

6/23/01

BYLAWS

OF

HILLANDALE HOMEOWNERS ASSOCIATION, INC.

ARTICLE I

Name and Location

The name of the corporation is HILLANDALE HOMEOWNERS ASSOCIATION, INC. hereinafter referred to as the "Association". The principal office of the corporation shall be located at 3905 Reservoir Road, N. W., Washington, D.C. 20007, but meetings of members and directors may be held at such places within the District of Columbia as may be designated by the Board of Directors.

ARTICLE II

Definitions

Section 1. "Association" shall mean and refer to HILLANDALE HOMEOWNERS ASSOCIATION, INC., a District of Columbia non-stock, non-profit corporation, its successors and assigns.

Section 2. "Common Area" shall mean all real property owned by the Association for the common use and enjoyment of the Owners (as such term is hereinafter defined).

Section 3. "Declarant" shall mean and refer to HILLANDALE DEVELOPMENT CORPORATION, INC., a Nevada corporation, its successors and assigns if such successors or assigns should acquire more than one undeveloped Lot (as such term is hereinafter defined), from the Declarant for the purpose of development but only to the extent that any of the rights, reservations, easements, interests, exemptions, privileges and powers of the Declarant are specifically assigned or transferred in writing to such successors or assigns.

Section 4. "Declaration" shall mean and refer to the Declaration of Covenants, Conditions and Restrictions applicable to the Property (as such term is hereinafter defined), recorded in the Office of the Recorder of Deeds of the District of Columbia, including amendments and supplements thereto.

Section 5. "Detached Dwelling Lot" shall mean and refer to any Lot (as such term is hereinafter defined) designated and/or described as a "Detached Dwelling Lot" in these Bylaws and/or Declaration or in any exhibits thereto.

Section 6. "First Mortgage", as used herein, shall mean a mortgage (as such term is hereinafter defined), with priority over other mortgages.

Section 7. "Institutional Mortgages" or "Institutional Holder" shall include banks, trust companies, insurance companies, mortgage insurance companies, savings and loan associations, trusts, mutual savings banks, credit unions, pension funds, mortgage companies, Federal National Mortgage Association ("FNMA"), Federal Home Loan Mortgage Corporation ("FNMA"), Federal Home Loan Mortgage Corporation ("FHLMC"), all corporations and any agency or department of the United States Government or of any state or municipal government.

Section 8. "Holder" shall include the party secured by any deed or trust or any beneficiary thereof.

Section 9. "Lot" shall mean and refer to any plot of land defined as "Lot" in the Declaration.

Section 10. "Member" shall mean and refer to those persons entitled to membership in the Association as provided in the Declaration.

Section 11. "Mortgage", as used herein, shall include a deed of trust.

Section 12. "Mortgagee" shall mean the holder of any recorded mortgage, or the party secured or beneficiary of any recorded deed of trust, encumbering one or more of the Lots and shall not be limited to institutional mortgagees.

Section 13. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, or the fee simple title to any Lot which is part of the Property (as such term is hereinafter defined), including contract sellers, but excluding contract purchasers and those having such interest merely as security for the performance of an obligation.

Section 14. "Property" shall mean and refer to that certain real property described in the Declaration of Covenants, Conditions and Restrictions, and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

### ARTICLE III

#### Meeting of Members

Section 1. Annual Meetings. The first annual meeting of the members shall be held within twelve (12) months from the date of filing of the Articles of Incorporation of the Association, and each subsequent regular annual meeting of the members shall be held on the same day of the same month of each year thereafter or such other reasonably similar date as may be selected by the Board of Directors. If the day for the annual meeting of the members is a

legal holiday, the meeting will be held at the same hour on the first day following which is not a legal holiday.

Section 2. Special Meetings. Special meetings of the members may be called at any time by the President or by the Board of Directors, or upon written request of (i) the members who are entitled to vote one-half (1/2) of all the votes of the Class B membership or (ii) the members who are entitled to vote one-fourth (1/4) of all of the votes of a Class A membership.

Section 3. Notice of Meetings. Written notice of each meeting of the members shall be given by, or at the direction of, the Secretary or person authorized to call the meeting, by mailing a copy of such notice, postage prepaid, at least fifteen (15) days (but not more than sixty (60) days before such meeting to each member entitled to vote thereat, addressed to the member's address last appearing on the books of the Association, or supplied by such member to the Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting, and, in the case of a special meeting, the purpose of the meeting.

Section 4. Quorum. The presence at the meeting of members entitled to cast, or of proxies entitled to cast, one-tenth (1/10) of the votes of each class 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 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.

