

Any contract with the Managing Agent must provide that it may be terminated with cause on no more than thirty (30) days' written notice and without cause and without penalty or any termination fee on no more than ninety (90) days' written notice. The term of any such contract may not exceed three (3) years. The Managing Agent shall be a bona fide business enterprise, unaffiliated with the Declarant, which manages common interest residential communities. Such firm or its principals shall have a minimum of two years experience in real estate community management and shall employ persons possessing a high level of competence in the technical skills necessary to proper management of the Condominium. The Managing Agent must be able to advise the Executive Board regarding the administrative operation of the Condominium and shall employ personnel knowledgeable in the areas of condominium insurance, accounting, contract negotiation, labor relations and condominium regulation.

The Executive Board shall impose appropriate standards of performance upon a Managing Agent. Unless a Managing Agent is instructed otherwise by the Executive Board:

(1) the accrual method of accounting shall be employed and expenses required by these By-Laws to be charged to more than one but less than all Unit owners shall be accounted for separately;

(2) two or more persons shall be responsible for handling cash to maintain adequate financial control procedures;

(3) cash accounts of the Association shall not be commingled with any other accounts;

(4) no remuneration shall be accepted by the Managing Agent from vendors, independent contractors or others providing goods or services to the Association whether in the form of commissions, finders fees, service fees or otherwise; any discounts received shall benefit the Association;

(5) any financial or other interest which the Managing Agent may have in any firm providing goods or services to the Association shall be disclosed promptly to the Executive Board; and

(6) a monthly financial report shall be prepared for the Association containing;

(a) an "income statement" reflecting all income and expense activity for the preceding month on an accrual basis;

(b) an "account activity statement" reflecting all receipt and disbursement activity for the preceding month on a cash basis;

(c) an "account status report" reflecting the status of all accounts in an "actual" versus "projected" (budget) format;

(d) a "balance sheet" reflecting the financial condition of the Association on an unaudited basis;

(e) a "budget report" reflecting any actual or pending obligations which are in excess of budgeted amounts by an amount exceeding the operating reserves or ten percent of a major budget category (as distinct from a specific line item in an expanded chart of accounts); and

(f) a "delinquency report" listing all Unit owners who are delinquent in paying condominium assessments and describing the status of any actions to collect such assessments.

Until the Termination of Control by Declarant of Association, the Executive Board may not employ a Managing Agent for a term exceeding one year. The Association and the Executive Board may use "self-management" at any time.

4.3. Election and Term of Office.

(a) At the annual meetings of the Association, subject to Article 8 of the Declaration, the election of members of the Executive Board shall be held. The term of office of any Executive Board member to be elected (except as set forth in Sections 3.3, 4.4, and 4.5 hereof) shall be fixed at two (2) years, commencing on January 1st of even-numbered as to two members and on January 1st of odd-numbered years as to three members as provided in Section 3.3 hereof. The members of the Executive Board shall hold office until the earlier to occur of the election of their respective successors or their death, adjudication of incompetency, removal, or resignation. An Executive Board member may serve an unlimited number of terms and may succeed himself.

(b) Persons qualified to be members of the Executive Board may be nominated for election only as follows:

(1) Any Unit Owner may submit to the Secretary at least thirty (30) days before the meeting at which the election is to be held a nominating petition signed by the Unit Owners owning at least three (3) Units and a statement that the person nominated is willing to serve on the Executive Board. The Secretary shall mail

or hand deliver the submitted items to every Unit owner along with the notice of such meeting;

(2) Nominations may be submitted from the floor at the meeting at which the election is held for each vacancy on the Executive Board for which no more than one person has been nominated by petition.

In all elections for Executive Board Members, each Unit Owner shall be entitled to cast for each vacancy to be filled at such election the number of votes allocated to the Unit. Those candidates for election receiving the greatest number of votes cast in such elections shall be elected, and, if the Executive Board Members are being elected to unequal terms, the candidates receiving the highest number of votes shall be elected to the longest term.

4.4. Removal or Resignation of Members of the Executive Board.

(a) Except with respect to members appointed by Declarant, at any regular or special meeting of the Association duly called and subject to the notice requirements set forth in subsection (b) below, any one or more of the members of the Executive Board may be removed with or without cause by Unit Owners entitled to a majority of all votes in the Association. A successor may then and there be elected to fill the vacancy thus created for the remainder of the term of the member being replaced. In case of multiple vacancies, the person receiving the greatest number of votes shall be elected for the longest term. Notwithstanding the foregoing, prior to the Termination of Control by Declarant of Association, any Executive Board Member elected by only the Unit Owners other than the Declarant pursuant to Section 3.3 hereof, may be removed and a replacement elected only by a majority of all votes of Unit Owners other than the Declarant.

(b) Any Unit Owner proposing removal of an Executive Board Member shall give notice thereof to the Secretary. Any member whose removal has been proposed by a Unit Owner shall be given at least twenty (20) days' notice by the Secretary of the time, place and purpose of the meeting and shall be given an opportunity to be heard at the meeting.

(c) A member of the Executive Board may resign at any time and shall be deemed to have resigned upon transfer of title to his Unit, if, as a result of such transfer, such member of the Executive Board has no ownership interest in any Unit.

(d) Declarant shall have the right to remove and replace any or all members appointed by the Declarant at any time and from time to time.

4.5. Vacancies.

(a) Except with respect to members appointed by the Declarant, members elected by the Unit Owners other than the Declarant and serving prior to Termination of Control by Declarant of Association pursuant to Section 3.3 and vacancies caused by the removal of an Executive Board member by a vote of the Unit Owners as set forth in Section 4.4 above, all vacancies in the Executive Board shall be filled by a vote of a majority of the remaining members of the Executive Board. Such vote shall be conducted at a special meeting of the Executive Board held for such purpose promptly after the occurrence of any such vacancy, even though the members present at such meeting may constitute less than a quorum. Any person so elected shall be a member of the Executive Board for the remainder of the term of the member being replaced. In the case of multiple vacancies, the person receiving the greatest number of votes shall be elected for the longest term.

(b) Prior to Termination of Control by Declarant of Association, any vacancy created by the death, adjudication of incompetency, removal or resignation of a member of the Executive Board elected by only the Unit Owners other than the Declarant pursuant to Section 3.3 hereof shall be filled by the vote of only Unit Owners other than the Declarant. Except in the case of vacancy by removal and simultaneous replacement election pursuant to Section 4.4 above, the vote to fill a vacancy hereunder shall be conducted at a special meeting of the Association to be held for such purpose within thirty (30) days after the occurrence of such vacancy. The Secretary shall give each Unit Owner at least ten (10) days prior notice of this special meeting, stating the time, place and purpose thereof. Any person so elected shall be a member of the Executive Board for the remainder of the term of the member being replaced.

4.6. Organizational Meeting. The first meeting of the Executive Board following each annual meeting of the Association (hereinafter referred to as the "Organizational Meeting") shall be held within ten (10) days thereafter at such time and place fixed by the President (even if he is the outgoing President) at the meeting at which such Executive Board shall have been elected. No notice shall be necessary to the newly elected members of the Executive Board in order legally to constitute such meeting, providing a majority of the whole Executive Board shall be present at such meeting.

4.7. Regular Meetings. Regular meetings of the Executive Board may be held at such time and place as shall be determined from time to time by a majority of the members, but such meetings shall be held at least once every two (2) months. Notice of regular meetings of the Executive Board shall be given to each member, by mail or telegraph, at least ten (10) business days prior to the day named for such meeting.

4.8. Special Meetings. Special meetings of the Executive Board may be called by the President on at least three (3) business days' notice to each member, given by mail or telegraph, which notice shall state the time, place and purpose of the meeting. Special meetings of the Executive Board shall be called by the President or Secretary in like manner and on like notice on the written request of at least two (2) members of the Executive Board.

