expenses. In the absence of any annual budget or adjusted budget, each Member shall continue to pay each monthly installment at the monthly rate established for the previous fiscal year until notice is received of the new monthly payment that is based on the new annual or adjusted budget. In addition, each Member shall pay on a monthly basis all assessments associated with replacement reserve funds as specified in the Declaration.

6. Accounts. All sums collected by the Board of Directors with respect to assessments against the Members or from any other source may be held in a single fund, provided that the appropriate bookkeeping records are maintained for each Member with respect to his assessment obligation.

Section B. Further Provisions Concerning Payment of Common Expenses.

1. Liability to Association upon Resale. Except for the Developer and its affiliates and assigns, each Member shall pay the Common Expenses assessed by the Board of Directors pursuant to the provisions of Section A of this Article IV. No Member may exempt himself from liability for his contribution toward Common Expenses by waiver of the use or enjoyment of any part of the Association Property, Common Areas, or Common Maintenance Areas, or by abandonment of his Lot. No Member shall be liable for the payment of any part of the Common Expenses assessed against his Lot subsequent to the date of recordation of a conveyance by him of such Lot in fee simple. Prior to or at the time of any such conveyance, all liens, unpaid charges and assessments shall be paid in full and discharged. Each Lot Owner shall be personally liable for all unpaid assessments against his Lot that accrued while such Lot Owner owned such Lot. Upon the sale of a Lot, the seller of such Lot shall be personally liable for all unpaid assessments against his Lot that were assessed while he owned such Lot up to the time of the recordation of the deed to the purchaser of such Lot. The personal obligation of the seller for unpaid assessments that fell due while seller owned such Lot shall not pass to the purchaser (other than as a lien on the Lot if not paid at closing) unless expressly assumed by the purchaser. Any such purchaser shall be entitled to a statement setting forth, among other things,

the amount of the unpaid assessments that have accrued against said Seller as of a certain date within five (5) days following a written request therefore to the Board of Directors or Managing Agent and such purchaser shall not be liable for, nor shall the Lot conveyed be subject to a lien for any unpaid assessments that have accrued as of such certain date in excess of the amount therein set forth.

2. Rights to Association Assets Upon Resale. No Lot Owner shall be entitled to any refund, in part or in full, of any assessments paid to the Association, regardless when paid, upon the sale or other transfer of such Owner's Lot. The Association shall not be required to account to or make any payment to any former Lot Owner with respect to any share or portion of the funds, reserves, or other assets of the Association.

Section C. Collection of Assessments. The Board of Directors or the Managing Agent at the request of the Board of Directors, shall take prompt action to collect any assessments for Common Expenses due from any Member which remain unpaid for more than ten (10) days from the due date, together with authorized late charges, interest, costs, and attorneys' fees as provided for in Section 9 of Article V of the Declaration. In addition, the Board of Directors or Managing Agent ,may use such other remedies as are provided for in said Section 9 of Article V in the event of non-payment of assessments.

Section D. Statement of Common Expenses. The Board of Directors shall promptly provide a Member, contract purchaser, or that Member's mortgagee requesting in writing with a written statement of all unpaid assessments. The Board of Directors may impose a reasonable charge for the preparation of such statement to cover the cost of preparation to the extent permitted by law. Such statement may be signed by an officer or the Managing Agent of the Association.

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

1. By the Association. The Association shall be responsible for all maintenance, repair and replacement, whether structural or otherwise, of the Association Property and Common Maintenance Areas including town home roofs and private roadways as

provided for in the Declaration, or as may be determined by the Association. However, any expense incurred by the negligence, misuse or neglect by a Member or such Member's Occupant shall be charged to such Member. Furthermore, each Lot Owner shall be responsible for the repair or replacement of all structures and other improvements on his Lot that are damaged or destroyed by fire, windstorm, or other hazard or occurrence for which such Lot Owner was required by the Declaration to provide insurance coverage.

2. By the Member. Except for his obligation to pay Assessments and except as otherwise provided in Section E. 1. of this Article IV, no Member shall be responsible for the operation and maintenance of Association Property or Common Maintenance Areas. However, each Member shall be responsible for the repair, maintenance, and replacement of all exterior components of his town home, including but not limited to private driveways, private sidewalks and walkways, decks, railings, door lights, exterior steps or stairs, patios, porches, outside trim, exterior doors, storm doors, screened doors, glass windows, window screens, and garage doors. Excluded from each Member's responsibilities under the foregoing sentence is the replacement of the Member's town home roof at the end of its useful life, which is estimated to be twenty (20) years.