Section 5. Voting. At every meeting of the members, each Class A member shall have the right to cast one (1) vote for each Class A membership which he owns on each question. Each of the Class B members shall likewise have the right to cast one (1) vote for each Class B membership which he owns on each question. The vote of the members representing fifty-one percent (51%) of the total of the votes of all of the memberships at the meeting, in person or by proxy, calculated as aforesaid, shall be necessary to decide any question brought before such meeting, unless the question is on upon which, by the express provision of law or of the Articles of Incorporation, or of the Declaration or of these Bylaws, a different vote is required, in which case such express provision shall govern and control. The vote for any membership which is owned by more than one person may be exercised by any of the co-owners present at any meeting unless any objection or protest by any other owner of such membership is noted at such meeting. In the event all of the co-owners of any membership who are present at any meeting of the members are unable to agree on the manner in which the votes for such membership shall be cast on any particular question, then such vote shall not be counted for purposes of deciding the question. In the even any membership is

owned by a corporation, then the vote for any such membership shall be cast by a person designated in a certificate signed by the President or any Vice President of such corporation and attested by the Secretary or an Assistant secretary of such corporation and filed with the Secretary of the Association, prior to or during the meeting. The vote for any membership which is owned by a trust or partnership may be exercised by any trustee or partner thereof, as the case may be, and, unless any objection or protest by any other such trustee or partner is noted at such meeting, the Chairman of such meeting shall have no duty to inquire as to the authority of the person casting such vote or votes. No Class A member shall be eligible to vote, either in person or by proxy, or to be elected to the Board of Directors, who is shown on the books or management accounts of the Association to be more than thirty (30) days delinquent in any payment due the Association.

Section 6. Proxies. At all meetings of members, each member may vote in person or by proxy. All proxies shall be in writing and filed with the Secretary. Every proxy shall be revocable and shall automatically cease upon conveyance by the member of his Lot. No proxy shall be valid after eleven (11) months from its date, unless otherwise provided in the proxy. Any proxy must be in writing and must be filed with the Secretary in form approved by the Board of Directors before the appointed time of each meeting. Any written proxy which conforms with the applicable laws of the District of Columbia shall be satisfactory and approved as to form by the Board of Directors. No Class A member may cast more than two (2) proxy votes at any time and for any purpose whatsoever.

Section 7. Rights of Mortgages. Any institutional mortgagee of any Lot who desires notice of the annual and special meetings of the members shall notify the Secretary to that effect by Registered Mail - Return Receipt Requested. Any such notice shall contain the name and post office address of such institutional mortgagee and the name of the person to whom notice of the annual and special meetings of the members should be addressed. The Secretary of the Association shall maintain a roster of all institutional mortgagees from whom such notices are received and it shall be the duty of the Secretary to mail or otherwise cause the delivery of a notice of each annual or special meeting of the members to each such institutional mortgagee in the same manner, and subject to the same requirements and limitations as are otherwise provided in this Article for notice to the members. Any such institutional mortgagee shall be entitled to designate a representative to attend any annual or special meeting of the members and such representative may participate in the discussion at any such meeting and may, upon his request made to the Chairman in advance of the meeting, address the members present at any such meeting. Such representative shall have no voting rights at any such meeting. Such representative shall be entitled to copies of the minutes of all meetings of the members upon request made in writing to the Secretary.

## ARTICLE IV

### Board of Directors: Selection: Term of Office

Section 1. Number. The affairs of the Association shall be managed by a Board of Directors initially consisting of three (3) natural persons who shall be designated by the Declarant and who shall hold office until the election of their successors for the terms hereinafter set forth. The initial three (3) Directors are Michael L. Gulino, Karen Von Storch, and Robert T. Poynter.

Beginning with the first annual meeting, members of the Association shall elect three (3) directors, one of whom shall be elected for a term of one (1) year; one of whom shall be elected for a term of two (2) years, and one of whom shall be elected for a term of three (3) years. At each subsequent annual meeting the members shall elect the applicable number of Directors to those terms then expiring in accordance with the foregoing schedule. Directors shall hold office until their successors have been elected and hold their first meeting (regular or special).

A majority of the Board of Directors (after lapse of the Class B memberships as provided for the Articles of Incorporation and the Declaration) shall be members of the Association.

Section 2. Removal. After the first annual meeting of the members, any director may be removed from the Board, with or without cause, by a majority vote of the members of the Association. Prior to the first annual meeting of the members any director may be removed from the Board, with or without cause, by the Declarant. In the event of death, resignation or removal of a director, his successor shall be selected by the remaining members of the Board and shall serve for the unexpired term of his predecessor.

Section 3. 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.

Section 4. 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 and such approval is filed with the minutes of the proceedings of the Board of Directors. Any action so approved shall have the same effect as though taken at a meeting of the directors.

## ARTICLE V

## Nomination and Election of Directors

Section 1. Nomination. Nomination for election to the Board of Directors, commencing with the first annual meeting of the members shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two or more members of the Association. The Nominating Committee shall be appointed by the Board of Directors prior to each annual meeting of the members and such appointment shall be announced at each annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. Such nominations may be made from among members or non-members.