4.9. Waiver of Notice. Any member may at any time, in writing, waive notice of any meeting of the Executive Board, and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a member at any meeting of the Executive Board shall constitute a waiver of notice by him of the time, place and purpose of such meeting. If all members are present at any meeting of the Executive Board, no notice shall be required and any business may be transacted at such meeting.

4.10. Quorum of the Executive Board. At all meetings of the Executive Board, a majority of the members shall constitute a quorum for the transaction of business and the votes of a majority of the members present at a meeting at which a quorum is present shall constitute the decision of the Executive Board. If at any meeting of the Executive Board there shall be less than a quorum present, a majority of those present may adjourn the meeting from time to time. At any reconvened meeting at which a quorum is present, any business which might have been transacted at the meeting originally called may be transacted without further notice. One or more members of the Executive Board may participate in and be counted for quorum purposes at any meeting by means of conference telephone or similar communication equipment pursuant to which all persons participating in the meeting can hear each other.

4.11. Compensation. No member of the Executive Board shall receive any compensation from the Association for acting as such, but may be reimbursed for any reasonable expenses incurred in the performance of his duties.

4.12. Conduct of Meetings. The President shall preside over all meetings of the Executive Board and the Secretary shall keep a

minute book of the Executive Board meetings, recording therein all resolutions adopted by the Executive Board and a record of all transactions and proceedings occurring at such meetings. Such minute records shall be kept at the office of the Association and may be examined, at any time by any member who may make copies of any provisions. The Secretary shall, upon request of such member, for a reasonable charge, supply such member with copies of such minutes as such member shall designate certified by such Secretary as being true and correct. The then current edition of Robert's Rules of Order shall govern the conduct of the meetings of the Executive Board when not in conflict with the Declaration, these By-Laws or the Act.

4.13. Action Without Meeting. Any action by the Executive Board required or permitted to be taken at any meeting may be taken without a meeting if all of the members of the Executive Board shall individually or collectively consent in writing to such action. Any such written consent shall be filed with the minutes of the proceedings of the Executive Board.

4.14. Validity of Contracts with Interested Executive Board Members. No contract or other transaction between the Association and one or more of its Executive Board members or between the Association and any corporation, firm, or association in which one or more of the Executive Board members of the Association are directors or officers, or are financially interested, shall be void or voidable because such Executive Board member or members are present at any meeting of the Executive Board which authorized or approved the contract or transaction or because his or their votes are counted, if the circumstances specified in either of the following subparagraphs exists:

(a) The fact that an Executive Board member is also such a director or officer or has such financial interest is disclosed or known to the Executive Board and is noted in the minutes thereof, and the Executive Board authorizes, approves or ratifies the contract or transaction in good faith by a vote sufficient for the purpose without counting the vote or votes of such Executive Board member or members; or

(b) The contract or transaction is made in good faith and is not unconscionable to the Association at the time it is authorized, approved or ratified.

4.15. Inclusion of Interested Executive Board Members in the Quorum. Any Executive Board member holding such director or officer position or having such financial interest in another corporation, firm or association may be counted in determining the

essence of a quorum at a meeting of the Executive Board or a committee thereof which authorizes, approves or ratifies a contract or transaction of the type described in Section 4.14 hereof.

4.16. Powers. The Executive Board shall have and exercise all lawful powers and duties necessary for the proper conduct and administration of the affairs of the Association and the operation and maintenance of a first class condominium project, and may do or cause to be done all such other lawful acts and things as are not by law or by the Declaration directed or required to be done or exercised by Members or Unit Owners, or by others. These powers and duties shall include, but not be limited to, the following:

(1) The operations, maintenance, renewal and protection of the Common Elements and Limited Common Elements and general supervision and surveillance of all of the property of the Association.

(2) The adoption of an annual budget and any amendment thereto and the assessment of Common Expenses.

(3) By majority vote of the Executive Board, to adjust or increase the amount of any annual assessment and monthly installments, and to levy and collect in addition thereto, special assessments in such amounts as the Executive Board may deem proper, whenever the Executive Board is of the opinion that it is necessary so to do in order to meet increased operating or maintenance costs, or additional capital expenses, or because of emergencies; provided, however, that all such increased or special assessments shall be made or levied against such Unit Owners and the Units owned by them respectively, in the same proportions or percentages as provided in the Declaration.

(4) To use and expend any sums collected from such assessments or levies for the operation, maintenance, renewal and protection of the Common Elements, and of the Limited Common Elements, and of the Association Property, as herein provided and contemplated.

(5) To require all Officers and employees of the Association handling or responsible for funds of the Association, or funds in its possession or under its control, to furnish adequate fidelity bonds, in form, penalties and with corporate surety satisfactory to the Executive Board. The premiums on such bonds shall be paid by the Association as part of the Common Expenses.

(6) To pay all taxes and assessments levied or assessed against any property of the Association, exclusive of any taxes or assessments levied against any Unit or otherwise properly chargeable to the Unit Owners thereof.

(7) To employ and dismiss such clerks, stenographers, workmen, janitors, gardeners, watchmen and other personnel, and to purchase or arrange for such services, machinery, equipment, tools, material and supplies as in the opinion of the Executive Board may from time to time be necessary for the proper operation and maintenance of the Condominium Project, except the portions thereof required to be maintained by Unit Owners.

(8) To enter or cause to be entered any Unit in any building when deemed necessary for or in connection with the operation, maintenance, repair, renewal or protection of any Common Areas and Facilities or of any Limited Common Elements or to prevent damage to the Common Elements, or to the Limited Common Elements, or to any Unit or Units, or in emergencies, provided that such entry and work shall be done with as little inconvenience as possible to the Unit Owners and occupants of such Units. Each Unit Owner shall be deemed to have expressly granted such rights of entry by accepting and recording the deed to his Unit.

(9) To collect delinquent levies or assessments made by the Association through the Executive Board against any Units and the respective Unit Owners thereof, together with such costs and expenses incurred in connection therewith, including, but not limited to court costs and Attorneys' fees, whether by suit or otherwise, to abate nuisances, and enforce observations of the Rules and Regulations that may be adopted from time to time, by injunction or such other legal action or means as the Executive Board acting with the advice of Legal Counsel may deem necessary or appropriate.

(10) To employ or retain Legal Counsel, Engineers and Accountants and to fix their compensation whenever such professional advice or services may be deemed necessary by the Executive Board for any proper purposes of the Association, including, but not limited to, those hereinbefore or hereinafter referred to in these By-Laws.

(11) To cause such operating accounts, and escrow and other accounts, if any, to be established and opened as the Executive Board may deem appropriate from time to time and as may be consistent with good accounting practices.

(12) To cause a complete audit of the books and accounts of the Association to be made by a Public Accountant or Certified Public Accountant at the end of each fiscal year, and at such other time or times as may be deemed necessary. The Executive Board shall also prepare at the end of each fiscal year and furnish to the Unit Owners a report of the business and affairs of the Association, showing its transactions and reflecting fully and accurately its financial condition.

(13) To make and enforce compliance with such reasonable Rules and Regulations relative to the operation, use and occupancy of the Buildings, Units and Common Elements and Limited Common Elements and to amend the same from time to time as the Executive Board shall deem necessary or appropriate, which Rules and Regulations when approved by appropriate resolutions, shall be binding on the Unit Owners, their successors in title, and assigns. A copy of such Rules and Regulations and copies of any amendments thereof shall be delivered or mailed to each Unit Owner promptly upon the adoption thereof. The initial Rules and Regulations, which shall be effective until so amended by the Executive Board, are set forth in Schedule A attached hereto.

(14) The Executive Board may borrow funds for any authorized purpose including, but not limited to, the purchase of Units under the provisions contained in the Declaration and these By-Laws or for the payment of Common Expenses.

