

BYLAWS
FOR
MONROE MANOR HOMEOWNERS ASSOCIATION, INC.

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BYLAWS

FOR

MONROE MANOR HOMEOWNERS ASSOCIATION, INC.

ARTICLE 1

INTERPRETIVE PROVISIONS

Terms used herein without definition shall have the meanings specified for such terms in Section 13.1-803 of the Virginia Nonstock Corporation Act ("Act"). Definitions, terms and other interpretive provisions set forth in Article 2 of the Articles of Incorporation for Monroe Manor Homeowners Association, Inc. ("Articles of Incorporation") are equally applicable to these Bylaws.

ARTICLE 2

MEETINGS OF MEMBERS

Section 2.1. Annual Meetings. The first annual meeting of the Association shall be held, not later than one year after the first conveyance of a Lot to an Owner other than the Declarant or a Builder, at such time and place as may be fixed by a resolution of the Board of Directors. Subsequent annual meetings of the Association shall be held on weekdays (other than legal holidays recognized as such in Virginia) no later than fourteen months or earlier than ten months after the last annual meeting at such time as may be fixed from time to time by resolutions of the Board of Directors.

Section 2.2. Special Meetings. The Association shall hold a special meeting: (1) upon the call of the President; (2) if so directed by resolution of the Board of Directors; (3) upon a petition presented to the Secretary and signed by members entitled to cast at least ten percent of the total number of votes (excluding the Declarant's votes) located within the Property; or (4) upon request of the Declarant during the Development Period. The signatures on a petition requesting a special meeting shall be valid for a period of one hundred-eighty days after the date of the first such signature. Such resolution, petition or request must: (1) specify the time and place at which the meeting is to be held; (2) either specify a date on which the meeting is to be held which will permit the Secretary to comply with Section 2.3 hereof, or else specify that the Secretary shall designate the date of the meeting; (3) specify the purposes for which the meeting is to be held; and (4) be delivered to the Secretary. No business other than that stated in such resolution, request or petition shall be transacted at such special meetings.

Section 2.3. Notice of Meetings.

(a) Written notice stating the place, date and time of each annual meeting and, in case of a special meeting, the purposes for which the meeting is called, shall be given by the Secretary (or as directed by the Secretary) to each member entitled to vote at such meeting not less than ten nor more than sixty days before the date of the meeting. The giving of notice in the manner provided in this section and Article 11 hereof shall be considered service of notice.

(b) Notwithstanding the provisions of Subsection (a), notice of a meeting to act on an amendment to the Articles of Incorporation, a plan of merger or consolidation or dissolution shall be given in the manner provided above not less than twenty-five nor more than sixty days before the date of the meeting. Any such notice shall be accompanied by a copy of the proposed amendment, plan of merger or consolidation or dissolution. Any such amendment, plan of merger or consolidation or dissolution shall not be effective unless notice of such matter was provided in accordance with this subsection.

Section 2.4. Waiver of Notice of Meetings.

(a) Whenever any notice is required to be given of any meeting of the Association, a waiver thereof in writing signed by a member entitled to such notice, whether given before or after the meeting, shall be equivalent to the giving of such notice to that member and such waiver shall be delivered to the Secretary for inclusion in the minutes for filing with the Association records.

(b) A member who attends a meeting shall be conclusively presumed to have had timely and proper notice of the meeting or to have duly waived notice thereof, unless such member attends for the express purpose of objecting to the transaction of any business on the grounds that the meeting was not lawfully called or convened and so notifies the person conducting the meeting at or prior to the commencement of the meeting or at or prior to consideration of the matter subject to objection, in the case of a special meeting.

Section 2.5. Quorum. A quorum shall be deemed to be present throughout any meeting of the Association if members entitled to cast at least ten percent of the total number of votes are present, in person or by proxy, at the beginning of such meeting. Once a member is present at a meeting such member is deemed present for quorum purposes for the remainder of the meeting and for any adjournment of that meeting unless a new Record Date is or shall be set for that adjourned meeting. When voting on any matter requiring a vote by a specified percentage of each class of members or of a specific class of members, a

quorum of each class of members or the specific class of members must be present in person or in proxy.

If at any meeting of the Association a quorum is not present, a majority of the members who are present at such meeting in person or by proxy may recess or adjourn the meeting to such place, date and time as such members may agree, not less than forty-eight hours after the time the original meeting was called, whereupon the Secretary shall announce the place, date and time at the meeting and make other reasonable efforts to notify all members of such place, date and time.