Section 2. Ballots. All elections to the Board of Directors shall be made by secret written ballot which shall: (a) describe the vacancies to be filled; (b) set forth the names and background of those nominated by the Nominating Committee for such vacancies; and (c) contain space for write-in vote by the Members for each vacancy. Such ballots shall be prepared and mailed to the Members at least fifteen (15) days in advance of the date set forth therein for a return (which shall be a date not later than the day before the annual meeting or special meeting called for elections).

Section 3. Election. 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.

Section 4. Election Committee. An Election Committee which shall consist of five (5) members shall be appointed by the Board of Directors and shall be responsible for maintaining the safekeeping of the written ballots once collected by the Secretary or such other officer of the Corporation deemed responsible therefore and shall be required to follow such verification procedures as may be adopted by the Board of Directors regarding votes cast, genuineness of signatures, validity of proxies and such other matters as will insure a fair election.

## ARTICLE VI Meetings of Directors

Section 1. Regular Meetings. Regular meetings of the Board of Directors may be held at such time and place as shall be determined, from time to time, by a majority of the Directors, but at least two (2) such meetings shall be held during each fiscal year. Notice of regular meetings of the Board of Directors shall be given to each Director, personally or by mail, telephone or telegraph, at least six (6) days prior to the date named for such

meeting. All notices given by mail shall be deemed given two (2) business days after mailing.

Section 2. Special Meetings. Special meetings of the Board of Directors may be called by the President on three (3) days' notice of each Director, given personally or by mail, telephone or telegraph, which notice shall state the time, place and purpose of the meeting. Special meetings of the Board of Directors shall be called by the President or Secretary in like manner and on like notice on the written request of any two (2) of the Directors. All notices given by mail shall be deemed given two (2) business days after mailing.

Section 3. Quorum. A majority of the number of directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

Section 4. Additional Rights of Board of Directors. The Board of 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 directors. Any action so approved shall have the same effect as though taken at a meeting of the directors.

Section 5. Rights of Mortgagees. Any institutional mortgagee of any Lot who desires notice of the regular and special meetings of the Board of Directors shall notify the Secretary to that effect by Registered Mail -- Return Receipt Requested. Any such notice shall contain the name and post office address of such institutional mortgagee and the name of the person to whom notice of the regular and special meetings of the Board of Directors should be addressed. The Secretary of the Association shall maintain a roster of all institutional mortgagees from whom such notices are received and it shall be the duty of the Secretary to mail or otherwise cause the delivery of a notice of each regular or special meeting of the Board of Directors to each such institutional mortgagee, in the same manner, and subject to the same requirements and limitations, as are otherwise provided in this Article for notice to the members of the Board of Directors. Any such institutional mortgagee shall be entitled to designate a representative to attend any regular or special meeting of the Board of Directors and such representatives may participate in the discussion at any such meetings and may, upon his request made to the Chairman in advance of the meeting, address the members of the Board of Directors present at any such meeting. Such representative shall be entitled to copies of the minutes of all meetings of the Board of Directors upon request made in writing to the Secretary.

Section 6. Fidelity Bonds. The Board of Directors shall require that all officers, Directors and employees of the

Association regularly handling or otherwise responsible for the funds of the Association shall furnish adequate fidelity bonds or equivalent insurance against acts of dishonesty. The premiums on such bonds or insurance shall be paid by the Association.

## ARTICLE VII

### Powers and Duties of the Board of Directors

Section 1.      Powers.      The Board of Directors shall have power to:

(a)            adopt and publish rules and regulations governing the use of the Common Area and the personal conduct of the members and their guests thereon, and to establish penalties for the infraction thereof;

(b)            suspend the voting rights and right to use of the Common Area including the recreational facilities of a member during any period in which such member shall be in default in the payment of any assessment levied by the Association. Such rights may also be suspended after notice and hearing for a period not to exceed sixty (60) days for infraction of published rules and regulations;

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

(d)            declare the office of a member of the Board of Directors to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board of Directors or be more than thirty (30) days delinquent in any payment due the Association; and

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

(f)            to appoint and remove at pleasure all officers, agents and employees of the Association, prescribe their duties, fix their compensation, and require of them such security or fidelity bond as it may deem expedient. Nothing contained in these Bylaws shall be construed to prohibit the employment of any member, officer or director of the Association in any capacity whatsoever.

(g)            to call special meetings of the members whenever it deems necessary and in accordance with these bylaws.

(h)            in accordance with the Declaration, to provide



for the exterior maintenance of any Lots and/or dwelling units located within the Property.

