

**LOST VALLEY PROPERTY OWNERS' ASSOCIATION INC.
BYLAWS AND RULES**

Purpose) Preserve the quiet, rural atmosphere of Lost Valley Subdivision; maintain the roads, lake and community property; maintain reasonable access to the Subdivision; represent the owners of Lost Valley property in relations with Madison County, the State of Virginia, and the federal government.

Office) The principle office of the Association shall be 723 Cobblestone Row, Madison, Virginia, 22727. The location of the office may be changed by the President, any such changes to be communicated to the State Corporation Commission by the President or the Secretary.

Members)

A: Member defined:

Every owner of land in Lost Valley Subdivision, Madison County, Virginia, by virtue of any ownership interest in a lot within Lost Valley Subdivision, shall qualify as a "member" of the Corporation/Association within the meaning of the Virginia Nonstock Corporation Act, as amended, the Virginia Property Owners' Association Act, as amended, and these bylaws. Co-owners of any lots shall share one membership among them, although for purposes of all fees, special assessments, penalties, judgments, etc, each co-owner is deemed severally and individually liable for all debts, penalties, and liens. If a property is jointly owned, all monies due the Association must be paid in full before any particular owner may exercise his or her voting rights. The classes, rights, and voting groups of members are set forth below.

B: Classes and Rights of Members; Voting Groups

Pursuant to Article III of the Articles of Incorporation, the following classes and voting groups of members are established, and the rights, responsibilities, and privileges of each class of membership and/or voting group so established shall be as follows:

1. "Member in good standing," as that term is used both herein and in the Virginia Property Owners' Association Act, Va. Code §54-510(B), means a property owner(s) who is not in arrears regarding any road fees, special assessments, capital contributions as periodically may be fixed by the board of directors, liens, penalties, judgments, or other funds due the Association (but not including any annual dues). A member in good standing shall have full access to all common property and to Association records subject to disclosure under applicable law. For purposes of voting, "members in good standing" shall be entitled to one vote on all matters affecting

provided, however, that co-owners shall be entitled to the fraction of a vote determined by the number of co-owners.

2. "Member not in good standing" means a property owner(s) who is in arrears regarding any road fees, special assessments, annual dues, capital contributions, liens, penalties, judgment(s), or other funds due the Association (but not including any annual dues). A member who is not in good standing (as well as any guest, tenant, relative, heir, or successor in interest of such member) is not entitled to use the common area; provided, however, that no member shall ever be denied access to his or her lot or access to corporate records subject to inspection by members under Va. Code §13.1-933 or 13.1-934. A member not in good standing shall not enjoy any voting rights regarding any issues subject to a vote by the membership, including the election of directors and/or officers; imposition or raising of fees, dues, capital contributions, rescission of a special assessment; proposals to amend the articles of incorporation or bylaws, or any other matter. A member not in good standing shall not be entitled to join a petition calling for a special meeting. For purposes of this subsection, where a lot(s) is owned by more than one person, no co-owner may vote unless all funds due the Association for said lot(s) are paid in full; a co-owner may not vote his or fractional share merely by tendering a portion of the funds due the Association relative to said lot or lots.

Directors) The affairs of the Association shall be managed by a Board of five Directors who shall be elected by a majority vote of a quorum of members in good standing attending, in person or by proxy, the annual meeting. Each Director shall serve in office until a successor is elected. Directors shall be selected from the list of Association members (including co-owners) in good standing. The Board shall serve without payment or compensation, however, when it is appropriate to attach a value on time expended (e.g., for time expended providing access to or copies of Association Records, pursuant to Va. Code § 55-510(D) or other legal authority), the following amounts shall apply:

President:	\$30 per hr.
Vice-president:	\$25 per hr.
Treasurer:	\$20 per hr.
Secretary:	\$15 per hr.
Trustee:	\$15 per hr.

In the election of Directors, each member entitled to vote is entitled to one vote for as many persons as there are directors to be elected at that time.

A Director shall be elected if he or she receives a plurality of the votes cast by the members entitled to vote in the election at a meeting at which a quorum is present.