Section 2.6. Order of Business. Unless otherwise specified in the notice of the meeting, the order of business at all meetings of the Association shall be as follows: (1) roll call (proof of quorum); (2) proof of notice of meeting; (3) reading of minutes of preceding meeting; (4) reports of officers; (5) report of Board of Directors; (6) reports of committees; (7) appointment of inspectors of election (when so required); (8) election of directors (when so required); (9) unfinished business; and (10) new business; provided, however, that balloting for election of directors may commence at any time at the direction of the presiding officer.

Section 2.7. Conduct of Meetings. The President shall preside over all meetings of the Association and the Secretary shall keep the minutes of the meetings and record all resolutions adopted at the meetings and proceedings occurring at such meetings. The President may appoint a parliamentarian at any meeting of the Association. The then current edition of Robert's Rules of Order, Newly Revised, shall govern the conduct of all meetings of the Association when not in conflict with the Act or the Association Documents.

Section 2.8. Record Date to Determine Members; List of Members. The date for determining which Persons are members and therefore entitled to vote ("Record Date") shall be the close of business on the day before the effective date of the notice to the members of the meeting, unless the Board of Directors shall determine otherwise. The Board shall not fix a Record Date more than seventy days before the date of the meeting or other action requiring a determination of the members, nor shall the Board set a Record Date retroactively. At least ten days before each meeting, the Secretary shall make a complete list of members, with the address of each, available for review by the members before and during the meeting. The list shall be current as of the Record Date.

Section 2.9. Action by Members Without Meeting. Any action required or permitted to be taken at a meeting of the Association may be taken without a meeting if written consent, setting forth the action so taken and signed by all of the members entitled to

vote with respect to the subject matter thereof, is delivered to the Secretary for inclusion in the minutes or filing with the Association records. Such consent shall have the same force and effect as a unanimous vote of the members.

ARTICLE 3

MEMBERS AND VOTING

Section 3.1. Membership and Voting Rights. The voting rights of the members of the Association shall be as set forth in Article 4 of the Articles of Incorporation.

Section 3.2. Additional Provisions Governing Voting.

(a) Association Votes. If the Association is an Owner, the Association shall cast its votes with the majority with respect to any Lot it owns, and in any event such votes shall be counted for the purpose of establishing a quorum.

(b) Multiple-Person Owners. Since a member may be more than one Person, if only one of such Persons is present at a meeting of the Association, that Person shall be entitled to cast the member's votes. If more than one of such Persons is present, the vote appertaining to that member shall be cast only in accordance with unanimous agreement of such Persons, and such agreement shall be conclusively presumed if any of them purports to cast the vote appertaining to that member without protest being made forthwith to the Person presiding over the meeting by any of the other Persons constituting such member.

(c) Voting Certificate. If a member is not a natural person, the vote by such member may be cast by any natural person authorized by such member. Such natural person must be named in a certificate signed by an authorized officer, partner or trustee of such Person and filed with the Secretary; provided, however, that any vote cast by a natural person on behalf of such member shall be deemed valid unless successfully challenged prior to the adjournment of the meeting at which the vote was cast. Such certificate shall be valid until revoked by a subsequent certificate similarly executed and filed. Wherever the approval or disapproval of a member is required by the Association Documents, such approval or disapproval may be made by any Person who would be entitled to cast the vote of such member at any meeting of the Association.

(d) Delinquency. No Class A member may vote at any meeting of the Association or be elected to serve on the Board of Directors if payment by such member of any financial obligation to the Association is delinquent more than sixty days and the

amount necessary to bring the account current has not been paid by the Record Date for such meeting or election.

Section 3.3. Manner of Voting.

(a) At a Meeting. Voting by members at a meeting shall be by voice vote (except for the election of directors which shall be by written ballot) unless the presiding officer determines otherwise or any member present at the meeting, in person or by proxy, requests, and by a Majority Vote the members consent to, a vote by written ballot indicating the name of the member voting, the number of votes appertaining to such member, and the name of the proxy of such ballot if cast by a proxy. There shall be no cumulative voting.

(b) By Referendum. In the sole discretion of the Board of Directors, elections of directors requiring a vote of the members may be submitted to a referendum of the members on a ballot, by mail or at polling places. Ballots shall be returned to the Secretary by the date specified on the ballot. The Board of Directors shall determine the method of voting, the form of all ballots, the deadline for return of ballots and the number and location of polling places, if any.