Section 2. Duties. It shall be the duty of the Board of Directors to:

(a) cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the members at the annual meeting of the members, or at any special meeting when such statement is requested in writing by one-half (1/2) of the Class B members who are entitled to vote or one-fourth (1/4) of the Class A members who are entitled to vote;

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

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

(1) fix the amount of the annual assessment against each Lot at least thirty (30) days in advance of each annual assessment period;

(2) send written notice of each assessment to every Owner subject thereto at least thirty (30) days in advance of each annual assessment period; and

(3) foreclose the lien against any property for which assessments are not paid within thirty (30) days after due date or to bring an action at law against the owner personally obligated to pay the same and to cause notices to be sent to first mortgagees as provided in Section 3 of Article XVII hereof.

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

(e) procure and maintain adequate liability and hazard insurance on property owned by the Association;

(f) cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate;

(g) cause the Common Area (including, without limitation, any storm water detention ponds), to be maintained.

(h) cause certain items of exterior maintenance to be performed to the Lots in accordance with Declaration.

(i) to prepare a roster of all properties within

the Property and assessments charges applicable thereto, which roster shall be kept in the office of the Association.

(j) otherwise perform or cause to be performed the functions and obligations of the Board of Association as provided for in the Declaration and Articles of Incorporation and these Bylaws, including periodically employing an insurance consultant if the Board of Directors deems it necessary to do so in order to analyze the insurance requirements of the Association.

Section 3. Management Agent. The Board of Directors may employ for the Association a management agent or manager (the "Management Agent") at a rate of compensation established by the Board of Directors to perform such duties and services as the Board of Directors shall from time to time authorize in writing. Any management agreement entered into by the Association shall provide, inter alia, that such agreement may be terminated for cause by either party upon thirty (3) days' written notice thereof to the other party. The term of any such management agreement shall not exceed one year; provided, however, that the term of any such management agreement may be renewable by mutual agreement of the parties for successive one-year periods of the standard designations of FNMA and/or FHLMC prohibit self-management by the Association, and FNMA and/or FHLMC holds an interest in a first mortgage of deed of trust against any Lots, then no such self-management shall be undertaken by the Association, without the prior written consent and approval of all the holders of the first mortgage of record on the Lots.

Provided that any Lot subject to these Bylaws is then encumbered by a deed of trust or mortgage which is guaranteed by the Veterans' Administration, and, provided, further, that VA standards and regulations prohibit self-management of the Association, then no such self-management shall be undertaken by the Association without the prior written consent and approval of VA.

## ARTICLE VIII

### Officers and Their Duties

Section 1. Enumeration of Officers. The officers of this Association shall be a President and Vice President, who shall at all times be members of the Board of Directors, a Secretary, and a Treasurer, and such other officers as the Board may from time to time by resolution create, all of which officers are to be elected by the Board of Directors.

Section 2. Election of Officers. The election of officers shall take place at the first meeting of the Board of Directors following each annual meeting of the members; provided that the initial Board of Directors shall elect the first group of

officers at its first organizational meeting. The officers shall be chosen by majority vote of the Board of Directors.

Section 3. Term. The officers of this Association shall be elected annually by the Board and each shall hold office for one (1) year or until his successor is duly elected and qualified, unless he shall sooner resign, or shall be removed, or otherwise disqualified to serve.

Section 4. Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.

Section 5. Resignation and Removal. Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time giving written notice to the Board, the President or the Secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 6. Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he replaces.

Section 7. Multiple Offices. Unless prohibited by applicable law, the offices of Secretary and Assistant Secretary, Treasurer and Vice President may be held by the same person, but in no event shall the same officer execute, acknowledge or verify any instrument in more than one capacity, if such instrument is required by law, the Declaration, the Articles of Incorporation or these Bylaws to be executed, acknowledged or verified by two (2) or more officers. No person shall simultaneously hold more than one (1) of any of the other offices except in the case of special offices created pursuant to Section 4 of this Article and except as otherwise provided in this Section 7.

Section 8. Duties. The duties of the officers are as follows:

President

(a) 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 and shall co-sign all checks and promissory notes.

Vice President

(b) 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 by him of the Board.

#### Secretary

(c) The Secretary shall be, ex officio, the secretary of the Board of Directors, and shall record the votes and keep the minutes of all proceedings of the members of the Board in a book to be kept for that purpose. The secretary shall (i) sign all certificates of membership, (ii) keep the records of the Association, (iii) record in an appropriate book the names of all members of the Association together with their addresses as registered by such members, (iv) keep the corporate seal of the Association and affix it to all papers requiring said seal, (v) serve notice of meetings of the Board and the members as required by these Bylaws, and (vi) perform such other duties as may be required by the Board.

#### Treasurer

(d) The Treasurer shall receive and deposit in appropriate bank accounts all moneys of the Association and shall disburse such funds as directed by resolution of the Board of Directors; provided, however, that a resolution of the Board of Directors shall not be necessary for disbursements made in the ordinary course of business conducted within the limits of a budget adopted by the Board; shall sign all checks and promissory notes of the Association; keep proper books of account, 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 represented to the membership at its regular annual meeting, and deliver a copy of each to the members.