If a Director resigns from office, or a vacancy is created, the Board of Directors shall fill the vacancy, and the newly appointed Director shall serve until the next annual meeting of the Association. In the event a vacancy exists on the Board, the Board is authorized to act on behalf of the Association until such time as the vacancy is filled.

* The transaction of business by the Board of Directors requires a majority vote by a quorum of the Board, a quorum being a majority of the number of Directors fixed by these bylaws.

The Board is empowered to establish, adopt, and enforce rules and regulations with respect to use of the roads, common areas and with respect to such other areas of responsibility assigned to the Association by the Deed of Dedication and/or the Appointment (Deed Book 147, Page 382). Subject to the authorization of expenditures by the Board of Road Trustees, as described in these bylaws, the Board of Directors is authorized to take all action deemed appropriate for the upkeep and maintenance of the subdivision, including, but not limited to, maintaining reasonable access to the subdivision from County/State Route 615 and to work with responsible State, Local, or Federal officials to advance the interests of the subdivision.

The Board may fix the amount of annual dues and/or capital contributions, may impose special assessments when appropriate, and may impose reasonable administrative costs associated with the collection of monies due the Association.

The Board also shall have the power, except where expressly prohibited by the Declaration, to assess charges against any member for any violation of the Declaration or rules and regulations for which the member or his or her family members, tenants, guests, or other invitees are responsible. However, before any such charges are assessed, the member shall be given an opportunity to be heard and to be represented by counsel before the Board of Directors or other tribunal specified for that purpose by the Board. Notice of a hearing shall be hand-delivered or mailed by registered or certified mail, return receipt requested, to the member at the address of record with the Association at least fourteen days prior to the hearing. The amount of any charges assessed shall not exceed fifty dollars for a single offense or ten dollars per day for any offense of a continuing nature and shall be treated as an assessment against the member's lot for the purpose of Virginia Code §55-516.

In addition to the authority of the Board described in these bylaws, the Directors shall have authority to act in any manner authorized by, or not inconsistent with, the Property Owners' Association Act, as amended, the Virginia Nonstock Corporation Act, and/or any other valid state, local or federal law. However, the Corporation shall not pursue activities which exceed the powers of the Corporation as defined in the articles of incorporation, as amended.

All rules and regulations adopted by the Board shall be binding upon all members, their relations, guests, tenants, invitees, heirs, assigns, agents or persons in privity with them; provided, however, that the members of the association may rescind any such rule in accordance with the provision in these bylaws and elsewhere relating to "Members' Meetings." The Board is authorized to submit any issue to the membership to solicit the members' view.

The Board is authorized to submit any appropriate subject to the membership for a vote by mail.

The Board is authorized to retain legal counsel to advise and/or represent the Association. The Association is authorized to maintain a discrete account for a "legal fund," the amount of which, and disbursements therefrom, to be authorized to take whatever steps it deems appropriate in the prosecution of, or in defense against, any lawsuit filed on behalf of, or against, the Association. Members who are not in good standing may be charged reasonable attorney's fees incurred by the Association, and interest accruing on any amount owed, if legal action is undertaken to recover any amount due the Association or to protect any legal right or interest of the Association.

The Board shall meet at least once each year, no earlier than at least 45 days prior to the date set for the annual Association meeting, to discuss the need to impose a special assessment, to fix the amount of any capital contribution or annual dues, and to discuss whether to institute legal action regarding any unsatisfied lien approaching two years of the filing date.

The President, or two other members of the Board, is authorized to schedule any other Board meeting as he or she deems appropriate, provided that at least 7 days oral or written notice (e.g., by mail or telephone) be provided to each Director prior to the proposed meeting. A Director may waive the notice requirement if the waiver is in writing, signed and dated by the Director waiving notice and filed with the minutes or corporate records. A quorum at any meeting shall consist of a majority of the Board of Directors.

The Board may take action without a meeting if the action is taken by all members of the Board and the action is indicated by one or more written

No longer
allowable
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law

consents stating the action taken and signed by all members of the Board, either before or after the action is taken, and which must be included in the minutes or filed with the corporate records reflecting the action taken. The action taken under this section becomes effective when the last Director signs the consent, unless the consent specifies a different effective date (but in that case, the consent must state the date of execution [signature] by each Director).