(15) All agreements, contracts, deeds, mortgages, leases, checks and other instruments shall be executed by such Officers or Member or Members of the Executive Board as may be authorized by the Executive Board.

(16) The Executive Board shall be required to obtain and maintain, to the extent obtainable, the casualty, liability and other forms of insurance in connection with the Property and any property of the Association, the Unit Owners, the Association and its members, directors, officers, employees, agents and managers as more fully provided in the Declaration.

(17) To cause to be repaired, reconstructed, restored or replaced the Property or any portion thereof damaged, destroyed, or taken by condemnation to the extent that insurance proceeds, condemnation awards and other amounts actually received by the Association are sufficient for the purpose in accordance with the Declaration.

(18) To carry out, or cause to be carried out, any other obligations of the Association set forth in the Declaration and the Act as they may be amended from time to time.

4.17. Limited Liability of the Executive Board. The Executive Board, and its members in their capacity as members, officers and employees:

(a) Shall not be liable for the failure of any service to be obtained by the Executive Board and paid for by the Association, or for injury or damage to persons or property caused by the elements or by another Unit Owner or person on the property, or resulting from electricity, gas, water, rain, dust or sand which may leak or flow from the outside or from any part of the building, or from any of its pipes, drains, conduits, appliances, or equipment, or from any other place unless in each such instance such injury or damage has been caused by the willful misconduct or gross negligence of the Association or the Executive Board;

(b) Shall not be liable to the Unit Owners as a result of the performance of the Executive Board members' duties for any mistake of judgment, negligence or otherwise, except for the Executive Board members' own willful misconduct or gross negligence;

(c) Shall have no personal liability in contract to a Unit Owner or any other person or entity under any agreement, check, contract, deed, lease, mortgage, instrument or transaction entered into by them on behalf of the Executive Board or the Association in the performance of the Executive Board members' duties;

(d) Shall not be liable to a Unit Owner, or such Unit Owner's tenants, employees, agents, customers, or guests for loss or damage caused by theft of or damage to personal property left by such Unit Owner or his tenants, employees, agents, customers or guests in a Unit, or in or on the Common Elements or Limited Common Elements, except for the Executive Board members' own willful misconduct or gross negligence;

(e) Shall have no personal liability in tort to a Unit Owner or any other person or entity, direct or imputed, by virtue of acts performed by or for them, except for the Executive Board members' own willful misconduct or gross negligence in the performance of their duties; and

(f) Shall have no personal liability arising out of the use, misuse or condition of the Buildings, or which might in any other way be assessed against or imputed to the Executive Board

members as a result of or by virtue of their performance of their duties, except for the Executive Board members' own willful misconduct or gross negligence.

4.18. Indemnification. Each member of the Executive Board in his capacity as an Executive Board member, officer or both, shall be indemnified by the Association against all expenses and liabilities, including attorneys' fees, reasonably incurred by or imposed upon him in connection with any proceeding in which he may become involved by reason of his being or having been a member and/or officer of the Executive Board, or any settlement of any such proceeding, whether or not he is an Executive Board member, officer or both at the time such expenses are incurred, except in such cases wherein such Executive Board member and/or officer is adjudged guilty of willful misconduct or gross negligence in the performance of his duties; provided that, in the event of a settlement, this indemnification shall apply only if and when the Executive Board (with the affected member abstaining if he is then an Executive Board member) approves such settlement and reimbursement as being in the best interests of the Association. The indemnification by the Unit Owners set forth in this Section 4.18 shall be paid by the Association on behalf of the Unit Owners and shall constitute a Common Expense and shall be assessed and collectible as such. Such right of indemnification shall not be deemed exclusive of any other rights to which such Executive Board member and/or officer may be entitled as a matter of law or agreement or by vote of the Unit Owners or otherwise.

4.19. Covenants Committee.

(a) Purpose. The Executive Board shall establish a Covenants Committee, consisting of three members appointed by the Executive Board, each to serve for a term of two years, in order to assure that the Condominium shall always be maintained in a manner: (1) providing for visual harmony and soundness of repair; (2) avoiding activities deleterious to the aesthetic or property values of the Condominium; (3) furthering the comfort of the Unit Owners, their guests and tenants; and (4) promoting the general welfare and safety of the condominium community.

(b) Powers. The Covenants Committee shall regulate the external design, appearance, use and maintenance of the Common Elements. The Covenants Committee shall have the power to impose reasonable application fees as well as the costs of reports, analyses, or consultations required in connection with improvements or charges proposed by a Unit Owner. The Covenants Committee shall have the power to impose reasonable fines upon, and issue a cease and desist request to a Unit Owner, his guests, invitees, or

lessees whose actions are inconsistent with the provisions of the Condominium Act, the Declaration, the Rules and Regulations or resolutions of the Executive Board (upon petition of any Unit Owner or upon its own motion). The Covenants Committee shall from time to time, as required, provide interpretations of the Declaration, Rules and Regulations and resolutions pursuant to the intents, provisions and qualifications thereof when requested to do so by a Unit Owner or the Executive Board. Any action, ruling, or decision of the Covenants Committee may be appealed to the Executive Board by any party deemed by the Executive Board to have standing as an aggrieved party and the Executive Board may modify or reverse any such action, ruling or decision.

(c) Authority. The Covenants Committee shall have such additional duties, power and authority as the Executive Board may from time to time provide by resolution. The Executive Board may relieve the Covenants Committee of any of its duties, powers and authority either generally or on a case-by-case basis. The Covenants Committee shall carry out its duties and exercise its powers and authority in the manner provided for in the Rules and Regulations or by resolution of the Executive Board.

ARTICLE 5 OFFICERS

5.1. Officers. The Officers of the Association shall be a President, a Vice President, a Secretary and a Treasurer. All officers shall be Unit Owners or the designated representative of a corporation, partnership or other legal entity, which is a Unit Owner. Not more than Two (2) offices may be held by the same person.

5.2. Election. The Officers of the Association shall be elected annually by the Executive Board at the organizational meeting of each new Executive Board and shall hold office until their successors are elected or appointed by the Executive Board and qualify.

5.3. Removal. Each Officer shall hold office at the pleasure of the Executive Board and may be removed with or without cause, and his successor elected at any annual, or at any special meeting of the Executive Board called for such purpose, upon the affirmative vote of a majority of the Members of the Executive Board.

5.4. President.

(a) The President shall be the Chief Executive Officer of the Association and shall preside at all meetings of the Members and of the Executive Board.

(b) The President shall execute and seal deeds, contracts and other instruments, in the name and on behalf of the Association, except when such documents are required or permitted by law to be otherwise executed, and except when the signing and execution thereof shall be delegated by the Executive Board to another Officer or Agent of the Association.

5.5. Vice President. The Vice President shall take the place of the President and perform the duties of the President whenever the President shall be absent or unable to act. The Vice President shall also perform such other duties as shall from time to time be imposed by the Executive Board or by the President.

5.6. Secretary.

(a) The Secretary shall attend all meetings of the Executive Board and all meetings of the Members and record all votes and the minutes of all meetings and proceedings in a minute book to be kept for that purpose and shall perform like duties for the Committees when required. He shall have charge of the minute book, and such records and papers as the Executive Board shall direct, and perform all duties incident to the Office of Secretary, including the sending out of notices of meetings of the Members, Executive Board and Committees, and such other duties as may be described by these By-Laws, by the Executive Board and by the President.

(b) In the absence or disability of the Secretary, a Clerk or Secretary pro tem shall be appointed by the Executive Board to perform the duties and exercise the powers of the Secretary, and shall perform such duties as may be prescribed by the Executive Board.

5.7. Treasurer.

(a) The Treasurer shall have responsibility for the Association funds and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Association, and shall deposit all monies, checks, and other valuable effects in the name and to the credit of the Association in such depositories as may from time to time be designated by the Executive Board.

