



BY-LAWS

**BY-LAWS
OF
HILLCREST FARMS COMMUNITY ASSOCIATION, INC.**

ARTICLE 1. GENERAL PROVISIONS.

1.1. Identity--Purpose. These are the By-Laws of Hillcrest Farms Community Association, Inc. (the "Association"). This Association has been organized for the purpose of administering the affairs of the Association.

1.2. By-Laws Subject to Other Documents. The provisions of these By-laws are applicable to said Association and are expressly subject to the terms, provisions and conditions contained in the Articles of Incorporation of said Association, referred to herein as the "Articles"), and the Declaration of Covenants, Conditions and Restrictions for Hillcrest Farms Community Association, Inc. (referred to herein as "Declaration") which will be recorded in the Clerk's Office of the Circuit Court of the City of Virginia Beach, Virginia, at the time said property is submitted.

1.3. Applicability. All Lot Owners, tenants and occupants, their agents, servants, invitees, licensees and employees and others that use the Property, or any part thereof, are subject to these By-laws and the documents referred to in Article 1.2 hereof.

1.4. Office. The office of the Association shall be at the Property or such other place designated by the Board of Directors of the Association.

1.5. Seal. The seal of the Association shall bear the name of the Association, the word "Virginia", and the year of incorporation.

1.6. Authority. Current Property Owners Association Act.

1.7. Definitions. All definitions set forth in the Declaration and Exhibits attached thereto are hereby adopted by reference as though set forth herein verbatim.

ARTICLE 2. MEMBERSHIP; VOTING; PROXIES; RULES OF ORDER.

2.1. Qualification of Members, etc. The qualification of members, the manner of their admission to membership and termination of such membership, and voting by members shall be as set forth in the Declaration, Articles and in these By-laws.

2.2. Corporate or Multiple Ownership of a Lot. The vote of the owners of a Lot owned by more than one person or by a corporation or other entity shall be cast by the person named in a certificate

designating the "Voting Member". Such certificate will be signed by all of the owners of such Lot, or the proper corporate officer, filed with the Secretary of the Association, and shall be valid until revoked by subsequent certificate. If such a certificate is not so filed the vote of such owners shall not be considered in determining a quorum or for any other purpose unless a valid proxy is filed as provided below. In the absence of a certificate, in the event that any person appears at a meeting on behalf of a corporation or multiple owner and such person is not challenged by any co-owner present or corporate officer, then such person may cast votes as the representative of such Lot at such meeting.

2.3. Voting; Proxy. Votes may be cast in person or by proxy. Proxies shall be valid only for the particular meeting designated thereon, except as provided in Article 3.5 below, and must be filed with the Secretary before the appointed time of the meeting. Where a Lot is owned by more than one person or a corporation or other entity the proxy must be signed by the "Voting Member", or by all the owners of such Lot, or the proper corporate officer. No such proxy shall be revocable except by actual notice to the person presiding over the meeting, by the lot owner or by any of such persons, that it be revoked. Any proxy shall be void if it is not dated, or if it purports to be revocable without notice as aforesaid, or if the signatures of any of those executing the same has not been witnessed by a person who shall sign his full name and address. The proxy of any person shall be void if not signed by a person having authority, at the time of the execution thereof, to execute deeds on behalf of that person.

2.4. Voting. Each Owner, subject to the provisions of Article 2.2 hereof, shall be entitled to cast the number of votes allocated to his Lot. The votes allocated to each Lot shall equal the numerator of the fraction constituting the Lot's Percentage Interest in the Common Area if expressed as a fraction. The vote of such Lot shall not be divisible.

2.5. Majority. Except where otherwise required by the provisions of the Articles, these By-laws, the Declaration, or where the same may otherwise be required by law, the affirmative vote of the Owners having a majority of the votes represented at any duly called meeting at which a quorum is present shall be binding upon the members.

ARTICLE 3. ANNUAL AND SPECIAL MEETINGS OF MEMBERSHIP.

3.1. Annual Meeting. The first annual meeting of the Members shall be held within one (1) year from the date of closing of the first Lot to a Public Purchaser within the Association and each subsequent regular annual meeting of the Members shall be held during the same month each year thereafter (October annually).