The Board may, in its discretion, grant certain persons limited or conditional use of the common areas where, for example, persons living along Cobblestone Row contribute to the Road Fund or where persons provide other services or contributions to the betterment of Lost Valley.

Member Meetings)

A. Annual Meeting

The members of the Association shall have an annual meeting. The time and place shall be set by the President or the Secretary. At least ten but not greater than sixty days notice of the annual meeting shall be given by mail. Special meetings may be called and conducted as provided by these bylaws or other applicable authority. Members may be represented by written proxies regarding those issues for which they are entitled to vote. A quorum shall consist of one-half of the members in good standing present either in person or by proxy. In the interest of the operation of the Association, and when it is found that a quorum, as defined, is not present, by a majority vote of those members in good standing present, and adding in any proxy votes of members in good standing as received, a legal quorum may then be established for the purpose of conducting business. In no event, however, shall any business be conducted if less than 10 percent of all members entitled to cast a vote, represented in person or by proxy, are present. Decisions shall be determined by a majority vote of members in good standing, plus proxies representative of absent members in good standing. Information of all known business to be conducted at the meeting will be included in the letter providing notice of the meeting.

Although members who are not in good standing ordinarily may be denied access to the common areas, no member shall be denied access to any common area at any time a meeting is held in such area.

B. Special Meetings

Special meeting of the members may be called by the President, by two officers, or by a majority of the Board of Directors upon providing written notice of said meeting to the members no less than ten nor more than

sixty days before the date of the meeting. Members shall be informed of the purpose of any special meeting and, where possible, an agenda containing matters to be discussed or subjected to a vote shall be included in the Notice of Special Meeting.

A special meeting of the members may be called by members having one tenth of the votes entitled to be cast at such meeting as set forth in a petition, signed by the requesting members and sent to the President of the Association. Upon receipt of the Request for a Special Meeting, the President or Board of Directors shall set a date for a meeting, which can be no later than 60 days after receipt of the petition, and provide notice to the members of the date, time, place and the purpose of the meeting, said notice being provided either personally or by mail, no less than ten nor more than sixty days before the date of the meeting. The provisions above governing the "annual meetings" shall apply to all special meetings. Members in good standing may vote in person or by proxy. Unless otherwise provided by law, or by these bylaws, decisions shall be determined by a majority vote of members, including proxies.

The record date for determining members entitled to vote at an annual or special meeting of the members shall be the close of business (5:00 pm) on the first Wednesday to precede the meeting. Members may inspect the list of members during usual business hours for a period of ten days prior to any members' meeting. The list shall also be available for inspection during any members' meeting.

A prior decision of the Board to impose a special assessment pursuant to Va. Code § 55-514, or its successor, need not be subjected to a vote of the membership; unless members in good standing of the corporation have requested a special meeting pursuant to the procedure set forth above regarding special meetings. The members may only rescind a special assessment if such rescission is accomplished by a majority vote of members voting in person or by proxy at a meeting held within 60 days of the promulgation of the Notice of Special Assessment. Rescission of a special assessment may be considered at the annual meeting, provided the annual meeting is conducted within 60 days of the date the special assessment was promulgated.

The members may, by a majority vote of members in good standing present, or represented by proxy, at the annual meeting, or at a special members' meeting convened in accordance with the provisions of the Association's declaration or bylaws, and called for that purpose, repeal or amend any rule or regulation adopted by the Board of Directors.

Officers)

The officers of the Association shall be a President, a Vice-President, a Treasurer, and a Secretary. Any person may hold two offices. The officers shall be elected for one year by the members in good standing voting in person or by proxy at the annual meeting of the members. Election of the Officers shall be conducted subsequent to the election of the Board of Directors. The officers shall serve until their successors are elected or until such officer resigns. If a vacancy occurs, the Board of Directors may elect someone to fill the vacancy until the next Association meeting. All officers shall be members of the Board of Directors.

President)

The President shall administer the affairs of the Association following the directions of the Board. The President shall preside at all meetings of the Association, the Board, or the Officers. The President, or his/her designated agent, or the Association's counsel, shall represent the Association in relations with non-members, state, local and/or federal officials.

Vice-President)

The Vice-President shall act in the President's place whenever the President is absent. For the purposes of maintaining the roads, beach area, pond and common property, the Vice-President of the Association will head the necessary committees directing and overseeing said committees.