(b) The Treasurer shall disburse the funds of the Association as may from time to time be ordered by the Executive Board, making proper vouchers for such disbursements, and shall render to the President and the Executive Board, at the regular meetings of the Executive Board, or whenever they or either of them so require, an account of his transactions as Treasurer and of the financial condition of the Association.

ARTICLE 6

BUDGET PROCEDURE ASSESSMENT AND COLLECTION

6.1. Fiscal Year. The fiscal year of the Association shall be January 1st through December 31st unless otherwise determined by the Executive Board.

6.2. Preparation and Approval of Budget.

(a) At least sixty (60) days before the beginning of each fiscal year, the Executive Board shall adopt a budget for the Association containing an estimate of the total amount considered necessary to pay the cost of maintenance, management, operation, repair and replacement of the Common Elements and those parts of the Units as to which it is the responsibility of the Association to maintain, repair and replace, and the cost of wages, materials, insurance premiums, services, supplies and other expenses that may be declared to be Common Expenses by the Condominium Act, the Declaration or a resolution of the Association and which will be required during the ensuing fiscal year for the administration, operation, maintenance and repair of the Property and the rendering to the Unit Owners of all related services. The budget shall reflect the separate assessment of Limited Common Expenses. Such budget shall also include such reasonable amounts as the Executive Board considers necessary to provide working capital, a general operating reserve and reserves for contingencies and replacements.

(b) Within thirty (30) days after adoption of the proposed budget, the Executive Board shall send to each Unit Owner a summary of the budget in a reasonably itemized form which sets forth the amount of the Common Expenses and any special assessment payable by each Unit Owner. Such budget shall be available for inspection at the Association Office. Such budget shall constitute the basis for determining each Unit Owner's assessment for the Common Expenses of the Condominium.

(c) The Executive Board shall also, within thirty (30) days after the adoption of any proposed budget, set a date for a meeting of the Unit Owners to consider ratification of the proposed budget

to be held not less than fourteen (14) nor more than thirty (30) days after the mailing of the summary. Unless at that meeting a Majority of all the Unit Owners rejects the budget, the budget is ratified, whether or not a quorum is present. In the event the proposed budget is rejected, the periodic budget last ratified by the Unit Owners shall be continued until such time as the Unit Owners ratify a subsequent budget proposed by the Executive Board. The total amount of such budget shall be assessed against all of the Units and the respective Unit Owners thereof, in the proportionate Allocated Interests applicable to the several Units owned by them as set forth in the Declaration.

(d) The Executive Board shall make reasonable efforts to meet the deadlines set forth above, but compliance with such deadlines shall not be a condition precedent to the effectiveness of any budget.

6.3. Assessment and Payment of Common Expenses. Subject to the provisions of subsection 6.2 hereof, the total amount of the estimated funds required from assessments for the operation of the Property set forth in the budget adopted by the Executive Board shall be assessed against each Unit Owner in proportion to his respective Allocated Interest, except for Limited Common Expenses which shall be assessed against each Unit Owner benefited in proportion to the relative Allocated Interest of such units interest, and shall be a lien against such Unit Owner's Unit as provided in Section 6.12 of these By-Laws. On or before the first day of each fiscal year, and the first day of each of the succeeding eleven months in such fiscal year, each Unit Owner shall be obligated to pay to the Executive Board or the Managing Agent (as determined by the Executive Board), one-twelfth (1/12th) of such assessment. Within ninety days after the end of each fiscal year, the Executive Board shall supply to all Unit Owners, and to each Mortgagee requesting the same, an itemized accounting of the Common Expenses for such fiscal year actually incurred and paid, together with a tabulation of the amounts collected pursuant to the budget adopted by the Executive Board for such fiscal year, and showing the net amount over or short of the actual expenditures plus reserves. Any amount accumulated in excess of the amount required for actual expenses and reserves shall, at the discretion of the Executive Board, be placed in reserve accounts, be placed in a special account to be expended solely for the general welfare of the Unit Owners, or be credited according to each Unit Owner's Allocated Interest to the next monthly installments due from Unit Owners under the current fiscal year's budget, until exhausted. Any net shortage shall be assessed promptly against the Unit Owners in accordance with their Allocated Interests after such notice of a proposed additional budget and ratification thereof as provided in

Section 6.2 hereof, and shall be payable either: (1) in full with payment of the next monthly assessment due; or (2) in not more than six equal monthly installments, as the Executive Board may determine.

6.4. Reserves. The Executive Board shall build up and maintain reasonable reserves for working capital, operations, contingencies and replacements. Extraordinary expenditures not originally included in the annual budget, which may become necessary during the year shall be charged first against such reserves. If the reserves are inadequate for any reason, including non-payment of any Unit Owner's assessment, the Executive Board may at any time levy a further assessment, which shall be assessed against the Unit Owners according to their respective Allocated Interests, and which may be payable in a lump sum or in installments as the Executive Board may determine.

6.5. Further Assessments. The Executive Board shall serve notice of any such further assessment on Unit Owners pursuant to Sections 6.3 or 6.4 and shall hold a meeting of Unit Owners to consider ratification of the proposed assessment as provided in Section 6.2 hereof. Such further assessment shall become effective with the next monthly payment, which is due more than ten days after the ratification of such further assessment. All Unit Owners so notified shall be obligated to pay the adjusted monthly amount or, if such further assessment is not payable in installments, the amount of such assessment. Such assessment shall be a lien as of the effective date as set forth in Section 6.3 hereof.

6.6. Initial Capital Payment.

(1) Upon taking office, the first Executive Board elected or designated pursuant to these By-Laws shall determine the budget, as defined in this section, for the period commencing thirty days after such election and ending on the last day of the fiscal year in which such election occurs. Assessments shall be levied and become a lien against the Unit Owners during such period as provided in Section 6.3 hereof.

(2) The Declarant, as the agent of the Executive Board, will collect from each initial purchaser at the time of settlement an "initial capital payment" in the amount of Two Hundred Fifty (\$250.00) Dollars. The Declarant will deliver the funds so collected to the Executive Board to provide the necessary working capital for the Association and for reserves. Such funds may be used for certain prepaid items, initial equipment, supplies, organizational costs and other start-up costs, and for such other purposes as the Executive Board may determine, and the balance of

the funds shall be allocated to the reserves for the purposes set forth in Section 6.4 hereof.

6.7. Effect of Failure to Prepare or Adopt Budget. The failure or delay of the Executive Board to prepare or adopt a budget for any fiscal year shall not constitute a waiver or release in any manner of a Unit Owner's obligation to pay his allocable share of the Common Expenses as herein provided whenever the same shall be determined and, in the absence of any annual budget or adjusted budget, each Unit Owner shall continue to pay each monthly installment at the monthly rate established for the previous fiscal year until notice of the monthly payment which is due more than ten days after such new annual or adjusted budget shall have been delivered.

6.8. Accounts. All sums collected by the Executive Board with respect to assessments against the Unit Owners or from any other source may be commingled into a single fund or held for each Unit Owner in accordance with his Allocated Interest.

