

BY-LAWS OF THE
MILL RUN AT LAKE ANNA PROPERTY OWNERS ASSOCIATION, INC.

ARTICLE I
Definitions

The terms as used in these By-Laws are defined as follows:

- a. "Association" means Mill Run at Lake Anna Property Owners Association, Inc., a Virginia non-stock corporation.
- b. "Board" means the Board of Directors of the Association.
- c. "By-Laws" means the By-Laws of the Association.
- d. "Common Area" shall mean that area entitled "Common Area" together with the shoreland area immediately adjacent thereto and all improvements located thereon, including entrance, median and fencing.
- e. "Director(s)" means member(s) of the Board.
- f. "Lot" means any lot included from time to time in the definition of lot set forth in the Declaration.
- g. "Declaration" means the Mill Run Declaration of Protective Restrictions and Covenants recorded in the Clerk's Office of the Circuit Court of Louisa County, Virginia in Deed Book 1181, at page 916, as the same may be supplemented or amended from time to time.
- h. "Declarant" means Mill Run, Inc., a Virginia Corporation.
- i. "Developer" means Mill Run, Inc. and any other successor entity or entities which may acquire substantially in bulk the then existing or former interest of Mill Run, Inc., in its capacity as Developer in the Development.
- j. "Development" means Mill Run Subdivision as the same may be shown on the plats thereof recorded in the Clerk's Office of the Circuit Court of Louisa County, Virginia, in Plat Book 8 at page 2458 *et seq*, herein the "Plat"
- k. "Owner" means:
 - 1. Any person, including the Developer and/or any of the Declarants, who holds fee simple title to any lot.

2. Any person or legal entity who has contracted to purchase fee simple title to a lot pursuant to a written agreement, in which case seller under said agreement shall cease to be the owner while said agreement is in effect, after written notice to the Association.

ARTICLE II Association Membership

Section 1. Classes of Members. There shall be members, associate members, and the developer.

Section 2. Members. Each Owner shall become a member of the Association. The Declarant retains one (1) vote for each lot within the Development owned in fee by each of the Declarants until the entire development is sold out or anytime prior thereto, at the discretion of each of the Declarant.

Section 3. Associate Members. If not otherwise a member, each of the following shall be entitled to associate membership in the Association:

(a) The spouse and children of a member who have the same principal residence as the member.

(b) Tenants and members of tenants' immediate family.

(c) Jeff C. Bane and Jeff C. Bane, Jr. and members of their immediate family.

(d) The owners of a certain parcel of land adjoining Mill Run, known as TMS 46 Parcel 25-A.

(e) Persons who by virtue of a contractual agreement with Mill Run, Inc. are extended an associate membership.

Associate members shall have no vote or right to notice of any regular or special meeting of members. The privileges and duties of associate members shall be established from time to time by the Board by resolution. The privileges and duties of associate members need not be the same as those of members; provided, however, nothing herein shall empower the Board to restrict the reasonable use of the Common Areas by associate members.

Section 4. Privileges of Members. Members and associate members shall have exclusive use of the area on the Plat entitled "Common Area" together with the immediately adjoining shoreland, as said shoreland has been divided and shown on said Plat; and Members and associate members to whom a boat slip has been

assigned, shall have exclusive use of said slip, as developed in accordance with a site plan to be submitted to, and approved by, Louisa County for the establishment of boat slips and other improvements as the same may from time to time be amended, altered, modified or enlarged by the Developer.

Section 5. Suspension of Privileges of Membership. The Board may suspend the voting privileges of any member and license of any member or associate member to use the Common Area for:

- a. Any period during which any Association charge on such member's lot remains unpaid for sixty (60) days.
- b. The period of any continuing violation by such member or associate member of the provisions of the Declaration after the existence thereof shall have been declared by the Board;
- c. A period to be determined by the Board not to exceed one (1) year, for repeated violations of the By-Laws or the rules and regulations of the Association;

ARTICLE III
Evidence of Membership and Transfer

Section 1. Membership Certificates. Certificates of membership in the Association may be issued to members and associate members. Such certificates shall be in such form as the Board shall from time to time designate and shall be issued over the signature of the President or other officer of the Association. Such certificate shall indicate whether or not the holder is a member or an associate member and shall also indicate the lot the ownership of which gives rise to membership. Such certificate shall also clearly state on its face that the Association is a not-for-profit corporation. Adequate records shall be maintained by the Association showing the names of the members and associate members of the Association, the type of membership and the date of membership.