3. Manner of Repair and Replacement. All repairs and replacements to Association Property, structural components of Town homes included as Common Maintenance Areas, and other Common Maintenance Areas shall be of quality workmanship and shall meet all provisions of the building codes used by the applicable jurisdiction. The method of approving payment vouchers for all repairs and replacements shall be determined by the Board of Directors. To preserve architectural appearance of Townhouses, no construction, improvement, paint or other changes whatsoever shall be commenced or maintained with respect to the exterior of any structure on a Lot except as originally constructed unless approved by the Board of Directors. No alteration on original landscaping which term shall be defined in its broadest sense as including grass, fences, hedges, vines, trees and the like, or changes in the exterior of any structure on the Lot, including color, will be permitted unless approved by the Board of

Directors. Each Lot Owner shall be responsible for the repair or replacement of the structural components of the town home located on such Owner's Lot, unless otherwise provided in these By-Laws or in the Declaration.

Section F. Additions, Alterations or Improvements by Member of the Association. No Member of the Association shall have the right at any time to make architectural, engineering, landscaping or decorative changes of any nature to any portion of the Association Property, Common Areas, or Common Maintenance Areas, or to his lot or exterior of his dwelling without approval of the Board of Directors, and the same shall be maintained in such a fashion to preserve the original architectural, engineering and decorative design in every aspect.

ARTICLE V

INSURANCE

The insurance coverage for the Association and Lot Owners shall be governed by Article VII of the Declaration of Covenants, Conditions, and Restrictions of The Quarters at Heron's Landing Homeowners' Association.

ARTICLE VI

REPAIR AND RECONSTRUCTION AFTER FIRE OR OTHER CASUALTY

Section A. When Repair and Reconstruction are Required. In the event of damage to or destruction of all or any of the improvements on any Association Property, or on any Common Maintenance Areas, as a result of fire or other casualty, the Board of Directors under the direction of the Insurance Trustee shall arrange for and supervise the prompt repair and restoration of such Association Property, or the Common Maintenance Areas, all as provided for in Articles VII and VIII of the Declaration. Unless otherwise provided in these By-Laws or the Declaration, the Association shall be responsible for the repairs and restoration of Association Property and those portions of the Common Maintenance Areas that do not comprise a structural

component of any town home or other building on any Lot, while individual Lot Owners shall be responsible for the repairs and restoration of party walls and town home structures.

Section B. Liability Insurance. The Board of Directors shall obtain and maintain such comprehensive general liability, property damage, and other insurance as is required under the provisions of Sections 1, 3, and 4, Article VII of the Declaration.

Section C. Procedure for Reconstruction and Repair.

1. Cost Estimates. Immediately after the fire or other casualty, the Board of Directors, under the direction of any applicable Insurance Trustee, shall obtain reliable and detailed estimates of the cost of repairing and restoring the Association Property, and/or Common Maintenance Areas (excluding all exterior structural components of any town home) to a condition as good as that existing before such casualty. Such costs may also include professional fees and premiums for such bonds as either the Board of Directors or the Insurance Trustee determines to be necessary.

2. Assessments. If the proceeds of the insurance are not sufficient to defray such estimated costs of reconstruction and repair of Association Property and/or Common Maintenance Areas (excluding all exterior structural components of any town home), or if upon completion of such reconstruction and repair the funds for the payment of the costs thereof are insufficient, the amount necessary to complete such reconstruction and repair may be obtained from the appropriate reserve for replacement and/or shall be deemed a Common Expenses and a special assessment therefor shall be levied.

3. Plans and Specifications. Any such reconstruction or repair shall be substantially in accordance with the original construction of the Association Property and/or Common Maintenance Areas to include same materials, fixtures, paint colors, landscaping, etc. as original construction.

ARTICLE VII

MORTGAGES

Section A. Notice to the Board of Directors. A Member who mortgages his Lot shall notify the Board of Directors of the name and address of his Mortgagee and shall file a conformed copy of the note and mortgage with the Board of Directors. In the event of a sale or transfer of a Lot into a third party, the purchaser or transferee shall notify the Association in writing of his interest in the Lot purchased or received.

