

BY-LAWS OF THE MALVERN CLUB, INC.

BY-LAW I

NAME

The name of the Corporation is The Malvern Club, Inc. (hereinafter referred to as "the Club").

BY-LAW II

DEFINITIONS

SECTION 1. "Club" shall mean and refer to the Malvern Club, Inc., its successors and assigns.

SECTION 2. "Subdivision" shall mean and refer to all that real property known as Malvern of Madison, Virginia and described in the Deeds of Dedication and Deeds of Subdivision of Malvern of Madison recorded among the land records of Madison County, Virginia.

SECTION 3. "Common Area" shall mean all real property and improvements thereon owned by the Club for the common use and enjoyment of the members of the Club.

SECTION 4. "Lot" shall mean and refer to any plot of land shown upon any recorded map of the Subdivision, but with the exception of the Common Area and streets dedicated to public use.

SECTION 5. "member shall mean and refer to the record owner, whether one or more persons or entities, of the fee simple title to any Lot which is a part of the Subdivision, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

SECTION 6. "Covenants" shall mean and refer to the Covenants, Conditions and Restrictions applicable to the Subdivision and contained in the Deeds of Dedication and Deeds of Subdivision recorded in the office of the Clerk of the Circuit Court of Madison County, Virginia.

BY-LAW III

MEMBERSHIP

SECTION 1. MEMBERSHIP, FURTHER DEFINITION OF. Each person or entity who is a record owner of a fee or undivided fee interest in any lot in Malvern of Madison Subdivision, Madison County, Virginia, which is subject by covenant of record to assessment by the Club, including contract sellers, shall be a member of the Club, hereinafter referred to as a "member". The foregoing is not

intended to include persons or entities who hold an interest merely as security for the performance of an obligation. Membership shall be appurtenant to and may not be separated from ownership of any Lot which is subject to assessment by the Club. Ownership of such Lot shall be the sole qualification for membership.

SECTION 2. MEMBERSHIP REGISTER. Membership shall be duly recorded on a Membership Register. This Register shall contain the names, addresses, and telephone numbers of all members; the date of acquisition of membership; the name in which the membership is held, if held in joint ownership; the amount and date of each assessment fee paid; and if applicable, the date and cause for suspension of membership in good standing. In addition to the inclusion of the foregoing on the Membership Register, membership shall be certified by issuance, upon receipt of assessments as required, of an identification card to each member specifying the name and current lot number (s).

BY-LAW IV

PROPERTY RIGHTS: RIGHTS OF ENJOYMENT

SECTION 1. MEMBERS' EASEMENTS OF ENJOYMENT. Every member in good standing shall have a right and easement of enjoyment in and to the Common Area and such easement shall be appurtenant to and shall pass with the title to every assessed Lot, subject to the following provisions:

(a) All members of the Club in good standing and their guests shall be accorded the use of the facilities of the Club, subject to such rules and regulations as adopted by the Board of Directors for the use thereof. Such rules and regulations shall be posted in the clubhouse, and copies of such rules and regulations shall be made available to members upon request.

(b) The right of the Club to charge reasonable admission and other fees for the use of any recreational facility situated upon the Common Area;

(c) The right of the Club to limit the number of guests of members at such recreational facilities.

(d) Members shall be suspended from good standing automatically for non-payment of assessments, when such assessed amounts are unpaid more than sixty (60) days after date of notice of assessment. In addition, a majority of the Board of Directors shall have power to suspend members for a

period not to exceed ninety (90) days for willful infractions of the Rules and Regulations governing use of the Common Area.

SECTION 2. DELEGATION OF USE. Any member may delegate, in accordance with these By-laws, his right of enjoyment to the Common Area and facilities to the members of his immediate family, his tenants, or contract purchasers who reside on the member's Lot. Such delegation and use shall be subject to the Rules and Regulations promulgated by the Board of Directors for use of the Common Area.

SECTION 3. INFORMATION TO THE TREASURER. All members shall notify the treasurer, in writing, of any changes in address, telephone number, status of Malvern Property ownership, and family membership.

BY-LAW V

ORGANIZATION

SECTION 1. PURPOSES. The purpose of this organization are those set forth in the Articles of Incorporation and Deeds of Dedication and further:

To own, operate, conduct, and maintain a membership club, clubhouse, recreation centers, and recreation and assembly rooms, and other facilities for the purpose of providing for the members' entertainment, sport, recreation, and instruction of all kinds; to furnish, equip, and decorate such clubs and clubrooms; to promote social and friendly activities among the members of such club or clubs and their guests and to provide and supply any and all appurtenances that may be necessary, useful, or convenient for the carrying on of sports, recreations and diversions of all kinds and descriptions for the entertainment, welfare and convenience of the members of such club or clubs and their guests and friends.