Section 2. Transfer. When a member ceases to be an Owner, such person's membership, and those associate memberships existing through relationships to such person, shall cease, but such person shall remain liable for all accrued Association charges.

ARTICLE IV
Meetings of Members

Section 1. Place of Meetings. Any meeting of the members of the Association shall be held in the State of Virginia at such place therein as may be stated in the notice of such meeting. All meetings shall be conducted under Roberts Rules of Order.

Section 2. The Annual Meetings. The annual meetings of the Association shall be held on such day in the month of May of each year as the Board of Directors by resolution may determine.

Section 3. Special Meetings of the Association. Special meetings of the Association may be called by the Board at any time in the manner herein provided. A special meeting may also be called upon the written petition of not less than one-third (1/3) of the members of the Association who would have the right to vote at such meeting. Such petition shall set forth the purpose of the special meeting.

Section 4. Notice of Meetings of the Association. Written notice stating the place, date and hour of the meeting and in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than thirty (30) nor more than forty (40) days before the date of the meeting either personally or by mail, to each member entitled to vote at such meeting. If mailed, such notice shall be deemed to have been delivered when deposited in the United States mail, addressed to the member at the address as it appears on the records of the Association, with postage prepaid; or such notice may be published in any newspaper or publication printed under the auspices of the Association and distributed generally among members of the Association. At a special meeting, no business shall be conducted except that stated in the notice of said meeting.

Section 5. Quorum. A quorum at either a special meeting or the annual meeting shall be one-third (1/3) of the members entitled to vote at such meeting in person or by proxy. The vote of a majority of the votes entitled to be cast at any meeting at which a quorum is present shall be necessary for the adoption of any matter voted upon by the members, unless a greater proportion is required by law.

ARTICLE V The Directors

Section 1. Powers. The Board shall:

- a. Manage and control the affairs of the Association.
- b. Adopt a corporate seal as the seal of the corporation.
- c. Designate a banking institution or institutions as depository for the Association's funds; the officer or officers authorized to make withdrawals therefrom and to execute obligations on behalf of the Association.
- d. Perform other acts and authority which has been granted herein or by law, including the borrowing of money for Association purposes. A resolution by the Board that the interests of the Association require that borrowing of money

shall be sufficient evidence for any person that the borrowing is for a proper corporate purpose. The Board may, if it determines that the same shall be reasonably necessary, assign, pledge, mortgage or encumber any Association property as security for such borrowings, and they may pledge or assign future revenues of the Association as security therefore.

e. Adopt such rules and regulations relating to the use of Association property, and sanctions for noncompliance therewith, as it may deem reasonably necessary for the best interest of the Association and its members. The Board may also establish and levy reasonable fees for the issuance of permits for erecting or placing improvements on any lot, and also for the use of Association property.

f. Cause the Association to employ sufficient personnel to adequately perform the responsibilities of the Association.

g. Adopt reasonable rules of order for the conduct of the meetings of the Association, and with reference thereto, on procedural questions upon which no rules have been adopted, the ruling of the Chairman of the meeting shall be final.

h. Select the officers of the Association. It may establish committees of the Association and appoint the members thereof. It may assign to such committees such responsibilities and duties not inconsistent with the provisions of these By-Laws or with law as it may deem appropriate.

i. In order to facilitate the business of the Association and to further the interests of the members of the Association, the Board may enter into agreements with the Developer and/or Declarant relating to the orderly transfer of Common Area from the Developer and/or Declarant to the Association. Such agreements may contain such provisions as the Directors believe are appropriate and in the best interests of the Association and its members. However, the existence of such agreements and provisions and terms thereof shall be made known to the general membership in such manner as may be deemed appropriate by the Board but in no event later than the next annual meeting following the creation of such contract or agreement.