Section 3.4. Proxies. A vote may be cast in person or by proxy. A proxy may be instructed (directing the proxy holder how to vote) or uninstructed (leaving how to vote to the proxy holder's discretion). Only instructed proxies may be granted by any member to the managing agent. Proxies shall be in writing, shall be dated, shall be signed by the member or a Person authorized by the member, shall be valid for eleven months unless a longer time period is provided in the proxy and shall be filed with the Secretary. Such proxy shall be deemed revoked only upon actual receipt by the person presiding over the meeting of notice of revocation from the member. A sample proxy is attached as Exhibit A to the Bylaws.

ARTICLE 4

BOARD OF DIRECTORS

Section 4.1. Powers and Duties of the Board of Directors. The business and affairs of the Association shall be managed by the Board of Directors elected in accordance with the procedures and for the terms of office set forth in Article 5 of the Articles of Incorporation. The Board of Directors shall have all of the powers and duties necessary for the administration of the affairs of the Association and may do all such acts and things as are not required by the Act or the Association Documents to be exercised and done by the members. The Board of Directors shall delegate to one of its members or to a Person employed for such

purpose the authority to act on behalf of the Board on such matters relating to the duties of the managing agent (as defined in Section 5.3 hereof), if any, which may arise between meetings of the Board as the Board deems appropriate. In addition to the duties imposed by any other provision of the Association Documents or by any resolution of the Association that may hereafter be adopted, the Board shall perform the following duties and take the following actions on behalf of the Association:

(1) Provide goods and services in accordance with the Association Documents, and provide for Upkeep of the Common Area and, to the extent provided in the Association Documents, of the Lots.

(2) Designate, hire, dismiss and, where appropriate, compensate the personnel necessary to provide for the Upkeep of the Common Area, general administration of the Association and, to the extent provided in the Association Documents, of the Lots, and to provide goods and services, as well as purchase equipment, supplies and materials to be used by such personnel in the performance of their duties.

(3) Collect the Assessments, deposit the proceeds thereof in depositories designated by the Board of Directors and use the proceeds to carry out the Upkeep of the Property and general administration of the Association to the extent the Association is so authorized by the Association Documents.

(4) Adopt and amend any reasonable Rules and Regulations not inconsistent with the Association Documents.

(5) Open bank accounts on behalf of the Association and designate the signatories thereon.

(6) Enforce the provisions of the Association Documents.

(7) Act with respect to all matters arising out of any eminent domain proceeding affecting the Common Area owned in fee simple by the Association.

(8) Obtain and carry insurance against casualties and liabilities, as provided in Article 10 of the Declaration, pay the premiums therefor and adjust and settle any claims thereunder.

(9) Pay the cost of all authorized goods and services rendered to the Association.

(10) Notify a Mortgagee of any default in paying Assessments for Common Expenses by an Owner (which remains

uncured for one hundred twenty days) or for any other default, simultaneously with the notice sent to the defaulting Owner.

(11) Charge reasonable fees for the use of the Common Area and for services and allow non-members to use portions of the Common Area on a fee arrangement as determined by the Board of Directors.

(12) Prepare an annual budget in accordance with Article 6 of the Declaration.

(13) Adopt an annual budget and make Assessments to defray the Common Expenses of the Association, establish the means and methods of collecting such Assessments and establish the period of the installment payment, if any, of the Annual Assessment for Common Expenses in accordance with Article 6 of the Declaration.

(14) Borrow money on behalf of the Association, when required for any valid purpose; provided, however, that (except during the Declarant Control Period), either a Majority Vote of members obtained at a meeting held for such purpose or written approval by members entitled to cast more than fifty percent of the total number of votes shall be required to borrow any sum in excess of twenty percent of the total Annual Assessment for Common Expenses for that fiscal year and, subject to Section 14.4 of the Declaration, mortgage any of the Common Area owned in fee simple by the Association. The Board of Directors, by a vote of two-thirds of the total number of directors, shall have the right and power to assign and pledge all revenues to be received by the Association, including but not limited to Annual and Additional Assessments in order to secure the repayment of any sums borrowed by the Association from time to time.

(15) Sign deeds, plats of resubdivision, applications for construction permits and letters of permission or similar document for the Common Area owned in fee simple by the Association, as may be necessary or desirable in the normal course of the orderly development of the Property, at the request of the Declarant or on its own determination.

(16) Dedicate or transfer any portion of the Common Area owned in fee simple by the Association or grant, vacate or terminate easements, rights-of-way or licenses over and through all the Common Area pursuant to Section 3.2 of the Declaration and subject to the restrictions set forth in Section 14.4 of the Declaration.

