

surplus funds to be distributed are less than the assessments paid by the Unit Owners; and

(iii) all other matters concerning the holding and disbursement of any construction fund held by it.

(iv) any such certificate shall be delivered to the Insurance Trustee, if any, promptly after request.

Section 4. When Reconstruction is Not Required. In the event the Board of Directors, in its sole discretion, elects not to repair insubstantial damage to the Common Elements, any insurance proceeds received on account of such damage shall be distributed among all Unit Owners in proportion to their respective Common Element Interests. If the Condominium is terminated pursuant to Section 55-79.72:1 of The Condominium Act, the net assets of the Condominium together with the net proceeds of insurance policies, if any, shall be divided by the Board of Directors or the Insurance Trustee, as the case may be, among all Unit Owners in proportion to their respective Common Element Interests, after first paying out of the share of each Unit Owner, to the extent sufficient therefor, the amount of any unpaid liens on his or her Unit in the order of priority of such liens.

ARTICLE IX

MORTGAGES

Section 1. Notice to Board of Directors. A Unit Owner who mortgages his or her Unit shall notify the Board of Directors through the Managing Agent of the name and address of his Mortgagee. The Board of Directors shall maintain such information in a book entitled "Mortgagees of Units."

Section 2. Notice of Unpaid Assessments. The Board of Directors, whenever so requested in writing by a First Mortgagee, shall promptly report any then-unpaid assessments due from, or any other default by, the Unit Owner of the mortgaged Unit.

Section 3. Notice of Default. The Board of Directors shall give written notice to a Unit Owner of any default by the Unit Owner in the performance of any obligations under The Condominium Act or Condominium Instruments. If such default

is not cured within sixty (60) days of the sending of the notice, the Board of Directors shall promptly send a copy of such notice to each Mortgagee for such Unit whose name and address has theretofore been furnished to the Board of Directors.

Section 4. Notices of Damages, Condemnation. The Board of Directors shall timely notify: (i) the First Mortgagee of a Unit whenever damage to the Unit covered by the mortgage exceeds One Thousand Dollars (\$1,000) or whenever the Unit or portion thereof is made the subject matter of any condemnation or eminent domain proceeding or is otherwise sought to be acquired by a condemning authority; and (ii) all Mortgagees whenever damage to the Common Elements exceeds Ten Thousand Dollars (\$10,000) or whenever the Common Elements or any portion thereof is made the subject matter of any condemnation or eminent domain proceeding or is otherwise sought to be acquired by a condemning authority. For purposes of this Section, the Board of Directors, when giving notice to any Mortgagee, shall also notify the Federal Home Loan Mortgage Corporation (FHLMC), the Federal National Mortgage Association (FNMA) or the Veterans Administration (VA) and any other public or private secondary mortgage market entity participating in purchasing or guarantying mortgages of Units, if the Board of Directors has notice of such participation.

Section 5. Notice of Termination of Management Contracts. The Board of Directors shall notify all First Mortgagees in writing of the termination of any management contract within ten (10) days of receipt or issuance of any notice of such termination by either the Association or the Managing Agent. Notwithstanding the foregoing, the prior written approval of at least two-thirds ($\frac{2}{3}$) of all First Mortgagees (based upon one vote for each first mortgage owned) shall be required to effectuate any decision by the Association to terminate professional management and assume self-management of the Condominium.

Section 6. Audited Financial Statement. Each First Mortgagee shall be entitled to receive, upon request, a copy of the annual audited financial statement within one hundred twenty (120) days following the end of the Association's fiscal year.

Section 7. Rights of First Mortgagees. Unless at least two-thirds (2/3) of the First Mortgagees (based upon one vote for each first mortgage owned) have given their prior written approval, the Association shall not:

(a) change any Unit's Common Element Interest except as permitted by the Declaration;

(b) partition or subdivide any Unit or that Unit's Common Element Interest or abandon, partition, subdivide, encumber, sell or transfer the Common Elements (the granting of easements for public utilities or for other public purposes consistent with the intended use of the Common Elements shall not be deemed a transfer within the meaning of this clause) except as may be permitted by the Declaration;

(c) by act or omission seek to abandon or terminate condominium status of the Condominium except as provided by statute in case of substantial loss to the Units and Common Elements;

(d) modify the method of determining and collecting assessments or allocating distributions of casualty insurance proceeds or condemnation awards; or

(e) use the proceeds of casualty insurance for any purpose other than the replacement, repair or reconstruction of the Units or Common Elements except as permitted by The Condominium Act.

Section 8. "First Mortgagee", "Mortgagee", and "Mortgage". As used in this Article and generally in the Declaration and By-Laws, "First Mortgagee" and the term "Mortgagee" includes the holder of a note secured by a first deed of trust or mortgage encumbering a Unit and recorded among the land records of the County of Fairfax, Virginia. The term "Mortgage" includes any mortgage or deed of trust on a Unit which is recorded among such land records.

Section 9. Other Mortgagees' Rights. All Mortgagees or their representatives shall be entitled to attend meetings of the Association and shall have the right to speak thereat. Additionally, all Mortgagees and all mortgage guarantors shall have the right to examine the books and records of the Condominium and require the submission of annual financial reports and other budgetary information.

Section 10. Amendment to the Declaration or to the By-Laws of the Association. Except as otherwise permitted by the Condominium Instruments, the prior written approval of two-thirds (2/3) of all institutional holders of First Mortgages, as well as the approval of any governmental guarantor (whose regulations so require) will be required for any material amendment to the Declaration or By-Laws of the Association.

ARTICLE X

COMPLIANCE AND DEFAULT

Section 1. Relief. As set forth in Section 55-79.53 of The Condominium Act, each Unit Owner shall be governed by and shall comply with all of the terms of the Declaration, these By-Laws and the rules and regulations, and any amendments of the same. Failure to comply with any provision of the foregoing shall constitute a default. A default by a Unit Owner shall entitle the Association, acting through its Board of Directors or through the Managing Agent, to the following relief:

(a) Legal Proceedings. Failure to comply with any of the terms of the Declaration, these By-Laws and the rules and regulations shall be grounds for relief which may include, without limitation, an action to recover for money damages, injunctive relief, foreclosure of the lien for payment of all assessments, any other relief provided for in these By-Laws or any combination thereof, and any other relief afforded by a court of competent jurisdiction, all of which may be sought by the Association, the Board of Directors, the Managing Agent, or, if appropriate, by an aggrieved Unit Owner.

(b) Additional Liability. Each Unit Owner shall be liable for the expense of all maintenance, repair or replacement rendered necessary by his or her act, omission or negligence or reckless or willful misconduct or the act, omission or negligence or reckless or willful misconduct of any member of his household or employee, agent, licensee, guest or lessee, but only to the extent that such expense is not covered by the proceeds of insurance carried by the Board of Directors. Such liability shall include any increase in fire insurance rates occasioned by use, misuse, occupancy or abandonment of any Unit or its appurtenances. Nothing contained