Section 9. Other Duties. In addition to those specific duties listed above in the Article, each officer shall perform such other duties as the Board of Directors may, by resolution, determine to be appropriate.

### ARTICLE IX

#### Liability and Indemnification of Officers and Directors

Section 1. Liability and Indemnification of Officers and Directors. The Association shall indemnify every officer and director of the Association against any and all expenses, including counsel fees, reasonably incurred by or imposed upon an officer or director in connection with any action, suit or other proceeding (including the settlement of any such suit or proceeding if

approved by the then Board of Directors of the Association) to which he may be made party by reason of being or having been an officer or director of the Association, whether or not such person is an officer or director at the time such expenses are incurred. The officers and directors of the Association shall not be liable to the members of the Association for any mistake of judgment, negligence, or otherwise, except for their own individual willful misconduct or bad faith. The officers and directors of the Corporation shall have no personal liability with respect to any contract or other commitment made by them, in good faith, on behalf of the Association and the Association shall indemnify and forever hold each such officer and director free and harmless against any and all liability to others on account of any such contract or commitment. Any right to indemnification provided for herein shall not be exclusive of any other rights to which any officer or director of the Association or former officer or director of the Association may be entitled. The right of indemnification provided in this Article shall be in addition to any rights to which any such director or officer may otherwise be entitled under the Articles of Incorporation and/or hereunder and/or by contract and/or as a matter of law. Further, nothing herein contained shall be deemed to restrict the right of the Association to indemnify the directors, officers or any agents or employees of the Association in such cases as it deems appropriate even though not specifically provided in this Article.

Section 2. Insurance. As contemplated by Section 1 of Article XI of these Bylaws, the Association shall maintain a liability insurance policy with a company authorized to transact business in the District of Columbia. In the event said insurance policy provides a greater degree of protection to the Association's directors and officers, for example, to the extent of covering acts of gross negligence and willful misconduct, nothing in this Article or otherwise shall be construed as prohibiting such additional protection and indemnification to said directors and officers, or of relieving the insurance company of the duty to provide the full formal coverage of its policy to said directors, officers, agents and employees.

## ARTICLE X

### Committees

Section 1. Subject to the rights of the Association to create additional committees as provided for in Section 7 of this Article X, the Covenant Committee shall initially be the only standing committee of the Association. The Covenant Committee shall consist of a chairman and two (2) or more members and shall include a member of the Board of Directors for Board contact. The Covenant Committee shall be appointed by the Board of Directors for Board contact. The Covenant Committee shall be appointed by the Board of Directors at its first meeting following each annual

meeting of the members (or with respect the initial appointment of the Covenant Committee at such earlier date as the Board of Directors may select), and members of the Covenant Committee shall serve at the pleasure of the Board, or until their successors are appointed.

Section 2. The Covenant Committee shall have the duties and functions described for such committee in the Declaration. Additionally, it shall watch for any proposals, programs or activities which may adversely affect the residential value of any properties within the Property and shall advise the Board of Directors thereof and suggest what action, if any, the Association should take on such matters.

Section 3. Notwithstanding any provision herein to the contrary, for the period that the Declarant is engaged in the development of the Property, construction of homes on the Property for sales or rentals of Lots or homes on the Property, the Declarant shall be a member of the Covenant Committee and shall have veto power over any decision of the Covenant Committee whatsoever. There shall be no appeal for such a veto.

Section 4. The Covenant Committee shall have power to appoint a subcommittee from among its membership and may delegate to any such subcommittee any of its power, duties and functions.

Section 5. It shall be the duty of the Covenant Committee to receive suggestions from members on any matter involving Association functions, duties and activities within its field of responsibility. It shall handle such suggestions as it deems appropriate or refer them to such other committee, officer or Director of the Association as is further concerned with the matter presented.

Section 6. In addition to those specific duties listed above in this Article, the Covenant Committee shall perform such other duties as the Board of Directors may, by resolution, determine to be appropriate.

Section 7. The Board of Directors may appoint such other committees as it deems desirable and the appointment, membership, responsibilities and powers of such other committees shall be in accordance with provisions established by the Board of Directors.

## ARTICLE XI

### Insurance

Section 1. Insurance. The Board of Directors of the

Association shall obtain and maintain, to the extent available at reasonable rates, at least the following:

(a) A comprehensive policy of public liability insurance with a "Severability of Interest Endorsement" or its equivalent in such amounts and in such forms as may be considered appropriate by the Board of Directors (but no less than One Million Dollars (\$1,000,000) covering all claims for bodily injuries and/or property damage arising out of a single occurrence) including, but not limited to, legal liability, hired automobile liability, non-owned automobile liability, liability for property of others and, such other risks as shall customarily be covered with respect to projects similar in construction, location and use, including any and all other liability incident to the ownership and use of the Common Area or any portion thereof; and

(b) Workmen's compensation insurance to the extent necessary to comply with any applicable law; and

(c) A "Legal Expense Indemnity Endorsement", or its equivalent, affording protection for the officers and Directors of the Association for expenses and fees incurred by any of them in defending any suit or settling any claim, judgment or cause of action to which any such officer or Director shall have been made a party by reason of his or her services as such; and

(d) Such other policies of insurance, including insurance for other risks of a similar or dissimilar nature and fidelity coverage as required by these By-laws, as are or shall hereafter be considered appropriate by the Board of Directors.