6.9. Payment of Common Expenses. Each Unit Owner shall pay the Common Expenses, including Limited Common Expenses, assessed by the Executive Board pursuant to the provisions of Article 6 hereof. No Unit Owner may be exempted from liability for the assessment of Common Expenses by waiver of the use or enjoyment of any of the Common Elements or by abandonment of his Unit. No Unit Owner shall be liable for the payment of any part of the Common Expenses assessed against his Unit subsequent to the date of recordation of a conveyance by him in fee of such Unit. Prior to or at the time of any such conveyance, all liens, unpaid charges and assessments shall be paid in full and discharged. The purchaser of a Unit shall be jointly and severally liable with the selling Unit Owner for all unpaid assessments against the latter for his proportionate share of the Common Expenses up to the time of such recordation, without prejudice to the purchaser's right to recover from the selling Unit Owner amounts paid by the purchaser therefore; provided, however, that any such purchaser shall be entitled to a statement setting forth the amount of the unpaid assessments against the selling Unit Owner within five business days following a written request therefore to the Executive Board and such purchaser shall not be liable for, nor shall the Unit conveyed be subject to a lien for, any unpaid assessments in excess of the amount therein set forth; and provided, further, that each Mortgagee who comes into possession of a Unit by virtue of foreclosure or by deed or assignment in lieu of foreclosure, or any purchaser at a foreclosure sale, shall take the Unit free of any claims for unpaid assessments or charges against such Unit which accrue prior to the time such Mortgagee comes into possession

thereof, except for claims for a pro rata share of such assessments or charges resulting from a pro rata reallocation of such assessments or charges to all units including the mortgaged Unit.

6.10. Collection of Assessments. The Executive Board shall take prompt action to collect any assessments due from any Unit Owner, which remain unpaid for more than thirty days from the due date for payment thereof. Any assessment, or installment thereof, not paid within ten days after due shall accrue a late charge in the amount of ten dollars, or such other amount as may be established from time to time by the Executive Board.

6.11. Statement of Common Expenses. The Executive Board shall promptly provide any Unit Owner, contract purchaser or Mortgagee so requesting the same in writing with a written statement of all unpaid assessments for Common Expenses and any other assessments due from such Unit Owner. The Executive Board may impose a reasonable charge for the preparation of such statement to cover the cost of preparation.

6.12. Collection of Assessments and Liens. All sums assessed for the share of the Common Expenses or any other assessment chargeable to a Unit or fines imposed against a Unit Owner shall be a debt of the Unit Owner at the time assessed and shall be collectible as such as provided by the Act. Such debt shall be the personal obligation of the Unit Owner. Any such sum assessed or fine imposed that is unpaid when due shall constitute a lien as set forth in the Act and shall have the priority as set in the Act. Said lien shall be in addition to any other remedy which may be available at law.

The lien provided for above may be foreclosed in accordance with the provisions of the Act, and the court shall add to the amount due, reasonable Attorneys' fees and costs and expenses of the action, all of which shall be deemed a part of the cost and expense which the Unit Owner has agreed to pay and are hereby included in such lien. The Association, through the Executive Board or its duly authorized President or other representative, may purchase at the sale, take title in its own name, lease, mortgage and dispose of same.

6.13. Obligations.

(a) Each Unit Owner shall perform promptly and at his own risk, cost and expense, all maintenance and repair work with respect to each Unit owned by him and shall maintain his Unit in good order and condition, and each Unit Owner shall be liable for damages, liabilities, costs, detriments and expenses, including

Attorneys' fees, caused by or arising out of his failure to perform promptly any such maintenance and repair work.

(b) Each Unit Owner shall be obligated to reimburse the Association for any expenditures incurred by it in repairing or replacing any part or parts of the Common Elements damaged solely by his negligence, or by the negligence of his tenants, agents, or guests, promptly upon receipt of the statements therefore from the Association.

6.14. Default. In the event a Unit Owner shall fail to pay any assessment levied against him and any Unit owned by him as provided in Section 6.12, or shall fail to reimburse the Association for any maintenance or repair work performed by it as provided in Section 6.13, within thirty (30) days after the same shall become due and payable and a statement showing the amounts due on account of either or both of said items, as the case may be, shall have been mailed by the Secretary to such Unit Owner by United States mail, first class, with postage prepaid, directed to such Unit Owner at his last known post office address as the same appears on the records of the Association, then and in either or both of such events, the Association, acting by and through its Executive Board, shall be entitled to proceed to foreclose the lien created on such Unit by this Article 6, in the same manner as provided in Section 6.12 for the foreclosures of liens for delinquent assessments, or to proceed with a legal action to collect the sum due. Nothing herein contained shall be deemed to impair the right of the Association to proceed personally against any such delinquent Unit Owner for the recovery of a personal judgment against him, or for such other relief, legal or equitable, as may be deemed appropriate.

6.15. Acceleration of Assessment Installments Upon Default. If a Unit Owner shall be in default in the payment of an installment upon an assessment, the Executive Board may accelerate the remaining installments of the assessment upon notice thereof to the Unit Owner, and thereupon the unpaid balance of the assessment, together with interest, shall come due upon the date stated in the notice, but not less than Ten (10) days after delivery thereof to the Unit Owner, or not less than Twenty (20) days after the mailing of such notice to him by registered or certified mail, whichever shall first occur.

6.16. Assessments for Emergencies. Assessments for expenses for emergencies which cannot be paid from the annual assessments for Common Expenses shall be made only after notice of the need therefore to the Unit Owners concerned. After such notice of a proposed additional budget, the assessment shall become effective,

and it shall be due after thirty (30) days notice thereof in such manner as the Executive Board may require.

6.17. Interest and Cost of Collection. Any past due assessment for Common Expenses or installment thereof, or any other amount due to the Association from a Unit Owner, shall bear interest at the rate of Eighteen (18%) Percent per annum or at such other rate set by the Executive Board. The cost of collection including a reasonable attorney's fee, shall also be the obligation of a Unit Owner.

ARTICLE 7
MAINTENANCE, REPAIR AND REPLACEMENT
OR RECONSTRUCTION

7.1. By the Association. The Association shall be responsible for the maintenance, repair and replacement (unless, if in the opinion of 4/5ths of the Executive Board such expense was necessitated by the negligence, misuse or neglect of a Unit Owner) of all of the Common Elements as defined herein or in the Declaration, whether located inside or outside of the Units, the cost of which shall be charged to all Unit Owners as a common expense, provided, however, that each Unit Owner shall perform normal maintenance on the Limited Common Elements appurtenant to his Unit and any portion of the remaining Common Elements which the Executive Board pursuant to the Rules and Regulations has given him permission to utilize, including without limitation the items enumerated in Section 7.2.

7.2. By the Unit Owner. Each Unit Owner shall keep his Unit and its equipment, appliances and appurtenances in good order, condition and repair and in a clean and sanitary condition, and shall do all redecorating, painting and varnishing which may at any time be necessary to maintain the good appearance and condition of his Unit. In addition, each Unit Owner shall be responsible for all damages to all other Units or to the Common Elements resulting from his failure or negligence to make any of the repairs required by this Section. Each Unit Owner shall perform his responsibility in such manner as shall not unreasonably disturb or interfere with the other Unit Owners. Each Unit Owner shall promptly report to the Executive Board any defect or need for repairs for which the Association is responsible.

7.3. Manner of Repair and Replacement. All repairs and replacements shall be substantially similar to the original construction and installation and shall be of first-class quality, but may be done with contemporary building materials and equipment.

7.4. Additions, Alterations or Improvements by the Unit Owners. Unit Owners may make structural addition, alteration or improvement in or to his Unit without the prior written consent of the Executive Board. If any application to any governmental authority for a permit to make any such structural additions, alteration or improvement in or to any Unit requires execution by the Association, then the application shall be executed on behalf of the Association by an authorized Officer, without however incurring any liability on the part of the Executive Board, the Association or any of them to any contractor, subcontractor or materialman on account of such addition, alteration or improvement, or to any person having claim for injury to person or damage to property arising therefrom. Either Unit may be subdivided or may be altered to include more than one use as long as said change has complied with municipal regulations and condominium restrictions. The Secretary shall record any necessary amendment to the Declaration to effect such action as provided in Sections 2.13 of the Condominium Act.