Section B. Notice of Default, Casualty or Condemnation. The Board of Directors when giving notice to any Member of a default in paying an assessment for Association Expenses or any other default, shall simultaneously send a copy of such notice to the Mortgagee of such Lot if the name and contact information of the Mortgagee has been provided to the Association by the Member. Each Mortgagee shall also be promptly notified of any casualty giving rise to a possible claim under any insurance purchased.

ARTICLE VIII

COMPLIANCE AND DEFAULT

The compliance and default policies and procedures of this Association shall be governed by Article X of the Declaration of the Covenants, Conditions, and Restrictions of The Quarters at Heron's Landing Homeowners' Association.

ARTICLE IX

AMENDMENT TO BYLAWS

Section A. Amendments and Termination. The Bylaws may not be terminated except by the affirmative vote of those Members holding at least three-fourths (75%) of all the votes entitled to be cast by the Members.

Section B. Method of Amending. These Bylaws may be amended in the following manner: An Amendment or Amendments may be proposed by any Officer of the Board of

Directors of the Association or any Member of the Association. Upon any Amendment or Amendments being proposed by such Officer or Member, the President shall place the Amendment(s) on the agenda for the next regularly scheduled meeting of the Members or schedule a special meeting of the Members. It shall be the duty of the Secretary to give each Member written or printed notice of the meeting, regular or special, stating the time and place, including the proposed Amendment or Amendments at least thirty (30) days prior to the meeting. Any Member may, by written waiver of notice signed by such Member, waive such notice, and such waiver, when filed in the records of the Association, whether before or after the holding of the meeting, shall be deemed equivalent to the giving of notice to such Member. At the meeting, each Amendment proposed must be approved by an affirmative vote of those Members holding at least three-fourths (75%) of all the votes entitled to be cast by the Members in order for such Amendment to become effective. The original or an executed copy of such approved Amendment(s) shall be recorded in the Clerk's Office of the Circuit Court of Pulaski County, Virginia, within ten (10) days from the date approved by the Members or as soon thereafter as is practicable, and shall refer to the recording date and Instrument No. identifying the Bylaws which are affected by such Amendment(s). Thereafter, a copy of the Amendment(s) in the form in which the same were placed on record by the Officers of the Association, shall be delivered to all the Members, but delivery of a copy shall not be a condition precedent to the effectiveness of the Amendment(s). At any meeting held to consider Amendment(s), the written vote of any Member of the Association shall be recognized if the Member is not in attendance at the meeting or represented by proxy, provided a written vote is delivered to the Secretary of the Association prior to the meeting.

Section C. Termination.

1. Termination of the Association may be effected only by the affirmative vote of those Members holding at least three-fourths (75%) of all the votes entitled to be cast by the Members and only after a termination agreement has been executed by such Members and recorded in the Clerk's Office of the Circuit Court of Pulaski County, Virginia. In addition to the

foregoing, termination shall not be allowed (i) unless two-thirds (2/3) of the holders of all mortgages or deeds of trust that are liens on the Lots consent in the aforesaid termination agreement, and (ii) unless all obligations owing to the IDA, Pulaski County, Virginia, or any authority or political subdivision of the Commonwealth of Virginia have been provided for.

2. In the event of termination, the Lot Owners shall own the Association Property as tenants in common in undivided shares determined as follows: The Owner or Owners of each Lot shall own an undivided share in the Association Property equal to one (1) divided by the number of Lots in The Quarters at Heron's Landing Town Home Community. The holder or holders of any Mortgage on a Lot shall have a lien on such Lot Owner's undivided share of the Association Property. So long as the tenancy in common lasts, each Member or his heirs, successors, or assigns shall have a non-exclusive right of occupancy of the Association Property. All funds held by the Association including insurance proceeds, if any, shall be held for the Lot Owners in the same proportion as their former fractional interests in the Association Property. Any costs incurred by the Association in connection with the termination shall be considered an Association expense.

3. Following termination, the property that was formerly the Association Property may be partitioned and sold upon the application of any Lot Owner. Following a termination, the Board of Directors, may by a majority vote, accept an offer for the sale of the Association Property.

4. The members of the Board of Directors acting collectively as agent for all Members, shall continue to have such powers as are granted in this Article notwithstanding the fact that the Association itself may be dissolved upon termination.