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

3.3. Notice of Meeting; Waiver. 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 to each member, unless such notice is waived in writing. Such notice will be written and will state the time, place and object for which the meeting is called. Such notice shall be given or mailed to each member not less than twenty-one (21) days nor more than sixty (60) days prior to the date set for a regular meeting. Such notice shall be given or mailed to each member not less than seven (7) days nor more than thirty (30) days prior to a special meeting. If hand delivered, receipt of such notice shall be deemed to be properly given when deposited in the United States mail, postage prepaid, addressed to the member at his post office address as it appears on the records of the Association.

3.4. Quorum and Adjournment of Meetings. The presence at the meeting of Members, in person or by proxy, entitled to cast one-tenth (1/10) of the votes of membership shall constitute a quorum for any action except as otherwise provided in the Articles of Incorporation, the Declaration, or these Bylaws. If, however, such quorum shall not be present or represented at any meeting, the Members entitled to vote thereat shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum as aforesaid shall be present or be represented.

3.5. Chairman. At all meetings of membership, the President shall preside, or in his absence, the Board of Directors shall select a chairman.

3.6. Order of Business. The order of business at annual members' meetings, and, as far as practical, at any other members' meeting, shall be:

- 3.6.1. Calling of the roll and certifying of proxies;
- 3.6.2. Proof of notice of meeting or waiver of notice; establishment of quorum
- 3.6.3. Reading of minutes;
- 3.6.4. Reports of Officers;
- 3.6.5. Reports of Committees;
- 3.6.6. Election of Inspector of the Election (when so required);
- 3.6.7. Election of Directors;

3.6.8. Unfinished business;

3.6.9. New business;

3.6.10. Adjournment.

ARTICLE 4. BOARD OF DIRECTORS.

4.1. Management of Association. The affairs of the Association shall be managed by a Board of Directors (hereafter referred to as "Board") consisting of five persons.

4.2. Election of Directors. At the annual meeting of the Members members shall elect the directors for a three (3) year term.

4.3. Nomination. Nomination for election to the Board of Directors shall be made by any member of the Board of Directors. Any homeowner nominated for the board must be in total compliance with the bylaws and architectural guidelines. Nominations may also be made from the floor at the annual meeting subject to procedural rules adopted by the Board. Such rules shall not be established so as to exclude any Member desiring to be a candidate or desiring to submit the name of a candidate from so doing. The Board of Directors shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled.

4.4. Election. Election to the Board of Directors shall be by secret ballot. At such election the Members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

4.5. Organizational Meeting. The organization meeting of a newly elected Board shall be held within ten (10) days of their appointment, at such time and at such place as shall be fixed by the directors at the meeting at which they were elected and no further notice of the organizational meeting shall be necessary, PROVIDED, a quorum shall be present.

4.6. Regular Meetings. Regular meetings of the Board may be held at such time and place as shall be determined, from time to time, by a majority of the directors. Notice of the time and purpose of regular meetings shall be given to each director, personally or by mail, telephone or telegram, at least three (3) days prior to the day named for such meeting, unless notice is waived. Meetings shall be open to all Owners, and notice thereof shall be given by a newsletter, E-mail, Official Association internet homepage or it shall be posted conspicuously on the Property at least three (3) days in advance, except in an emergency.

4.7. Special Meetings. Special meetings of the Board may be called by the President or any other two officers. Except in an emergency the notice shall be given as provided in Article 4.7 above and shall state the time, place and purpose of the meeting.

4.8. Waiver. Any director may waive notice of a meeting before or after the meeting and such waiver shall be deemed equivalent to the giving of notice. Attendance shall be deemed a waiver.

4.9. Quorum. A quorum at a directors' meeting shall consist of the directors entitled to cast a majority of the votes of the entire Board. The acts of the Board approved by a majority of the votes present at a meeting at which a quorum is present shall constitute the acts of the Board except as specifically otherwise provided for in the Articles, these By-laws of the Declaration. If any directors' meeting cannot be convened because a quorum has not attended, or because the greater percentage of the directors required to constitute a quorum for particular purposes have not attended, (wherever the later percentage of attendance may be required as set forth in the Articles, these By-laws, or the Declaration) the directors who are present may adjourn the meeting, from time to time, until a quorum, or the required percentage of attendance if greater than a quorum, is present. At any adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice. The joinder of a director in the action of a meeting by signing and concurring in the minutes thereof shall constitute the presence of such director for all purposes including determining a quorum, provided that the same be accomplished within ten (10) days from the date of the meeting.