ARTICLE 8
COMPLIANCE AND DEFAULT

8.1. Relief. Each Unit Owner shall be governed by, and shall comply with, all of the terms of the Declaration and the Condominium Act as any of the same may be amended from time to time. In addition to the remedies provided in Section 3.16 of the Condominium Act, a default by a Unit Owner shall entitle the Association, acting through its Executive Board to the following relief:

(a) Additional Liability. Each Unit Owner shall be liable for the expense of all maintenance, repair or replacement rendered necessary by his act, neglect or carelessness or the act, neglect or carelessness of any member of his family or his tenants, employees, agents or licensees, but only to the extent that such expense is not covered by the proceeds of insurance carried by the Executive Board. Such liability shall include any increase in casualty insurance rates occasioned by use, misuse, occupancy or abandonment of any Unit or its appurtenances. Nothing contained herein, however, shall be construed as modifying any waiver by any insurance company of its rights of subrogation.

(b) Costs and Attorneys' Fees. In any proceedings arising out of any alleged default by a Unit Owner, the prevailing party shall be entitled to recover the costs of such proceeding and such reasonable attorneys' fees as may be determined by the Court.

(c) No Waiver of Rights. The failure of the Association, the Executive Board or of a Unit Owner to enforce any right, provision, covenant or condition which may be granted by the Declaration or the Condominium Act shall not constitute a waiver of the right of the Association, the Executive Board or the Unit Owner to enforce such right, provision, covenant or condition in the future. All rights, remedies and privileges granted to the Association, the Executive Board or any Unit Owner pursuant to any term, provision, covenant or condition of the Declaration or the Condominium Act shall be deemed to be cumulative and the exercise of any one or more thereof shall no be deemed to constitute an election of remedies, nor shall it preclude the party exercising the same from exercising such other privileges as may be granted to such party by the Declaration or the Condominium Act or at law or in equity.

(d) Interest. In the event of a default by any Unit Owner in paying any sum assessed against his Unit other than for common expenses which continues for a period in excess of fifteen days, interest at a rate of Eighteen (18%) Percent per annum or at such other rate set by the Executive Board shall be due and payable on the principal amount unpaid from the date due until paid.

ARTICLE 9 INSURANCE

9.1. Power of Attorney. The Association is hereby irrevocably appointed as attorney-in-fact for each Unit Owner and for each holder of a mortgage or other lien upon a Unit and for each Owner of any other interest in the Property for the purpose of purchasing and maintaining insurance as set forth in Section 9.3 below including: the collection and appropriate disposition of the proceeds thereof; the negotiation of losses and execution of releases of liability; the execution of all documents; and the performance of all other acts necessary to accomplish such purpose.

9.2. Insurance Trustee. The Executive Board shall have the option, in its sole discretion, of naming as an insured, on behalf of the Association, an Insurance Trustee with whom the Association has entered into an Insurance Trust Agreement. The duty of the Insurance Trustee shall be to receive, hold or otherwise properly dispose of, in accordance with Section 3.13 of the Condominium Act, proceeds of insurance designated in the Insurance Trust Agreement in trust for Unit Owners and their mortgagees as their interests may appear.

9.3. Types and Amounts. In addition to and in supplementation of the insurance required under Section 34-36.1-3.13 of the Act, commencing not later than the time of the conveyance of the first Unit to a Person other than the Declarant, the Association shall, to the extent reasonably available, obtain and maintain the types and amounts of insurance set forth below in sub-sections of this Section 9.3. Except as otherwise provided, the premiums for all such insurance policies shall be a Common Expense.

9.3.1 Hazard Insurance.

(a) Hazard Insurance, with an endorsement for extended coverage, or such other fire and casualty insurance as the Executive Board may determine provides equal or greater protection for the Unit Owners and their mortgagees, if any, in each case complying with the applicable requirements of Section 9.4 hereof. Such hazard insurance shall, if and to the extent reasonably available, provide coverage of the Common Elements (including the Limited Common Elements), including fixtures and building service equipment and common personal property and supplies belonging to the Association, and the Units; but excluding any improvements or fixtures subsequently added by the Unit Owner and all other personal property of the Unit Owner. Such insurance shall, if so required by the Federal National Mortgage Association and if and to the extent reasonably available, also cover fixtures, equipment and other personal property inside a Unit if such fixtures, equipment or personal property are financed by a mortgage purchased by the Federal National Mortgage Association. If such insurance is so provided, the Association shall require such Unit Owner to pay the additional cost incurred by the Association in so insuring such Unit Owner's fixtures, equipment or other personal property. Such hazard insurance shall insure against all risks of direct physical loss commonly insured against. If such hazard insurance no longer becomes available in the future, the Association shall obtain such comparable insurance as is then available. The amount of any such hazard insurance obtained pursuant to this Section shall be equal to the full insurance replacement value of the insured property, without deduction for depreciation (i.e., one hundred percent (100%) of current "replacement cost" exclusive of land, foundation, excavation and other items normally excluded from coverages, but including all Building service equipment), with an "agreed amount endorsement" or its equivalent, if available, or an "inflation guard endorsement", if available, and construction code endorsements, if applicable and to the extent required by the Federal National Mortgage Association. Notwithstanding the foregoing, in no event shall the aggregate amount of the insurance

obtained by less than the amount of the initial principal sum of all Mortgages in effect from time to time.

(b) Such hazard insurance shall afford protection against at least the following:

- (1) loss or damage by fire and other perils normally covered by the standard extended coverage endorsement;
- (2) all other perils which are customarily covered with respect to projects similar in construction, location, and use, including all perils normally covered by the standard "all risk" endorsement, where such is available;
- (3) such other risks as the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation may require by reason of their holding one or more Mortgages.

(c) Such hazard insurance policy may, at the option of the Association, contain a "deductible" provision in an amount to be determined by the Executive Board but not to exceed Ten Thousand Dollars (\$10,000.00).

9.3.2. Comprehensive Liability Insurance.

(a) Comprehensive Liability Insurance policies, complying with the requirements of Section 9.4 hereof, insuring the Unit Owners, in their capacity as Unit Owners and Association Members and any Managing Agent retained by the Association, against any liability to the public or to the other Unit Owners, their tenants or invitees, relating in any way to the ownership, operation, maintenance and/or use of the Common Elements and any part thereof, the public ways of the project, any other areas under the Association's supervision, and Units owned by the Association.

(b) Such insurance policy shall contain a "severability of interest endorsement" or equivalent coverage which precludes the insurer from denying the claim of a Unit Owner of the negligent acts of the Association or another Unit Owner.

(c) Limits of liability shall be at least One Million Dollars (\$1,000,000.00) covering all claims for personal injury and/or property damage arising out of a single occurrence.

(d) Coverage under this policy shall include legal liability arising out of lawsuits related to employment contracts of the Association.

9.3.3. Fidelity Bonds.

(a) Fidelity bonds or insurance coverage against dishonest acts on the part of such persons (including by way of

illustration and not limitation, Association Members, Officers, Executive Board Members, trustees, managers, agents, employees and volunteers), handling or responsible for funds belonging to or administered by the Association. In the event the Association has delegated some or all of the responsibility for the handling of funds to the Managing Agent, such bonds or insurance coverage shall include officers, employees and agents of such Managing Agent.

(b) Such fidelity bond or insurance shall name the Association as the named insured and shall be written in an amount sufficient to cover the maximum funds that will be in the custody of the Association or its Managing Agent at any time while the bond is in force which is in no event less than one-half (1/2) times the Association's estimated annual operating expenses, including reserves, or the amount required by the Mortgagees, the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, whichever is greatest.

(c) In connection with such coverage, an appropriate endorsement to such policy or bond in order to cover any persons who serve without compensation shall be added if the policy would not otherwise cover volunteers.

(d) Such fidelity bond or insurance shall also:

(1) name the Association as an Obligee;

(2) contain waivers by the issuers of the bonds of all defenses based upon the exclusion of persons serving without compensation from the definition of "employees", or similar terms or expressions;

(3) provide that same may not be cancelled or substantially modified (including cancellation for non-payment of premium) without at least thirty (30) days prior written notice to the Association and all Mortgagees.