Section D. IDA Approval. Notwithstanding any other provision or provisions of these Bylaws, no action to terminate or amend these Bylaws shall be effective unless approved by the IDA in writing. The IDA may withdraw and cancel this right of approval by written instrument to that effect recorded in the land books in the Clerk's Office of the Circuit Court of Pulaski County, Virginia.

ARTICLE X

MISCELLANEOUS

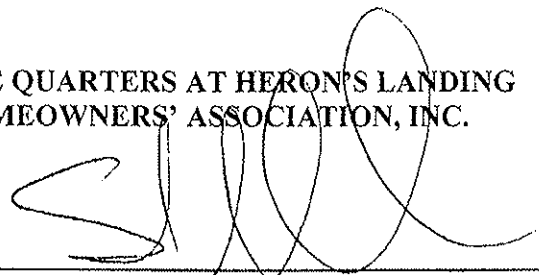
Section A. Notices. All notices, demands, statements or other communications under these Bylaws shall be in writing and shall be deemed to have been duly given if delivered personally or by registered mail (a) if to a Member, at the address which such Member shall designate in writing and file with the Secretary or, if no such address is designated, at the address of the Member Lot, or (b) if to the Association, Board of Directors, or to the Managing Agent, at the principal office of the Association or other designated address in writing. If a Lot is owned by more than one person, each person who so designates an address in writing to the Secretary shall be entitled to receive all notices.

Section B. Matters of Interpretation. Where appropriate to the context, pronouns or other terms expressed in one number and gender shall be deemed to include the other numbers and genders. All headings used in these Bylaws are for the purposes of illustration only and shall have no bearing upon the interpretation given any provision of these Bylaws.

Section C. IDA Approval. The IDA hereby grants its approval of these By-Laws and consents to their recordation among the land records of Pulaski County, Virginia. The IDA makes such approval and consent solely to protect its own interests. The IDA makes no representations or warranties, and undertakes no duties or obligations to any past, present, or future Lot Owner or any other party, by joining in these By-Laws, other than to state that it has in fact granted such approval and consent.

IN WITNESS WHEREOF, the foregoing Bylaws have been adopted as the Bylaws of The Quarter at Heron's Landing Homeowners' Association, Inc. at the organizational meeting of its Board of Directors held on the 13th day of December, 2006.

THE QUARTERS AT HERON'S LANDING
HOMEOWNERS' ASSOCIATION, INC.

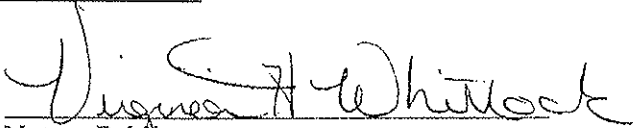
BY: 
Steven R. Crawford, President

STATE OF VIRGINIA

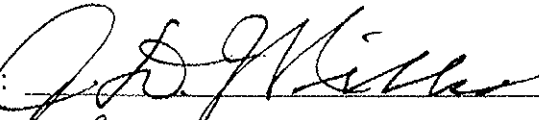
COUNTY OF MONTGOMERY, to wit:

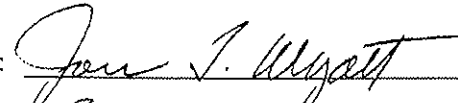
The foregoing instrument was acknowledged before me this 23rd day of March, 2007, by STEVEN R. CRAWFORD, President of The Quarters at Heron's Landing Homeowners' Association, Inc., a Virginia Corporation, on behalf of the corporation.

My Commission Expires: 4-30-07


Notary Public

INDUSTRIAL DEVELOPMENT AUTHORITY
OF PULASKI COUNTY, VIRGINIA

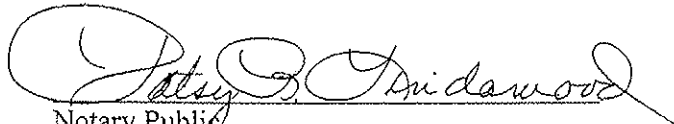
By: 
Its: CHAIRMAN

and By: 
Its: SECRETARY - TREASURER

COMMONWEALTH OF VIRGINIA
COUNTY OF PULASKI, to wit:

The foregoing instrument was acknowledged before me this 4th day of April, 2007, by James D. Miller, Chairman (title), and by Joan J. Wyatt, Secretary-Treasurer (title) of the Industrial Development Authority of Pulaski County, Virginia, on behalf of said Authority.

My Commission Expires: August 31, 2009


Notary Public