J. The Board may enter into an agreement or agreements with other organizations having the same or similar corporate purposes for reciprocal rights between the respective members thereof under such terms and conditions as the Board may deem proper.

k. The Board shall, prior to the annual meeting of the Association in each year, adopt an operating budget. The Board shall, after taking into consideration all sources of income that the Association may have, levy an annual

assessment upon each lot for the following year. The operating budget shall be presented to the members at the annual meetings of members and members shall be entitled to comment thereon. For the years 2009, 2010, and 2011, the assessment shall be \$100.00, \$200.00 and \$300.00 respectively for waterfront lots and \$100.00, \$200.00 and \$450.00 respectively for water access lots and/or boat slip holder assignees. Annual dues shall be due and payable in advance on February 1 of each year, or such later date as may from time to time be established by the Board. After all the facilities are completed; under normal circumstances any increase in the annual assessment shall not exceed ten (10%) percent of the charge for the preceding year and the Board is authorized to approve such an increase. Any increase made beyond said limitation may be made only with the approval of a majority of the Members of the Association voting on the increase. Beginning in 2011, annual dues for water access lots shall be fifty (50%) percent more than annual dues for waterfront lots. No assessment dues or any other charges may be charged or levied against any lots owned by Mill Run, Inc.

1. The Board shall appoint members of the Architectural Review Committee to carry out the applicable provisions of the Declaration. The Committee shall serve at the pleasure of the Board of Directors.

Section 2. Number of Directors. The number of the initial Directors shall be two (2), however, at the first annual meeting of the members where the Members elect the Directors, the number of Directors shall be increased to five (5).

Section 3. Term. The initial Board shall serve for a term from the organization of the Association until their successor Directors are duly elected and qualified at the first annual meeting of Members where the Members elect the Directors. The number of Directors shall be increased to five (5).

Section 4. Qualification of Directors. The initial Board shall be appointed by the Developer until seventy-five (75%) percent of the lots within Mill Run have been sold and conveyed at which time the Board shall thereafter be elected by the lot owners at the annual meeting of members, which shall occur not later than six (6) months after Mill Run, Inc. deeds the Common Area to Mill Run Property Owners Association. In the election of Directors, each member shall be entitled to as many votes as shall equal the number of votes which he is entitled to cast on any matter other than the election of Directors multiplied by the number of Directors to be elected, and he may cast all of such votes for a single Director or may distribute them among the number to be voted for, or for any two or more of them, as he may see fit. The persons receiving the largest number of votes shall be elected to fill the number of Directors then to be elected. Unless otherwise provided by resolutions of the Board, elections for Directors shall be by written ballot.

Section 5. Proxies. Except in connection with the election of Directors, every member entitled to vote shall have the right to do so either in person or by an agent or agents authorized by a written proxy executed by such member or his duly authorized agent filed with the Secretary of the Association. No such proxy shall be valid after the expiration of eleven (11) months from the date of its execution unless the person executing it specifies therein the length of time from which in no event shall exceed three (3) years from the date of its execution.

Section 6. Meetings of the Board of Directors. The Board shall meet at such times as the Board shall determine. Special meetings of the Board may be called by a majority of the Board or by the President of the Association and shall be held at such place and at such time as the call or notice of the meeting shall designate. Notice of a special meeting may be given in writing or orally at least seventy-two (72) hours prior to the date of said special meeting, or notice thereof may be waived by the Directors in writing. After adoption of a resolution setting forth the times of regular meetings, no notice of such meeting shall be required, or waived, but notice of special meetings of the Board shall be given.

Section 7. Action Without Meeting. Unless prohibited by law, any action which may be taken at a meeting of the Board may be taken without a meeting if authorized in a writing signed by all of the Directors who would be entitled to vote upon said action at a meeting, and filed with the Secretary of the Association.

Section 8. Quorum. A majority of the Directors shall constitute a quorum to transact business of the Board, and the act of the majority of the Directors present at any meeting shall be deemed to be the act of the Board.

Section 9. Vacancies. If any vacancy exists on the Board, such vacancy shall be filled by the remaining Directors even though those remaining Directors might be less than a quorum. Any person so elected a Director shall serve out the unexpired term of the Director whom he has replaced.

Section 10. Financial Reports. The Board of Directors shall prepare an annual balance sheet and operating statement for each fiscal year and shall distribute a copy thereof to each member of the Association in good standing within ninety (90) days after the end of each calendar year, which shall be the fiscal year for the Association.

Section 11. Virginia Common Interest Community. The Board shall take such action as may be necessary from time to time to comply with all mandates of Virginia law, including but not limited to the appointment or designation of a common community interest manager.