(17) Suspend the right of any Owner or other occupant of a Lot, and the right of such Person's household, guests,

employees, tenants, agents and invitees to use the Common Area in accordance with Section 12.1 of the Declaration.

(18) Provide an Association Disclosure Packet or Common Expense Statement with respect to a Lot within fourteen days or as otherwise required by law after a written request and payment of the appropriate fee in accordance with Section 6.5 of the Declaration.

(19) Do anything else not inconsistent with the Act or the Association Documents.

Section 4.2. Number of Directors. During the Declarant Control Period, the Board of Directors shall consist of not less than three nor more than five directors as provided in Section 5.2(a) of the Articles of Incorporation. After the Declarant Control Period, the Board shall consist of from three to five directors as established by the Board from time to time.

ARTICLE 5

MANAGING AGENT

The Board of Directors may employ for the purpose of administering the Property a "managing agent" at a compensation to be established by the Board. The managing agent must be able to advise the Board of Directors regarding the administrative operation of the Property and shall employ personnel knowledgeable in the areas of insurance, accounting, contract negotiation, labor relations and property management. The managing agent shall perform such duties and services as the Board of Directors shall direct. The Board of Directors may delegate to the managing agent all of the powers granted to the Board of Directors by these Bylaws other than the powers set forth in Paragraph 4.1 (4), (11), (13), (14), (15), (16) and (17). The managing agent shall perform the obligations, duties and services relating to the management of the Property, the rights of Mortgagees and the maintenance of reserve funds in compliance with the provisions of the Act and the Association Documents. Any contract with the managing agent must provide that it may be terminated, without payment of a termination fee, without cause on no more than ninety days written notice and with cause on no more than thirty days written notice.

ARTICLE 6

OFFICERS

Section 6.1. Designation and Duties of Officers. The principal officers of the Association shall be the President (who shall also serve as Chairman of the Board of Directors), the Vice

President, the Secretary and the Treasurer, all of whom shall be elected by the Board of Directors. The Board of Directors may also elect an assistant treasurer, an assistant secretary and such other Officers as in its judgment may be necessary. The President, Vice President, Secretary and Treasurer shall be Owners (except for those directors designated or elected by the Declarant) and members of the Board of Directors. Any other Officers may, but need not, be Owners, or directors. Each Officer shall perform such duties as are normally associated with such office in parliamentary organizations, except to the extent (if any) inconsistent with the Act or the Association Documents, and shall perform such other duties as may be assigned to such Officer by resolution of the Board of Directors. If any Officer is unable for any reason to perform the duties of the office, the President (or the Board of Directors if the President fails to do so) may appoint another qualified person to act in such Officer's stead on an interim basis.

Section 6.2. Election of Officers. The Officers of the Association shall be elected annually by the Board of Directors at the organizational meeting of each new Board and shall hold office at the pleasure of the Board. Any Officer may hold more than one position; provided, however, that the offices of President, Vice President and Secretary shall be held by three different individuals. Except for death, resignation or removal, the Officers shall hold office until their respective successors shall have been elected by the Board.

Section 6.3. Resignation or Removal of Officers. Any Officer may resign by delivering written notice to the Board of Directors. Unless otherwise specified, such resignation shall take effect upon the receipt thereof, and acceptance of such resignation shall not be necessary to make it effective. Upon the affirmative vote of a majority of the total number of directors any Officer may be removed, either with or without cause, and a successor may be elected at any regular meeting of the Board or at any special meeting of the Board called for such purpose.

Section 6.4. Vacancies. A vacancy in any office may be filled by appointment by the Board of Directors. The person appointed to fill a vacancy shall serve for the remainder of the term of the Officer such person replaces.

Section 6.5. President. The President shall be the chief executive officer of the Association; preside at all meetings of the Association and of the Board of Directors; have general and active direction of the business of the Association subject to the control of the Board; see to the execution of the resolutions of the Association and the Board of Directors; see that all orders and resolutions of the Board are carried into effect; and,

in general, perform all the duties incident to the Office of President.

Section 6.6. Vice President. The Vice President shall take the place of the President and perform the duties of the President whenever the President shall be absent or unable to act. If neither the President nor the Vice President is able to act, the Board of Directors shall appoint some other director to act in the place of the President, on an interim basis. The Vice President shall also perform such other duties as shall from time to time be imposed by the Board of Directors or by the President.