4.10. Presiding Officer. The presiding officer shall be the President of the board. In the absence of the President, the following order of authority shall be the Vice President followed by the next senior member of the board.

4.11. Resignation and Removal. A director may resign by giving written notice thereof. A director shall be deemed to have resigned upon his termination of membership in the Association or upon his default for thirty (30) days of any of the provisions of covenants of the Declaration and Exhibits attached thereto; and any three consecutive Board meetings. Exception to this shall be approved by 2/3 of the Board of Directors. Any director may be removed from the Board, with or without cause, by a majority vote of the members of the Association. In the event of death, resignation or remaining Members of the Board and shall serve for the unexpired term of his predecessor.

4.12. Compensation. No director shall receive compensation for any service he may render to the Association. However, any director may be reimbursed for his actual expenses incurred in the performance of his duties.

4.13. Action Taken Without a Meeting. The directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the written approval of all the directors. Any action so approved shall have the same effect as though taken at a meeting of the directors.

4.14. Powers and Duties. The powers and duties of the Association may, subject to the limitations set forth herein and in the Act, be exercised by the Board, in the Board's sole discretion. Such powers shall include without limiting the generality of the foregoing, the following:

4.14.1. To adopt the budget of the Association upon majority vote of the directors.

4.14.2. To make, levy and collect assessments against members and members' Lots to defray the cost of the Common Expenses, and to use the proceeds of said assessments in the exercising of the powers and duties granted to the Association.

4.14.3. To provide for the maintenance, repair, replacement, operation, improvement and management of the common grounds and facilities wherever the same is required to be done and accomplished by the Association for the benefit of its members.

4.14.4. It is understood that the assessments must be sufficient to provide for the payment of all anticipated current operating expenses and for all of the unpaid operating expenses previously incurred. Accordingly, the Board is given the power to adopt special assessments providing for any previously unanticipated expenses. Special assessments shall be limited to those items, which are necessary and all other items, which can reasonably be deferred to the regular budgetary meeting shall be so deferred.

4.14.5. Upon consent of the membership to administer the reconstruction of improvements after casualty and the further improvement of the property, real and personal.

4.14.6. To adopt and amend administrative rules and regulations governing the details of the operation and use of the Common Areas, real and personal, in the Association, so long as such rules and regulations or amendments thereto do not conflict with the rights, privileges, restrictions and limitations which may be placed upon the use of such property under the terms of the Declaration and Exhibits attached thereto.

4.14.7. To acquire, operate, lease, manage and otherwise trade and deal with property, real and personal, including Lots in the Association on behalf of the Association, as may be necessary or convenient in the operation and management of the Association and in accomplishing the purposes set forth in the Declaration.

4.14.8. To contract on behalf of the Association for the management of the Property and to delegate to such contractor such powers and duties of the Association as the directors deem fit, to lease or concession such portions thereof and to ratify and confirm any existing leases or concessions of any part of the Property.

4.14.9. To enforce, by legal means, the provisions of the Declaration and any Exhibits attached thereto and the Rules and Regulations promulgated governing the use of the Property.

4.14.10. To cause the Association to pay all taxes and assessments of any type which affect any part of the Property, other than Lots (unless owned by the Association) and the appurtenances thereto, and to assess the same against the members and their respective Lots.

4.14.11. To cause the Association to carry insurance for the protection of the members and the Association against casualty and liability as required by the Declaration.

4.14.12. To cause the Association to pay all costs of power, water, sewer and other utility services rendered to the Association, which is not the specific responsibility of the owners of the separate Lots.

4.14.13. To cause the Association to employ personnel, for reasonable compensation, to perform services required for proper administration of the purposes of the association, including accountants, attorneys, contractors and other professionals.