Section 2. Limitations. Any insurance obtained pursuant to the requirements of this Article shall be subject to the following provisions:

(a) All policies shall be written or reinsured with a company or companies licensed to do business in the State where the project is located and holding a rating of "A+" or better in the current edition of Best's Insurance Guide and being designated therein as being in a financial category of VI or better.

(b) Exclusive authority to negotiate losses under said policies shall be vested in the Board of Directors of the Association, or its authorized representative.

(c) In no event shall the insurance coverage obtained and maintained pursuant to the requirements of this Article be brought into contribution with insurance purchased by the owners of the Lots or their mortgages, as herein permitted, and any "no other insurance" or similar clause in any policy obtained by the Association pursuant to the requirements of this Article shall exclude such policies from consideration.

(d) All policies shall provide that such policies may not be cancelled or substantially modified (including cancellation for non-payment of premium) without at least thirty (30) days' prior written notice to any and all insureds named thereon, including any mortgagee of any Lot who requests such notice in writing.

(e) All policies shall contain a waiver or subrogation by the insurer as to any and all claims against the Association, the Board of Directors, the members of the Association and their respective agents, employees or tenants, and of any defenses based upon co-insurance or invalidity arising from the acts of the insured.

## ARTICLE XII

### Casualty Damage - Reconstruction or Repair

Section 1. Use of Insurance Proceeds. In the event of the damage or destruction of the Common Area by fire or other casualty, the same shall be promptly repaired, replaced or reconstructed in substantial conformity with the original plans and specifications for the Common Area with the proceeds of insurance available for that purpose, if any. The Association shall not use the proceeds of casualty insurance received as a result of damage or destruction of the Common Area for purposes other than the repair, replacement or reconstruction of the Common Area without the prior written consent and approval of the holders of all first mortgages of record on the Lots.

Section 2. Proceeds Insufficient. In the event that the proceeds of insurance are not sufficient to repair damage or destruction to the Common Area caused by fire or other casualty not insured against, then and in either of those events, upon resolution of the Board of Directors, the repair, replacement or reconstruction of the damage shall be accomplished promptly by the Association at its common expense.

## ARTICLE XIII

### Books and Records - Fiscal Management

Section 1. Fiscal Year. The fiscal year of the Association shall begin on the first day of January every year, except for the first fiscal year of the Association which shall begin at the date of recordation of the Declaration in the Office of the Recorder of Deeds of the District of Columbia. The commencement date of the fiscal year herein established shall be subject to change by the Board of Directors should the practice of the Association subsequently dictate.



Section 2. Principal Office - Change of Same. The principal office of the Association shall be as set forth in Article Ninth of the Articles of Incorporation of the Association. The Board of Directors, by appropriate resolution, shall have the authority to change the location of the principal office of the Association from time to time.

Section 3. Books and Accounts. Books and accounts of the Association shall be kept under the direction of the Treasurer in accordance with generally accepted accounting practices, consistently applied. The same shall include books with detailed accounts, in chronological order, of receipts and of the expenditures and other transactions of the Association and its administration and shall specify the maintenance and repair expenses of the Common Area, services required or provided with respect to the same and any other expenses incurred by the Association. The amount of any assessment or portion of any assessment, required for payment of any capital expenditure or reserves of the Association shall be credited upon the books of the Association to the "Paid-in-Surplus" account as a capital contribution by the members.

Section 4. Auditing. At the close of each fiscal year, the books and records of the Association shall be audited by an independent Public Account whose report shall be prepared in accordance with generally accepted auditing standards, consistently applied. Based upon such report, the Association shall furnish the members and any mortgagee requesting the same with annual financial statement, including the income and disbursements of the Association, within ninety (90) days following the end of each fiscal year.

Section 5. Inspection of Books. The books and accounts of the Association, vouchers accrediting the entries made thereupon and all other records maintained by the Association shall be available for examination by the members and their duly authorized agents or attorneys, and to the institutional holder of any first mortgage on any Lot and its duly authorized agents or attorneys, during normal business hours and for purposes reasonably related to their respective interests and after reasonable notice. The Declaration, the Articles of Incorporation and the Bylaws of the Association shall be available for inspection by any member at the principal office of the Association, where copies may be purchased at reasonable cost.