SECTION 2. POWERS. In fulfillment of these purposes, the Club shall have the power further to:

- (a) Contract for all services and expertise, such as attorneys, engineers, auditors, tax consultants, architects, etc. as may be required in connection with litigation concerning the Club;
- (b) Employ such personnel as may be required;
- (c) Establish budget formation and approval procedures;

(d) Enforce collection of assessments owed by initiating court proceedings against any members whose payment thereof has not been made within sixty (60) days of the date of notice of assessment.

The foregoing statement of corporate purposes and powers shall not be construed as restricting or limiting in any way the general powers of this corporation, or their exercise and enjoyment, as they are defined in the Articles of Incorporation or expressly or implicitly granted by the laws of the Commonwealth of Virginia.

SECTION 3. GOVERNMENT.

(a) The government of this Club shall be vested in the members who are in good standing.

(b) Robert's Rules of Order. At all meetings of members, Board of Directors, and Committees, the latest edition of Robert's Rules of Order shall govern unless otherwise provided for in these By-Laws.

SECTION 4. CORPORATE SEAL. The corporate seal of the Club shall have inscribed thereon: The Malvern Club, Inc.

SECTION 5. OFFICES. The registered office and agent, and the principal office of the Club shall be that designated by the Board of Directors and filed as such with the Commonwealth of Virginia State Corporation Commission. Each member shall be advised in writing of the address and telephone number of such offices.

BY-LAW VI

MEETINGS OF MEMBERS

SECTION 1. ANNUAL MEETING. An annual meeting of the members for the purpose of hearing reports from all officers and standing committees, for electing directors, and other matters in accordance with these By-Law provisions, shall be held in the Commonwealth of Virginia on the last Saturday of April or on such other date as the members, by majority vote at a meeting thereof, decide. The time and place shall be fixed by the Directors.

SECTION 2. REGULAR MEETING. In addition to the Annual Meeting, there will be a regular meeting of the members on the third Saturday of October for the purpose of considering and approving a budget for the forthcoming fiscal year and for the purpose of considering such other business as may come before the members.

SECTION 3. SPECIAL MEETINGS. A special meeting of the members may be called by the Board of Directors. A special meeting of the members must be called within 30 days by the president, or the Board of Directors, if requested by written petition of the members in good standing representing not less than 1/20th of the votes.

SECTION 4. NOTICE OF MEETINGS. Written notice stating the place, day and hour of any meeting of members shall be delivered either personally or by mail to each member entitled to vote at such meeting, not less than 14 days before the date of such meeting. If notice is mailed, such notice shall be deemed to be delivered when deposited in the United States Mail addressed to the member at his address as it appears on the records of the corporation with postage thereon prepaid. Notice shall be given by the secretary, or in his absence or upon failure to act, by an officer designated by the president.

SECTION 5. WAIVER OF NOTICE. A member may waive the notice requirement set forth in Section 4 above, either before or after the meeting for which notice is required to be given, and such waiver in writing made by the person entitled to notice shall itself be deemed equivalent to timely notice. All waivers shall be filed with the records of the Club. Attendance at a meeting shall be deemed adequate notice.

SECTION 6. QUORUM. Fifty (50) votes by members voting in person or by proxy, shall constitute a quorum for all meetings, unless otherwise provided for under these By-Laws. In absence of a quorum, a majority of the members present may adjourn the meeting from time to time without further notice.

SECTION 7. PRESENCE OF NON-VOTING PERSONS. At any meeting of the Club, non-voting persons, who are guests of members, shall be entitled to be present, even though they may not vote, provided such presence is approved by a majority of the votes of the members present at such meeting.

SECTION 8. VOTING.

(a) ONE VOTE PER LOT. Each Lot shall be entitled to one vote. When more than one person holds an interest in any lot, the vote for such lot shall be exercised as they among themselves determine, but in no event shall more than one vote be cast with respect to any lot. No fractional vote shall be received.

(b) DECISIONS BY MAJORITY. All decisions by the members shall be taken by a majority vote of all members present and voting unless otherwise provided for under these By-Laws or the Articles of Incorporation.

(c) WRITTEN BALLOT. Resolutions requiring a vote of two-thirds (2/3) or more of the members shall be by written ballot.

(d) PROXIES. At any meeting of the members, a member entitled to vote may vote by proxy executed in writing by the member. No proxies shall be valid after two months from the date of its execution unless otherwise provided in the proxy. Such proxies shall be maintained on file with the secretary's records so long as they are valid.