4.14.14. The Association shall have the right, when determined by the Board of Directors to be in the best interests of the Association, to grant exclusive licenses, easement, permits, leases, or privileges to any individual or entity, including Non-Lot Owners, which affect Common Areas and to alter, add to, relocate or improve Common Areas.

4.15. Committees. The Board may delegate portions of its responsibilities to committees established for that purpose.

4.16. Manner of Collection of Common Expenses. The provisions of Article V of the Declaration setting forth the manner of collection of Common Expenses and other charges are incorporated herein by reference.

ARTICLE 5. OFFICERS.

5.1. Generally. The officers of the Association shall be a President, one Vice Presidents, a Treasurer, a Secretary, and, one

Member at Large, all of whom shall be elected annually by the Board and who may be peremptorily removed by a simple majority vote of the directors at any meeting. No person may hold two or more offices. The Board may, from time to time, elect such other officers and designate to manage the affairs of the Association. All Board members may be assigned liaison duties for specified committees.

5.2. President. The President shall be the chief executive officer of the Association. The President shall have all of the powers and duties which are usually vested in the office of President of an Association, including, but not limited to, the power to appoint committees from among the members, from time to time, as he may, in his discretion, determine appropriate to assist in the conduct of the affairs of the Association. The President shall be a member of the Board. The President is prohibited from making or seconding proposed motions during any official meetings.

5.3. Vice President. The Vice President shall in the absence or disability of the President, exercise the powers and perform the duties of President. The Vice President shall also generally assist the President and exercise such other powers and perform such other duties as shall be prescribed by the directors or President.

5.4. Secretary. The Secretary shall keep the minutes of all proceedings of the directors and the members, attend to the giving and servicing of all notices to the members and directors, have custody of the seal of the Association and affix the same to instruments requiring a seal when duly signed, keep the non-financial records of the Association, and shall perform all other duties incident to the office of Secretary of an Association and as may be required by the directors or President. The Assistant Secretary, if any, shall perform the duties of Secretary when the Secretary is absent.

5.5. Treasurer. The Treasurer shall have custody of all of the funds, securities and evidence of indebtedness of the Association. The Treasurer shall keep the assessment rolls and accounts of the members and the books of the Association in accordance with good accounting practices and shall perform all other duties incident to the office of Treasurer.

5.6. Member at Large. The Member at Large will provide additional information to the other Board Members and carry out any other major projects as deemed necessary by the Board which don't normally fall under the scope of the other Board Members.

5.7. Delegation of Board members responsibilities. Any Board members responsibilities may be delegated to a management group and overseen by that board member.

ARTICLE 6. FISCAL MANAGEMENT; ASSESSMENTS; LIENS.

The provisions for fiscal management of the Association set forth in the Declaration shall be supplemented by the following provisions:

6.1. Manner and Notification. The Board of Directors shall, fix and determine the sums necessary to pay all the Common Area expenses, and other fees of the Association, including maintenance of proper reserves, pursuant to the provisions of the Declaration, Articles and these By-laws. The same shall be assessed against the Owners as provided in the Declaration and all the Exhibits attached thereto.

6.2. Payments of Assessments. Except as specified to the contrary, funds for the payment of Common Expenses shall be assessed against the Owners in the proportions provided in the Declaration. Said assessments shall be payable, without notice, unless otherwise required by the Board. Special assessments, should such be required by the Board, shall be levied in the same manner as herein before provided for regular assessments, except notice thereof shall be given, and shall be payable in the manner determined by the Board. FAILURE TO PAY ANY ASSESSMENT WITHIN TEN (10) DAYS FROM THE DATE DUE, SHALL ENTITLE THE ASSOCIATION TO LEVY A LATE CHARGE AGAINST THE DEFAULTING LOT OWNER OF 10% OF THE AMOUNT OF SUCH ASSESSMENT, AND A LIKE AMOUNT EACH THIRTY DAYS THEREAFTER IF SUCH ASSESSMENT IS NOT PAID. THE PARTIES AGREE THAT THE LATE CHARGE IS NOT A PENALTY BUT IS VALID LIQUIDATED DAMAGES.