#### ARTICLE XIV

##### Assessments

As more fully provided in the Declaration, each member is obligated to pay to the Association annual and special assessments

which are secured by a continuing lien upon the property against which the assessment is made. Any assessments which are not paid when due shall be delinquent. If the assessment is not paid within thirty (30) days after the due date:

(i) the Association may, by written notice to the Owner, accelerate the balance of the annual or special assessment or both not yet due for that assessment or special assessment year, if any, and may require same to be paid with any in addition to such delinquent assessments; and

(ii) the assessment (which shall include the accelerated balance of the assessment for the year) shall bear interest from the date of delinquency at the "Annual Rate", as such term is hereinafter defined (or such lesser sum as VA may specify if any Lot subject to this Declaration is then encumbered by a deed of trust or mortgage which is guaranteed by VA; provided, however, that unless prohibited by VA, such lesser rate shall apply only to the Lot(s) for which there is a VA guaranteed mortgage, but in no event shall any interest rate exceed the maximum rate permitted by law), and the Association \_\_\_\_\_ bring an action at law against the Owner personally obligated to pay the same or foreclose the \_\_\_\_\_ against the property, and interest, costs and reasonable attorneys' fees of any such action shall be added to the amount of such assessment.

No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Area or abandonment of his Lot. As used herein, the term "Annual Rate" shall refer to the fluctuating annual interest rate which is equal to the sum of two percent (2%) per annum plus the minimum interest for short-term unsecured loans charged by The Riggs National Bank of Washington, D.C., from time to time to exceptionally good credit risks. The Annual Rate shall be determined as of the date of each succeeding business week thereafter so long as any portion of the assessment may remain unpaid. All interest shall be calculated on a per-diem basis based upon a three hundred sixty (360)-day year.

## ARTICLE XV

### Corporate Seal

The Association shall have a seal in circular form having within its circumference the words: "HILLANDALE HOMEOWNERS ASSOCIATION, INC.," the year of its incorporation, and the words "Corporate Seal, District of Columbia."

## ARTICLE XVI

### Amendments

Section 1. These Bylaws may be amended, at a regular or special meeting of the members by a vote of a majority of a quorum of members present in person or by proxy, except that if any Lot subject to these Bylaws is then encumbered by a mortgage or deed of trust guaranteed by VA, then VA shall have the right to veto amendments while there is Class B membership.

Section 2. In the case of any conflict between the Articles of Incorporation and these Bylaws, the Articles shall control; and in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control.

## ARTICLE XVII

### VA Approvals - Rights of Lenders

Section 1. VA Approvals. Provided that any Lot subject to the Declaration is then encumbered by a deed of trust or mortgage which is guaranteed by the Veterans' Administration, and, provided further, that there are then Class B memberships of the Association outstanding, neither the members, the Board of Directors nor the Association shall, by act or omission, take any of the following actions without the prior written consent or approval of the Veterans' Administration:

(a) make any annexation or additions other than as provided for pursuant to Section 4 of Article XI of the Declaration; or

(b) abandon, partition, dedicate, subdivide, encumber, sell or transfer any of the Common Area directly or indirectly owned by the Association; provided, however, that the granting of rights-of-way, easements and the like for public utilities or for other purposes consistent with the use of the Common Area by the members of the Association shall not be considered a transfer within the meaning of this Section; or

(c) abandon or terminate the Declaration; or

(d) modify or amend any provision of the Declaration, the Bylaws or the Articles of Incorporation of the Association; or

(e) merge or consolidate the Association with any other entity or sell, lease, exchange or otherwise transfer all or substantially all of the assets of the Association in any other entity.

Section 2. Consents by Lenders. Any other provision of the Declaration, these Bylaws or the Articles of Incorporation to the contrary notwithstanding, neither the members, the Board of Directors nor the Association shall, by act or omission, take any

of the following actions without the prior written consent and approval of all of the holders of the first mortgages of record on the Lots.

(a) abandon, partition, alienate, release, hypothecate, dedicate, subdivide, encumber, sell or transfer the Common Area directly or indirectly owned by the Association; provided, however, that the granting of rights-of-way, easements and the like for public utilities or for other purposes consistent with the use of the Common Area by the members of the Association shall not be considered a transfer within the meaning of this Section; or

(b) abandon or terminate the Declaration; or

(c) modify or amend any substantive provision of the Declaration, or of these Bylaws or of the Articles of Incorporation of the Association; or

(d) merge or consolidate the Association with any other entity or sell, lease, exchange or otherwise transfer all or substantially all of the assets of the Association to any other entity; or

(e) substantially modify the method of determining and collecting assessments against an Owner or his Lot as provided in the Declaration; or

(f) waive or abandon any scheme or regulations, or enforcement thereof, pertaining to the architectural design or the exterior appearance of buildings or structures on the Lots, the exterior maintenance of buildings or structures on the Lots, the maintenance of the Common Area, or the upkeep of the Property; or

(g) fail to maintain fire and extended coverage on insurable Association Common Area on property on a current replacement cost basis in an amount not less than one hundred percent (100%) of the insurable value (based on current replacement cost); or

(h) use hazard insurance proceeds for losses to any Association Common area property for other than the repair, replacement or reconstruction of such Common Area or property.