BY-LAW VII

BOARD OF DIRECTORS

SECTION 1. GENERAL POWERS. The affairs of the corporation shall be managed by the Board of Directors.

SECTION 2. NUMBER, TENURE AND QUALIFICATIONS. There shall be seven directors. Each director shall be a member of the Club. Directors elected by the membership shall hold office for a period of two years. In the event of a vacancy on the Board, the remaining directors, by an affirmative vote of the majority thereof, shall appoint an eligible person as soon as possible to serve until the next meeting of the members. At the next membership meeting, the said vacancy shall be filled by a majority of the votes cast and the director so elected shall hold office until the end of term of office of the director he shall have replaced. No member of the Board of Directors shall serve more than three successive terms.

SECTION 3. REMOVAL. A director may be removed from office by a vote of 75% of all eligible votes of the Club. In which case, the vacancy shall be filled pursuant to the provisions of Section 2 above.

SECTION 4. REGULAR MEETINGS. The Board of Directors shall meet at such times and places as it shall select.

SECTION 5. SPECIAL MEETINGS. A special meeting of the Board of Directors may be called by or at the request of the president or of any two directors.

SECTION 6. 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. Any action so approved shall have the same effect as though taken at a meeting of the directors.

SECTION 7. NOTICES. Notice of any special meeting or regular meeting of the Board of Directors shall be given by depositing written notice in the United States Mail, to each director, at least 7 days prior to the date of such meeting. Any director may waive notice of any meeting. Such waiver shall be in writing and made a part of the minutes of said meeting. Attendance at a meeting shall be deemed adequate notice.

SECTION 8. QUORUM. A majority of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board, but if less than a majority of the directors are present at said meeting, the meeting shall be adjourned and a new meeting date date determined with further notice required.

SECTION 9. MANNER OF ACTING. The act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, unless the act of a greater number is required by law or by these By-Laws.

SECTION 10. COMPENSATION. No director shall receive compensation for any service he may render to the Club. However, any director may be reimbursed for his actual reasonable expenses incurred in the performance of his duties.

BY-LAW VIII

OFFICERS

SECTION 1. OFFICERS. The officers of the corporation shall be a president, a first vice-president, a second vice-president, a secretary and a treasurer.

SECTION 2. QUALIFICATIONS AND METHOD OF ELECTION. The officers shall be elected by the Board of Directors, who shall choose from among themselves the persons to fill the offices set forth in Section 1 above. Officers shall serve for a term of one year.

SECTION 3. PRESIDENT. The president shall preside at all meetings of the corporation or the Board of Directors at which he is present, shall exercise general supervision of the affairs and activities of the corporation, and shall serve as a member ex-officio of all standing committees.

SECTION 4. VICE PRESIDENTS. The first vice-president shall assume the duties of the president during his absence and the second vice-president shall assume such duties during the absence of the president and the first vice-president. They shall have such other powers and shall perform such other duties as the Board of Directors, or the president, may determine. The first vice-president shall be a member ex-officio of all standing committees.

SECTION 5. SECRETARY. The secretary shall keep the minutes of all the meetings of the corporation and the Board of Directors, which shall be an accurate and official record of all business transacted. The secretary shall be custodian of all corporate records.

SECTION 6. TREASURER. The treasurer shall receive all corporate funds, keep them in a bank approved by the Board of Directors, and pay out funds only on notice signed by him and one other officer. The treasurer shall be bonded, which costs shall be born by the Club. The treasurer shall prepare and maintain a membership register as designated in By-Law III, Section 2 of these By-Laws. This register shall reflect the status of the yearly dues payment as well as the addresses and phone numbers.

SECTION 7. VACANCIES. A vacancy in any office because of death, resignation, removal, disqualification, or otherwise, may be filled by any member of the Board of Directors for the unexpired portion of the term. However, the offices of president and secretary shall not be held by one director.

SECTION 8. APPOINTMENT OF COMMITTEES. The Board of Directors shall, by appointment from among the Club members, annually designate chairmen of the following standing

committees: (a) auditing, (b) architecture and community goals; (c) maintenance, safety and security, and (d) operations. In addition, the president may appoint chairmen of special committees as he may deem desirable and shall provide for their powers and duties. Such appointments shall be subject to the approval of the Board of Directors.