ARTICLE VI
The Officers

Section 1. Officers. The officers of the Association shall be the President, one or two Vice-Presidents, the Secretary, the Treasurer, and such other officers and assistant officers as the Board may from time to time elect. Officers shall serve at the will of the Board. The office of the Secretary and Treasurer may be held by the same person.

Section 2. President. The President shall be general managerial officer of the Association, except as otherwise determined by the Board, and he shall be vested with the powers and duties generally incident to the office of President of a not-for-profit corporation, except as otherwise determined by the Board, or as may be otherwise set forth in these By-Laws.

Section 3. Vice-President. In the absence of the President, or in the event of his inability or refusal to act, the Vice-President is empowered to act and shall thereupon be vested with the powers and duties of the President. In the event that there is more than one (1) Vice-President, the Board shall establish the order in which they serve.

Section 4. Secretary. The Secretary of the Association shall keep the minutes of the business and other matters transacted at the meetings of the members and of the Board. He shall mail, or cause to be mailed, all notices required under the By-Laws. He shall have the custody of the corporate seal and records and maintain a list of the members and their addresses and perform all other duties incident to the office of Secretary.

Section 5. Treasurer. The Treasurer shall have custody of funds of the Association, collect monies due, pay the obligations of the Association out of its funds, and perform such other duties as are incident to the office of Treasurer. The Board shall require that the Treasurer be bonded for such amount and under such conditions as the Board may require; or the Board shall require two (2) signatories on all checks.

Section 6. Removal of Officers. Any officers may be removed when, in the judgment of the Board, the best interests of the Association will be served by such removal.

ARTICLE VII
Duties of Members

Section 1. Payment of Assessments. The charges or assessments levied by the Association as provided in Article II of the Articles of Incorporation shall be paid to

the Association on or before February 1 of each year or by such later date as may be established by the Board. Written notice of the charge and the date of payment shall be sent to each Owner (Member) at the address last given by such Owner to the Association, stating the amount of the annual charge and its due date.

Section 2. Collection and Lien. The amount of the assessment levied by the Association shall be paid to it on or before February 1 of each calendar year, or such later date as may from time to time be established by the Board. Beginning in 2012, the annual charge shall be in such amount as the Board of Directors may authorize as set forth in Paragraph 16 of the Declaration. In the event any assessment is not paid within sixty (60) days of the due date, then there shall be a late charge of \$20.00 plus interest at the rate of twelve (12%) percent per annum from the date of the delinquency on the assessment plus actual attorney's fees and cost of collection, plus interest at the rate of twelve (12%) percent per annum on any such actual attorney's fees and cost of collection from the date the same are incurred, all of which shall be due and payable to the Association and shall constitute a lien on the applicable lot. The Association shall cause said lien to be filed in the Clerk's Office of the Circuit Court of Louisa County, Virginia, which notice shall state the amount of the assessment and other such charges and a description of the lot which has been assessed. The Board may seek to recover sums by any other available judicial or other procedure and shall be entitled to its internal costs, attorney's fees aforesaid, and costs of suits in said collection. If the Association does claim a lien on the lot, upon payment of said assessment and charges or other satisfaction thereof, the Board shall, within a reasonable time, cause to be recorded a further notice stating the satisfaction and the release of said lien.

Section 3. Priority of Lien. Conveyance of any lot shall not affect any lien for assessments provided herein. Such liens shall be prior to all other liens recorded subsequent to said notice of assessment.

Section 4. Enforcement. The lien provided for herein may be enforced by suit by the Association or in such other manner as the Board of Directors or the President of the Association may elect, and all enforcement remedies may be exercised independently, successively or concurrently and in such event the Association may be a bidder at any foreclosure or creditor's sale. The Association may also pursue any other remedy against any owner owing money to it which is available to it by law or equity for the collection of debt.

Section 5. Proof of Payment. Upon request, the Association shall furnish a statement certifying that all assessments then due have been paid or indicating the amount then due.

Section 6. Suspension. The Association shall not be required to transfer membership on its books or to allow the exercise of any rights or privileges of

membership on account thereof to any owner or to any person claiming under them unless or until all assessments and charges to which they or their lot are subject have been paid.

ARTICLE VIII
Amendments

These By-Laws may be amended by a majority vote of the Board.