Secretary)

The Secretary shall have custody of all official records of the Association, and the corporate seal. The Secretary shall keep minutes of all meetings of members, Officers, and/or the Board of Directors. The Secretary shall, at least ten days before each members' meeting, make a complete list of the members, with the address of each, said list to be arranged alphabetically to indicate the members in good standing and members who are not in good standing. Said list shall be made available for inspection by any member for ten days prior to any members' meeting during usual business hours and shall be produced and kept open at the time and place of the meeting and subject to inspection of any member during the whole time of the meeting.

The Secretary shall file, between January 1 and April 1 of each year, the annual report with the Secretary of the State Corporation Commission setting forth all information required by Virginia Code § 13.1-936, or its successor.

The Secretary shall receive and count all proxies relative to any matter subject to a vote by proxy. A proxy signed by an attorney-in-fact of a member may be accepted, but the Association may, if any Director deems it appropriate, request evidence of the signatory's authority to sign for the member.

The Secretary shall maintain a copy of the articles of incorporation and all amendments to the articles currently in effect; the bylaws, and all amendments to the bylaws currently in effect; resolutions adopted by the Board of Directors creating one or more classes of member, or fixing their relative rights, and/or limitations; the minutes of all members' meetings, and records of all action taken by members without a meeting, for at least the past three years; all written communications to members within at least the past three years; a list of the names and business addresses of its current Directors and Officers; and the Corporation's most recent annual report delivered to the State Corporation Commission.

The Secretary shall maintain as permanent records: minutes of all meetings of its members and Board of Directors; a record of all actions taken by the members or Board of Directors without a meeting; and a record of all actions taken by a committee of the Board of Directors in place of the Board of Directors on behalf of the Corporation.

Treasurer)

The Treasurer shall have custody of the Association's funds. He or she shall supervise all financial records of the Association as well as the preparation of financial statements and tax returns. The Treasurer shall maintain appropriate accounting records.

Use of Community Property)

The Board of Directors is authorized to issue rules regarding the uses of community property, including roads, paths, and the lake, consistent with these bylaws, and other applicable laws, said rules or regulations shall be binding on all persons on such property. The Board may preclude the use of any common property by any member who is not a member in good standing.

Rules and regulations shall be posted or distributed throughout the development.

Road Trust Fund)

The Board of Directors shall appoint a Board of Trustees of the Road Trust Fund comprised of not less than three members in good standing. Trustees may be any citizen of the United States over the age of twenty one. All Trustees shall serve at the pleasure of the Board of Directors. The Trustees are responsible for recommending and supervising road work and authorizing expenditures of funds for the common properties and the roads. The Treasurer will make the proper dispersals of the fund's money as needed and necessary. All funds shall be kept in a segregated trust account and an annual financial statement shall be available to all owners of property within the Lost Valley Subdivision. The Road Trustee Committee, headed by the Vice President, shall decide the necessary repairs to the Cobblestone Row as needed.

Road Trust Meetings)



In April of each year the Trustee Committee headed by the Vice President shall establish the areas of roads needed for repair and establish a budget for said repairs. A letter will go to the lot owners in March requesting their input as to areas needing repair. After budget establishment for the areas needing repair, based on Trustee recommendation, no further requests will be honored for that year. Requests received after budget establishment will be written down by the requestee and submitted, and if budgeted repairs are less than budgeted, leftover monies may be used to honor the most realistic requests submitted in writing. Unhonored requests will be added to the next year's road budget meeting for action, as determined by the Road Trustee Committee, at the next April meeting. Emergency road repair will be handled on an as needed basis.

Fundings)

In that the Charter, as issued by the Commonwealth of Virginia, appoints the Lost Valley Property Owners' Association, Inc, as the sole Trustee for the Road fund, that for the purposes of owner correspondence, lien filings, etc. The road fund will once a year transfer to the Association account ten percent (10%) of its largest outstanding balance total to cover expenses for managing the Road Fund.

If, by the next year, the transferred funds have not been completely used, the remaining difference will be transferred to a separate book account before the current year's transfer. The book account monies shall be for the purposes of emergency operations, common property improvement,