Section 3. Additional Rights of Mortgagees - Notice. The Association shall promptly notify the holder of the first mortgage on any Lot for which any assessment levied pursuant to the Declaration, or any installment thereof, becomes delinquent for a period in excess of thirty (30) days and the Association shall promptly notify the holder of the first mortgage on any Lot with respect to which any default in any other provision of the Declaration remains uncured for a period in excess of thirty (30) days following the date of such default. Any failure to give any

such notice shall not affect the validity or priority of any first mortgage on any Lot and the protection extended in the Declaration to the holder of any such mortgage shall not be altered, modified or diminished by reason of such failure.

No suit or other proceeding may be brought to foreclose the lien for any assessment levied pursuant to the Declaration except after ten (10) days' written notice to the holder of the first mortgage on the Lot which is the subject matter of such suit or proceeding. If the Association undertakes "self-management", it shall promptly give written notice to of the undertaking of "self-management" to all of the holders of first mortgages of record on the Lots.

Any first mortgagee of any Lot may pay any taxes, utility charges or other charge levied against the Common Area which are in default and which may or have become a charge or lien against the Common Area and any such first mortgagee may pay any overdue premiums on any hazard insurance policy or secure new hazard insurance coverage on the lapse of any policy, with respect to the Common Area. Any first mortgagee who advances any such payment shall be due immediate reimbursement of the amount so advanced from the Association.

Section 5. Casualty Losses. In the event of substantial damage or destruction to the Common Area, the Board of Directors of the Association shall give prompt written notice of such damage or destruction to the holders of all first mortgages of record on the Lots. No provision of the Declaration or the Articles of Incorporation or these Bylaws of the Association shall entitle any member to any priority over the holder of any first mortgage of record on his Lot with respect to the distribution of such member of any insurance proceeds paid or payable on account of any damage or destruction of the Common Area.

Section 6. Condemnation or Eminent Domain. In the event of any part of the Common Area is made the subject matter of any condemnation or eminent domain proceeding, or is otherwise sought to be acquired by any condemning authority, then the Board of Directors of the Association shall give prompt written notice of any such proceeding or proposed acquisition to the holders of all first mortgages of record on the Lots. No provision of the Declaration or the Articles of Incorporation or these Bylaws of the Association shall entitle any member to any priority over the holder of any first mortgage of record on his Lot with respect to the distribution to such member of the proceeds of any condemnation or settlement relating to a taking of the Common Area.

## ARTICLE XVIII

### Interpretation - Miscellaneous

Section 1. Conflict. These Bylaws are subordinate and subject to all provisions of the Declaration and to the Articles of Incorporation of the Association. All of the terms hereof, except where clearly repugnant to the context, shall have the same meaning as they are defined to have in the Declaration. In the event of any conflict between these Bylaws and the Declaration, the provisions of the Declaration shall control; and in the event of any conflict between these Bylaws and the Articles of Incorporation of the Association, the provisions of the Articles of Incorporation shall control.

Section 2. Notices. Unless another type of notice is herein elsewhere specifically provided for, any and all notices called for in these Bylaws shall be given in writing.

Section 3. Severability. In the event any provision or provisions of these Bylaws shall be determined to be invalid, void or unenforceable, such determination shall not render invalid, void or unenforceable any other provisions hereof which can be given effect.

Section 4. Waiver. No restriction, condition, obligation or provisions of these Bylaws shall be deemed to have been abrogated or waived by reason of any failure or failures to enforce the same.

Section 5. Captions. The captions contained in these Bylaws are for convenience only and are not part of these Bylaws and are not intended in any way to limit or enlarge the terms and provisions of these Bylaws or to aid in the construction thereof.

Section 6. Gender, etc. Whenever in these Bylaws the context so requires, the singular number shall include the plural and the converse, and the use of any gender shall be deemed to include all genders.

IN WITNESS WHEREOF, we, being all of the Directors of HILLANDALE HOMEOWNERS ASSOCIATION, INC., have hereunto set our hands this \_\_\_\_ day of \_\_\_\_\_, 1981.

WITNESS:

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CERTIFICATION

I, the undersigned, do hereby certify:

THAT I am the duly elected and acting secretary of HILLANDALE HOMEOWNERS ASSOCIATION, INC., a District of Columbia non-stock, non-profit corporation, and,

THAT the foregoing Bylaws constitute the original Bylaws of said Association, and duly adopted at a meeting of the Board of Directors hereof, held on the \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said Association this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_, Secretary

(CORPORATE SEAL)