9.3.4. Workmen's Compensation Coverage. Such workmen's compensation insurance is required by law.

9.3.5. Indemnification Insurance. Insurance to satisfy the indemnification obligation of the Association and all Unit Owners set out in Section 4.18 hereof, if and to the extent available at the election of the Executive Board.

9.3.6. Other Insurance. The Association may carry any other insurance it deems appropriate to protect the Association or the Unit Owners.

9.4. Required Provisions. Insurance obtained by the Association shall be in accordance with the following provisions:

(a) All policies shall be written with a company licensed to do business in the State of Rhode Island and, for the Hazard Insurance Policy described in Section 9.3.1 hereof, such company must hold a rating of Class VI or better by Best's Insurance Reports (or a rating of Class V, provided it has general policy holder's rating of at least "A"), or by an equivalent rating bureau should Best's Insurance Reports cease to be issued.

(b) Exclusive authority to adjust losses under policies hereafter in force on the Property shall be vested in the Executive Board or its authorized representative.

(c) With respect to the insurance policies issued to the Association and covering all or any part of the Property, the Association shall endeavor to cause such policies to provide that:

(1) the enforceability of such policies is not affected by any waiver of subrogation as to any and all claims against the Association, any Managing Agent, the Unit Owners and their respective tenants, employees, agents, customers, and guests, such subrogation being hereby waived;

(2) such policies cannot be cancelled, invalidated or suspended by means of the conduct of any one or more Unit Owners, all defenses based upon co-insurance or acts of the insured being waived by the insurer, and in no event may cancellation, material modification, invalidation or suspension for any reason be effected without at least thirty (30) days' prior written notice to the Association, any Insurance Trustee, each Unit Owner and all Mortgagees whose names and addresses are on file with the insurer;

(3) such policies cannot be cancelled, invalidated or suspended on account of the conduct of any officer or employee or the Association or of any Managing Agent without a prior demand in writing that the Association or any Managing Agent, as the case may be, cure the defect within a reasonable period of time;

(4) any "no other insurance" clause in such policies shall not prohibit Unit Owners from obtaining insurance on their individual Unit provided such insurance policy conforms with the requirements of this Article 9.

(5) the name of the insured under each policy required pursuant to this Article 9 shall be stated in form and substance substantially as follows: "BROOKEDGE VILLAGE CONDOMINIUM

ASSOCIATION for the use and benefit of the individual owners or their authorized representatives, of the units contained in the BROOKEDGE VILLAGE CONDOMINIUM". The policies may alternatively be issued in the name of an authorized representative of the Association, including any Insurance Trustee with whom the Association has entered into an Insurance Trust Agreement, or any successor to such Trustee, for the use and benefit of the individual owners, as provided for in Section 9.2 hereof.

(6) loss payable under each policy required pursuant to this Article 9 shall be in favor of the Association or Insurance Trustee (if an Insurance Trustee has been appointed by the Executive Board pursuant to Section 9.2 hereof) for each Unit Owner and each such Unit Owner's Mortgagees as their interests may appear. Policies shall contain the standard mortgage clause, or equivalent endorsement (without contribution) or shall otherwise be endorsed to fully protect all Mortgagees' interests. If the Federal National Mortgage Association holds one or more Mortgages, the policies must name as mortgagee either the Federal National Mortgage Association or the servicers for the Mortgages it holds; such servicer's name shall be followed by the phrase "its successors and assigns."

(7) coverage may not be prejudiced by: (i) any act or negligence of one or more Unit Owners when such act or neglect is not within the control of the Association; or (ii) any condition regarding any portion of the Property over which the Association has no control.

(8) all policies of property insurance shall provide that, despite any provisions giving the insurer the right to elect to restore damage in lieu of a cash settlement, such options shall not be exercisable (i) without the prior written approval of the Executive Board (or any Insurance Trustee), or (ii) when in conflict with the provisions of any Insurance Trust Agreement to which the Association may be a party or with any requirement of law.

(9) insurance coverage obtained and maintained by the Association pursuant to the requirements of this Article 9 may not be brought into contribution with insurance purchased by Unit Owners or their mortgagees.

(10) insurance coverage obtained and maintained by the Association pursuant to the requirements of this Article 9 shall provide that no assessment may be made against Mortgagees or may become a lien on the mortgaged premises superior to the lien of any Mortgagees.

(11) any Insurance Trust Agreement will be recognized.

(12) each Unit Owner is an insured person under the policy with respect to liability arising out of its interest in the Common Elements or membership in the Association.

(13) If, at the time of a loss under a policy, there is other insurance in the name of a Unit Owner covering the same risk covered by the policy, the Association's policy provides primary insurance.

9.5. Unit Owner's Insurance.

(a) Individual Insurance Policies. Each Owner (and the holder of any mortgage thereon) may obtain additional insurance (including a "Condominium Unit-Owner's Endorsement" for improvements and betterments to the Unit made or acquired at the expense of the Owner) at his own expense. Such insurance shall be written by the same carrier as that purchased by the Association pursuant to this Article or shall provide that it shall be without contribution as against the same. Such insurance shall contain the same waiver of subrogation provision as that set forth in Section 9.4 of this Article. The Declarant recommends that each Owner obtain, in addition to the insurance hereinabove provided to be obtained by the Association, a "Condominium Homeowners Policy", or equivalent, to insure against loss or damage to personal property used or incidental to the occupancy of his Unit, additional living expense, plate glass damage, vandalism or malicious mischief, theft, personal liability and the like. Such policy should include a "Condominium Unit Owner's Endorsement" covering losses to improvements and betterments to the Unit made or acquired at the expense of the Owner.

(b) Any Unit Owner who obtains individual insurance policies covering any portion of the Property, other than: (i) personal property belonging to such Owner; or (ii) the individual Unit of such Unit Owner, shall be required to file a copy of such individual policy or policies with the Association within thirty (30) days after purchase of such insurance.

(c) The Executive Board shall have the power to require all Unit Owners to carry such types of insurance on their Units as the Executive Board may reasonably require, including, without limitation, insurance on all portions of the Unit.

9.6 Review. The Executive Board shall review annually the amount and terms of insurance obtained by it and shall undertake such action, including appraisals, as may be necessary to determine that such insurance conforms to the provision of this Article. The Executive Board shall have exclusive authority to negotiate and adjust losses under all insurance policies obtained by it.

ARTICLE 10
REPAIR AND RECONSTRUCTION AFTER FIRE
OR OTHER CASUALTY

10.1. When Repair and Reconstruction are Required. Except as otherwise provided in Section 10.4, in the event of damage to or destruction of all or any part of the building as a result of fire or other casualty, the Executive Board shall arrange for and supervise the prompt repair and restoration of the affected structure or improvement, and the Executive Board shall disburse the proceeds of all insurance policies to the contractors engaged in such repair and restoration. Notwithstanding the foregoing, each Unit Owner shall have the right to supervise the redecorating of the Unit.

10.2. Procedure for Reconstruction and Repair.

(a) Cost Estimates. Immediately after a fire or other casualty causing damage to any portion of a Building, the Executive Board shall obtain reliable and detailed estimates of the cost of repairing and restoring such portion to a condition as good as that existing before such casualty.

(b) If the proceeds of insurance are not sufficient to defray such estimated costs of reconstruction and repair, or if upon completion of reconstruction and repair the funds for the payment of the costs thereof are insufficient, the amount necessary to complete such reconstruction and repair shall be deemed a common expense and a special assessment therefore shall be levied.

10.3. Disbursements of Construction Funds.

(a) Construction Fund and Disbursement. The proceeds of insurance collected on account of casualty, and the sums received by the Executive Board from collections of assessments against Unit Owners on account of such casualty, shall constitute a construction fund, which shall be disbursed in payment of the costs of reconstruction and repair pursuant to Section 10.1.