6.3. Proposed Budget. A copy of the proposed one (1) year budget shall be mailed to Owners not less than thirty (30) days prior to the Board of Directors meeting at which the budget will be considered together with a notice of the meeting. If the proposed budget is not adopted prior to the start of the new budget period, an assessment shall be presumed to be made in the amount of the last prior assessment and monthly installments on such assessments shall be due upon each installment payment date until changed by an amended assessment. In the event the assessments prove to be insufficient, the budget and assessments shall be amended at a meeting called for that purpose. Upon adoption, the budget shall be mailed to each Owner within thirty days of the date of adoption.

6.4. Depository; Withdrawals. The depository of the Association shall be such bank or banks as shall be designated, from time to time, by the directors and in which the monies from such accounts shall be only by checks signed by such persons as are authorized by the directors. Should the Association employ a Managing Agent, and should in the course of such employment said Managing Agent be charged with any responsibilities concerning control of any of the funds of the Association, then, and in such event, any Agreement with such Managing Agent pertaining to the deposit and withdrawal of monies shall supersede the provisions hereof during the term of

any such agreement.

6.5. Records. The Association shall maintain records and make available written summaries thereof as required by the Property Owners Act and the Declaration. In addition, an audited financial statement shall be prepared annually and supplied to the membership prior to the adoption of the next ensuing year's budget.

6.6. Fidelity Bonds; Proviso. Fidelity bonds may be obtained by the Board for the Treasurer, and all officers and employees of the Association handling or responsible for the Association's funds, and for any contractor handling or responsible for Association's funds. The amount of such bonds shall be determined by the directors. The premiums on such bonds shall be paid by the Association.

6.7. Fiscal Year. The fiscal year of the Association shall begin on the first day of January of each year.

6.8. Acceleration of Payment of Installments of Assessments. If an Owner shall be in default in the payment of an installment upon any assessment, the Board may in its sole discretion accelerate the remaining installments for the current fiscal period. Upon notice thereof to the Owner, the accelerated assessment shall immediately become due upon the date stated in the notice, which shall not be less than fifteen (15) days after delivery of or the mailing of such notice to the Owner.

6.9. Default in Payment of any Assessment; Lien. In the event of a default by an Owner in the payment of any assessment, the Association shall have all rights and remedies provided by law, including, but not limited to, those provided by the current Property Owners' Association Act. A defaulting Lot Owner shall be liable for reasonable attorneys fees and for court costs incurred by the Association incident to the collection of such assessment or enforcement of its lien. Nothing herein contained shall bar a suit to recover a money judgment for unpaid assessments without waiving the lien securing the same.

ARTICLE 7. COMPLIANCE.

7.1. Violation by Member; Remedies. In the event of a violation (other than the nonpayment of an assessment) by the Lot Owner of any of the provisions of the Declaration, these By-laws, or Rules and Regulations adopted pursuant to any of same, the Association shall notify the Owner by written notice of said breach, transmitted by mail, and if such violation shall continue for a period of ten (10) days from the date of notice, the Association shall have the right to treat such violation as an intentional, inexcusable and material breach thereof, and the Association may then pursue any remedy available. No action taken shall be deemed

an "election of remedies". Any violations which are deemed by the Board to be a hazard to public health or safety may be corrected immediately as an emergency matter by the Association and the cost thereof shall be charged to the Owner as a specific item and shall be a lien against said Lot with the same force and effect as if the charge was a part of the Common Expenses attributable to such Owner. In the event of a non-continuing default making the notice period impractical, the Association may take such punitive action, including, but not limited to, the suspension of privileges for reasonable periods of time without a corresponding reduction in assessments. The Association, through its Board of Directors, shall have the power to assess reasonable charges against any lot owner for any violation of the instruments or Rules and Regulations by the Owner, his family members, tenants, guests or other witnesses. Before any such charges may be assessed, the Owner shall be given an opportunity to be heard and to be represented by counsel before the Board of Directors or such other tribunal as may be designated by the Declaration, Bylaws or the Board of Directors. Notice of such hearing shall, at least fourteen days in advance thereof, be hand delivered or mailed by registered or certified United States mail, return receipt requested, to such owner at the address or addresses required for notices of meetings. The amount of any charges so assessed shall not exceed ten dollars per day for a single offense. For repeated offenses of the same nature a fine of fifty dollars in addition to the ten dollars per day will be levied.