Section 6.7. Secretary. The Secretary shall keep the minutes of all meetings of the Association and of the Board of Directors; have charge of such books and papers as the Board may direct and as may be required by Section 13.1-932 of the Act and Section 55-510 of the Virginia Property Owners' Association Act or otherwise by law; give or cause to be given all notices required to be given by the Association; give each Owner notice of Assessment against such Owner's Lot as soon as practicable after Assessment is made; give each member notice and a copy of the Rules and Regulations or amendment thereof; maintain a register setting forth the place to which all notices to members and Mortgagees hereunder shall be delivered; file or cause to be filed the annual report required by Section 13.1-936 of the Act; make it possible for any member or Mortgagee to inspect and copy at reasonable times and by appointment the records of the Association; and, in general, perform all the duties incident to the Office of Secretary.

Section 6.8. Treasurer. The Treasurer shall be responsible for Association funds and securities; keep full and accurate financial records and books of account showing all receipts and disbursements; prepare or cause to be prepared all required financial data, including the Statement of Common Expenses required by Section 6.6. of the Declaration; deposit all monies and other valuable effects in the name of the Board of Directors or the Association in such depositories as may from time to time be designated by the Board; and, in general, perform all the duties incident to the Office of Treasurer.

Section 6.9. Managing Agent. The Managing Agent may perform the Secretary's or Treasurer's duties on behalf of such Officer at the Board of Directors' direction.

ARTICLE 7

COMMITTEES

Section 7.1. Special Committees.

(a) Architectural Review Committee. The Board of Directors may establish a Architectural Review Committee as set forth in Article 9 of the Declaration.

(b) Elections Committee. The Board of Directors may establish an Elections Committee upon its own determination.

Section 7.2. Other Committees. The Board of Directors may create and abolish from time to time such other committees consisting of one or more persons as the Board may deem appropriate to aid in the administration of the affairs of the Association. Such committees shall have the powers and duties fixed by resolution of the Board from time to time. The Board shall appoint the chair of each committee, and may either appoint the other members thereof or leave such appointment to the committee chair. The Board of Directors may also remove any committee member without cause by written notice to such committee member.

ARTICLE 8

MEETINGS OF BOARD OF DIRECTORS AND COMMITTEES

Section 8.1. Types of Meetings. The first (organizational) meeting of the Board of Directors following an annual meeting of the Association shall be held within thirty days thereafter at such time and place as shall be determined by a majority of the directors to elect Officers, appoint committee members and establish the manner of operation of the Board for the ensuing year. Regular meetings of the Board of Directors may be held at such time and place as shall be determined from time to time by a majority of the directors; provided, however, that after the Declarant Control Period, such meetings shall be held at least quarterly during each fiscal year. Special meetings of the Board of Directors may be called by the President, and shall be called by the President or Secretary upon the written request of at least two directors. Meetings of the Architectural Review Committee or any other committee or subcommittee shall be held on an as-needed basis, as determined by the Board of Directors or the Committee. All meetings of the Board of Directors or any committee shall be open to members as observers, except that the President or presiding officer or chairman of a committee may call the Board or committee into executive session on matters such as personnel, litigation strategy or hearings with respect to violations of the Association Documents or as otherwise

permitted by Section 55-510E of the Virginia Property Owners' Association Act or applicable law. Any final action taken in executive session shall be recorded in the minutes. The Board of Directors or any committee may hold their meetings in the Commonwealth of Virginia or outside the state as the Board may from time to time determine.

Section 8.2. Notice. Notice of meetings shall be given to each director or committee member, as appropriate, personally or by mail, telegraph or telephone, orally or in writing, at least three business days prior to the date named for such meeting. Such notice shall state the place, date and time and, in the case of special meetings, the purpose thereof. No notice of the organizational meeting of the Board of Directors shall be necessary if such meeting is held immediately following the annual meeting.

Section 8.3. Waiver of Notice. Any director or committee member, as appropriate, 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 at any meeting shall constitute a waiver of notice of the time, place and purpose of such meeting, unless the director or committee member attends for the express purpose of objecting to the transaction of any business on the grounds that the meeting was not lawfully called or convened and so notifies the person conducting the meeting at or prior to the commencement of the meeting or at or prior to consideration of the matter subject to objection, in the case of a special meeting. If all directors or committee members, as appropriate, are present at any meeting of the Board of Directors or committee, no notice shall be required and any business may be transacted at such meeting.