BY-LAW IX

ASSESSMENTS AND FINANCIAL ARRANGEMENTS

SECTION 1. FINANCIAL REPORT AND ANNUAL BUDGET. At each annual meeting of the members of the Club, the Board of Directors shall make a report of the financial condition of the Club. Such report shall include a balance sheet as of December 31 of the prior fiscal year and a statement of the audit committee as to book value of current memberships. At the Regular Meeting a proposed budget shall be prepared and presented to show, item by item, the budget proposed for the forthcoming fiscal year. It will also show comparative figures, item by item, for the prior and present fiscal years. In addition, the budget shall be prepared so as to segregate those items which are operating expenses from those items which are capital improvements. Approval of the annual budget insofar as it relates to current operating expenses shall be determined by a majority of the votes cast. Approval of the annual budget insofar as it relates to capital improvements shall require a vote of two-thirds (2/3) of the votes of members voting either in person or by proxy. At the said regular meeting, the members shall either adopt the budget proposed by the Board of Directors, or amend it and adopt it as amended pursuant to the above voting requirements.

SECTION 2. DETERMINATION OF ANNUAL ASSESSMENTS. At its first meeting following the Regular Meeting, the Board of Directors shall, by resolution, make an assessment for the coming fiscal year on the basis of the operating expenses budget adopted by the members at the Regular Meeting. The Board shall also, by resolution, make an assessment for the coming fiscal year on the basis of the budget for capital improvements adopted by the members at the Regular Meeting.

SECTION 3. DETERMINATION OF SPECIAL ASSESSMENTS. In addition to the assessments for operating expenses and capital improvements for operating expenses and capital improvements in accordance with the annual budget, the Board of Directors may levy other special

assessments on club members for expenses not contemplated in the annual budget. However, such special assessments shall be levied only by a favorable vote of two-thirds (2/3) of the votes of members voting in person or by proxy at a membership meeting.

SECTION 4. RATE OF ASSESSMENT. Both annual and special assessments must be fixed at uniform rates for all lots in the Subdivision.

SECTION 5. PRORATED ASSESSMENTS AND ASSESSMENTS IN ARREARS. Annual assessments shall be payable on such date or dates in each year as shall be fixed by the Board of Directors at its first meeting after the Regular Meeting in each year. Special assessments shall be payable on such date or dates as shall be fixed by the Board of Directors at its first meeting after the membership meeting in which the membership approves the special assessment. The Board may, in its discretion, prorate annual assessments for a given year in the case of membership for less than a full year. Assessments shall be considered in arrears when unpaid more than sixty (60) days after the date of the notice of assessment.

SECTION 6. REMEDIES OF THE CLUB IN THE EVENT OF DEFAULT. If any assessment is not paid within sixty (60) days after the date of the notice of assessment, the assessment shall bear interest from the date of delinquency, with the rate per annum to be the same as the judgment interest rate of the State of Virginia. The club may bring an action at law against the owner personally obligated to pay any assessment and/or foreclose the lien against the property; and interest, costs and reasonable attorneys fees of any such action shall be added to the amount of such assessment. No member may waive or otherwise escape liability for the assessments provided for herein by non-use of the common area or abandonment of his lot.

SECTION 7. CONTRACTS. The Board of Directors, except as may be otherwise provided in these By-Laws may authorize any officer or officers to enter into any contract or other instrument in the name and on behalf of the Club and such authority may be general or confined to specific instances. However, such authority shall not be given in derogation of the Articles of Incorporation or the deeds of dedication.

SECTION 8. CHECKS, DRAFTS, DEPOSITS, ETC. All checks, drafts or other evidences of indebtedness issued in the name of the club shall be signed or endorsed by the Treasurer or the President

of the Club as determined by resolution of the Board of Directors. Each officer who is authorized to sign or endorse shall give such bond as the Board of Directors may require.

SECTION 9. INDEMNIFICATION. The Club shall indemnify any and all of its directors or officers or former directors or officers who took office after May 8, 1974 against expenses actually and necessarily incurred by them in connection with the defense of any action, suit or proceeding, in which they or any of them are made parties, or a party, by reason of being or having been a director or officer of the Club, except in relation to matters as to which any of such directors or officers or former directors or officers shall be adjudged in such action, suit or proceeding to be liable for malfeasance in the performance of duty and to such matters as shall be settled by agreement predicated on the existence of such liability for malfeasance.

BY-LAW X

The fiscal year of the Club shall be the calendar year.

BY-LAW XI

AMENDMENTS

These By-Laws may be amended, at a regular or special meeting of the members, by a vote of two-thirds (2/3) majority of the votes of members of the Club voting in person or by proxy, provided that notice of the said meeting is addressed to the members and deposited in the mails not less than twenty-five (25) nor more than fifty (50) days before the date of the said meeting. Any such notice shall be accompanied by a copy of the proposed amendment.

These By-Laws were amended February 25, 2004.