7.2. No Waiver. The failure of the Association or of a Lot Owner to enforce any right, provision, covenant or condition which may be granted by any of the provisions of the Declaration shall not constitute a waiver of the right of the Association or Lot Owner to enforce such right, provision, covenant or condition in the future.

7.3. Surviving Liability. Termination of membership in the Association shall not relieve said party from any liability, financial or otherwise, incurred by said party while a member and shall in no way impair any rights that the Association has, or may have had, against the terminating member.

ARTICLE 8. LIMITATION OF LIABILITY.

Notwithstanding the duty of the Association to maintain and repair the Property, the Association shall not be liable for injury or damage caused by a latent condition in the property nor the injury or damage caused by the elements, or by other owners or persons.

ARTICLE 9. PARLIAMENTARY RULES.

Roberts Rules of Order (latest edition) shall govern the conduct of Association proceedings when not in conflict with the Declaration, the Articles, these By-laws, or with the Act.

ARTICLE 10. AMENDMENTS TO BY-LAWS.

Amendments to By-laws as hereinafter defined and provided for, shall be proposed and adopted in the following manner:

10.1. Proposal. Amendments to these By-laws may be proposed by the Board acting upon vote of the majority of the Directors or by members of the Association having twenty-five percent (25%) of the votes in the Association, whether meeting as members or by an instrument in writing signed by them.

10.2. Call for Meeting. Upon any amendment or amendments to these By-laws being proposed by said Board or members, such proposed amendment or amendments shall be transmitted to the President of the Association, or other officer of the Association in the absence of the President, who shall thereupon call a Special Joint Meeting of the members of the Board and the membership for a date not sooner than fourteen (14) days or later than sixty (60) days from receipt by such officer of the proposed amendment or amendments. It shall be the duty of the Secretary to give to each member written or printed notice of such meeting in the same form and in the same manner as notice of the call of a special meeting of the membership is required as herein set forth.

10.3. Vote Necessary; Recording. In order for such amendment or amendments to become effective, the same must be approved by an affirmative vote of 66 2/3% of the entire membership of the Board and by an affirmative vote of the members having 67% of the votes in the Association. Thereupon, such amendment or amendments to these By-laws shall be transcribed, certified by the President or a Vice President and Secretary or Assistant Secretary of the Association, and a copy thereof shall be recorded in the Clerk's Office of the Circuit Court of the City of Virginia Beach, Virginia.

ARTICLE 11. BY-LAWS PERTAINING TO USE AND DECORUM.

11.1. Definition. "Use" and "Decorum" as used herein shall refer to matters pertaining to dress, decorum, noise, use of Lots and Use of Common Area.

11.2. Scope; Remedy for Violation. These By-laws are reasonably calculated to promote the welfare of the Owners. The violation of such By-laws shall bar any Owner or his family and invitees from the use of the Common Area, as the Board may deem appropriate, and shall subject any person violating the same to any liability imposed by the Declaration and these By-laws.

11.3. Rules and Regulations. The Association may promulgate Rules and Regulations concerning the use of the Property and shall have the dignity of By-laws.

ARTICLE 12. INDEMNIFICATION.

12.1. Officers and Directors. The Association shall and does hereby indemnify and hold harmless every director and every officer, including the first officers and directors, his heirs, executors and administrators, against all loss cost and expenses reasonably incurred by him in connection with any action, suit or proceeding, to be liable for or guilty of gross negligence or willful misconduct. The foregoing rights shall be in addition to, and not exclusive of, all other rights to which such director or officer may be entitled.

12.2. Insurance. The Association may, if available, at the Association's expense, purchase director's liability insurance and shall cause the directors, from time to time serving, to be named insured.

ARTICLE 13. OWNERS RESPONSIBILITY CONCERNING LIENS AND TAXES.

13.1. Liens and Taxes. All liens and special assessments against a Lot, other than for permitted mortgages, taxes or special assessments, shall be satisfied as soon as possible after the date the lien or assessment attaches. (within 90 days pursuant to Section 55-66.3 of the Code of Virginia)