Section 8.4. Quorum. At all meetings of the Board of Directors or a committee, a majority of the total number of directors or committee members, as appropriate, shall constitute a quorum for the transaction of business, and a Majority Vote while a quorum is present shall constitute the decision of the Board of Directors, unless provided otherwise in the Act, the Articles of Incorporation or the Bylaws. If at any meeting there is less than a quorum present, a majority of those present may recess or adjourn the meeting from time to time. When the meeting which was recessed or adjourned is reconvened, so long as a quorum is present, any business which might have been transacted at the meeting originally called may be transacted without further notice. A director or committee member, as appropriate, who participates in a meeting by any means of communication by which all directors or committee members may simultaneously hear each other during the meeting shall be deemed present at the meeting for all purposes.

Section 8.5. Conduct of Meetings. The President shall preside over meetings of the Board of Directors and the Secretary shall keep the minutes of the meetings and record all resolutions adopted at the meetings and proceedings occurring at the meetings. The chairman of a committee shall preside over the meeting of the committee and may appoint any member of committee to keep minutes. The then current edition of Robert's Rules of Order, Newly Revised, shall govern the conduct of the meetings of the Board of Directors or committee when not in conflict with the Act or the Association Documents.

Section 8.6. Action Without Meeting. Any action by the Board of Directors or a committee required or permitted to be taken at any meeting may be taken without a meeting if a consent in writing setting forth the action taken shall be signed either before or after such action is taken by all of the directors or committee members, as appropriate. Any such written consent shall have the same force and effect as an unanimous vote and shall be filed with the minutes of the Board of Directors or committee.

ARTICLE 9

FIDUCIARY DUTIES

Section 9.1. Signature Requirements. Unless otherwise provided in the resolution of the Board of Directors: (1) all agreements, contracts, deeds, leases, checks and other instruments of the Association for expenditures or obligations in excess of five percent of the total annual assessment for Common Expenses for that fiscal year, and all checks drawn upon reserve accounts, shall be signed by any two persons designated by the Board of Directors; and (2) all such instruments for expenditures or obligations of five percent or less of the total annual assessment for Common Expenses for that fiscal year, except from reserve accounts, may be signed by any one person designated by the Board of Directors. Notwithstanding the foregoing, instruments creating or paying obligations for less than Five Thousand Dollars (\$5,000.00), except for withdrawals from the reserve funds, may be signed by only one person. Any Officer or agent of the Association may be designated by Board resolution to sign a Statement of Common Expenses or an Association Disclosure Packet on behalf of the Association.

Section 9.2. Conflicts of Interest.

Each director or Officer shall exercise such director's or Officer's powers and duties in good faith and in the best interests of the Association. Any common or interested director or Officer may be counted in determining the presence of a quorum of any meeting of the Board of Directors, a committee or the

members which authorizes, approves or ratifies any contract or transaction, but such director's or Officer's vote shall not be counted with respect to any matter as to which such director or Officer would have a conflict of interest; such director or Officer may vote, however, at the meeting to authorize any other contract or transaction. The voidability of a transaction involving a director or Officer with a conflict of interest shall be determined in accordance with Section 13.1-871 of the Act.

Section 9.3. Liability and Indemnification.

(a) No Personal Liability. The directors, Officers and members of any committee shall not be liable to the Association or any member for any mistake of judgment, negligence or otherwise, except for their own individual willful misconduct or bad faith. Directors and Officers shall have no personal liability with respect to any contract made by them on behalf of the Association. No member shall be liable for the contract or tort liability of the Association by reason of ownership or membership therein. Every agreement made by the Board of Directors, the Officers or the managing agent on behalf of the Association shall, if obtainable, provide that the directors, the Officers or the managing agent, as the case may be, are acting only as agents for the Association and shall have no personal liability thereunder.

(b) Indemnification. The Association shall indemnify the directors, Officers and members of any committee to the extent that it is contemplated a nonstock corporation may indemnify its directors, officers and employees pursuant to Sections 13.1-875 through 13.1-883 of the Act; provided, however, that before the Association uses association funds for indemnification, all insurance proceeds must be obtained and applied toward such indemnification. The foregoing right of indemnification shall not be exclusive of any other rights to which a person may be entitled by law, agreement, vote of the members or otherwise.

(c) Directors and Officers Liability Insurance. The Association shall have the power, pursuant to Article 10 of the Declaration, to purchase and maintain insurance on behalf of any person who is or was a director, Officer or member of any committee against any liability asserted against such person and incurred by such person in any such capacity or arising out of such person's status as such, whether or not the Association would have the power to indemnify such person against such liability under the provisions of this section. Further, the availability of the Association's indemnity shall not relieve any insurer of any liability under an insurance policy held by the Association.