(b) Surplus. The first monies disbursed in payment of the cost of reconstruction and repair shall be from insurance proceeds and, if there is a balance in the construction fund after the payment of all of the costs of the reconstruction and repair for which the fund is established, such balance shall be divided among all Unit Owners in proportion to their Allocated Interests and shall be distributed in accordance with the priority of interests at law or in equity in each Unit.

(c) Common Elements. When the damage is to both Common Elements and Units, the insurance proceeds shall be applied first to the cost of repairing the Common Elements and thereafter to the cost of repairing the Units.

10.4. When Reconstruction Is Not Required. If the Executive Board elects not to repair damage to the building and to terminate the Condominium pursuant to Section 2.18 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 Executive Board among all Unit Owners in proportion to their respective Allocated Interests, after first paying out of the share of each Unit Owner, to the extent sufficient therefore, the amount of any unpaid liens on the Unit in the order of priority of such liens.

ARTICLE 11 EXECUTION OF DOCUMENTS

11.1. Contracts, etc., How Executed. Unless the Executive Board shall otherwise determine, the (i) President or the Treasurer and (ii) Secretary or any Assistant Secretary may enter into any contract or execute any contract or other instrument, the execution of which is not otherwise specifically provided for, in the name and on behalf of the Association. The Executive Board, except as in these By-laws otherwise provided, may authorize any other or additional officer or officers, agent or agents, of the Association to enter into any contract or execute and deliver any contract or other instrument in the name and on behalf of the Association, and such authority may be general or confined to specific instances. Unless authorized so to do by these By-laws or by the Executive Board, no officer, agent or employee shall have any power or authority to bind the Association by any contract or engagement, or to pledge its credit, or to render it liable pecuniarily for any purpose or to any amount.

11.2. Checks, Drafts, etc. All checks, drafts bills of exchange or other orders for the payment of money, obligations, notes, other evidences of indebtedness, bills of lading, warehouse

receipts and insurance certificates of the Association, shall be signed or endorsed by any Two (2) officers of the Association or by such officer or officers, employee or employees, of the Association as shall from time to time be determined by resolution of the Executive Board.

ARTICLE 12
INDEMNIFICATION OF OFFICERS AND DIRECTORS
OR OTHER CASUALTY

12.1. Indemnification of Officers and Directors. The Association shall indemnify every Manager or Officer, his heirs, executors and administrators, against all loss, costs and expense, including counsel fees, reasonably incurred by him in connection with any action, suit or proceeding to which he may be made a party by reason of his being or having been a Manager or Officer of the Association, except as to matters to which he shall be finally adjudged in such action, suit or proceeding to be liable for gross negligence or willful misconduct. In the event of a settlement, indemnification shall be provided only in connection with such matters covered by the settlement as to which the Association is advised by counsel that the person to be indemnified has not been guilty of gross negligence or willful misconduct in the performance of his duty as such Manager or Officer in relation to the matter involved. The foregoing rights shall not be exclusive of other rights to which such Manager or Officer may be entitled. All liability, loss, damage, costs and expense incurred or suffered by the Association by reason or arising out of or in connection with the foregoing indemnification provisions shall be treated and handled by the Association as Common Expenses; provided, however, that nothing in this Article 12 shall be deemed to obligate the Association to indemnify any Member or Unit Owner, who is or has been a Member or Officer of the Association, with respect to any duties or obligations assumed or liabilities incurred by him as a Member or Unit Owner.

ARTICLE 13
AMENDMENT

13.1. Amendments to By-Laws. The provisions of these By-laws may be amended only by vote of not less than Sixty-Seven (67%) percent of Unit Owners cast in person or by proxy, at any annual or special meeting duly held in accordance with the provisions of these By-laws; provided the notice of such meeting shall set forth the proposed amendment and the purpose thereof, and provided further, that no amendment affecting the rights of mortgagees of any Unit shall be made without the mortgagees consent.

13.2 Approval of Mortgagees. No amendment of these By-Laws impairing or affecting the rights, priorities, remedies or interests of a first mortgagee shall be adopted without the prior consent of the requisite percentages of first mortgagees as set forth in Section 14.4 of the Declaration.

ARTICLE 14
GENERAL PROVISIONS

14.1. Severability. The provisions of these By-laws shall be deemed independent and severable and the invalidity, partial invalidity or unenforceability of any provision or portion hereof shall not affect the validity or enforceability of any other provision or portion thereof unless the deletion of such invalid or unenforceable provision shall destroy the uniform plan for development and operation of the Condominium which the Declaration (including the Plats and Plans) and these By-laws are intended to create.

14.2. Conflicts. The Act and the Declaration shall control in the event of any conflict between the provisions thereof and the provision of these By-laws. The Act, the Declaration and these By-laws shall control in the case of any conflict between the provisions thereof and the provisions of the Rules and Regulations.

14.3. Notices. All notices, demands, bills, statements, or other communications required or permitted under these By-laws shall be in writing and shall be deemed to have been duly given if personally delivered or sent by United States mail, postage prepaid (or otherwise as the Act may permit), or if notification is of a default or lien, sent by registered or certified mail, return receipt requested, postage prepaid, (a) if to a Unit Owner, at the single address which the Unit Owner shall designate in writing and file with the Secretary or, if no such address is designated, at the address of the Unit of such Unit Owner, or (b) if to the Association, the Executive Board or to the Managing Agent, at the principal office of the Association or at such other address as shall be designated by notice in writing to the Unit Owners pursuant to this Section. If a Unit is owned by more than one Person, each Person who so designates a single address in writing to the Secretary shall be entitled to receive all notices hereunder.

14.4. Headings. The headings preceding the various Sections of these By-laws and the Table of Contents are intended solely for the convenience of readers of the By-laws and in no way define,

limit or describe the scope of these By-laws or the intent of any provision thereof.

14.5. Gender. The use of the masculine gender in these By-laws shall be deemed to include the feminine and neuter genders, and the use of the singular shall be deemed to include the plural, and vice versa, whenever the context so requires.

14.6. Construction. These By-laws are intended to comply with all of the applicable provisions of the Condominium Act and shall be so interpreted and applied.

RULES & REGULATIONS OF
BROOKEDGE VILLAGE CONDOMINIUM ASSOCIATION

GENERAL

1. In addition to the provisions of the Declaration, including, without limitation, Article 7 of the Declaration, the following Rules and Regulations (Regulations), together with such additional Rules and Regulations as may hereafter be adopted by the Executive Board, shall govern the use of the Property comprising the BROOKEDGE VILLAGE CONDOMINIUM and the conduct of all residents thereof.

2. Wherever in these Regulations reference is made to "Unit Owners", such term shall apply to the owner of any Unit, to his family, tenants whether or not in residence, servants, employees, agents, visitors and to any guests, invitees or licensees of such Unit Owner, his family or tenant of such Unit Owner. Wherever in these Regulations reference is made to the Association, such reference shall include the Association and the Managing Agent when the Managing Agent is acting on behalf of the Association.

3. The Association reserves the right to alter, amend, modify, repeal or revoke these Regulations and any consent or approval given hereunder at any time by resolution of the Association or the Executive Board.

4. Nothing in these Rules and Regulations shall be considered to prohibit the Declarant from using the easements and rights retained by it to construct and sell Units and improvements in all phases of the condominium.

RESTRICTIONS ON USE.

5. No part of the Property shall be used for any purpose other than residential housing for a single family, their servants and guests.

6. No exterior of any Unit or the windows or doors thereof or the lighting that would affect the exterior appearance or any other portions of the Common Elements of the Condominium shall be painted, decorated or changed by any Unit Owner in any manner without prior written consent of the Covenants Committee.

SCHEDULE A TO BYLAWS

7. No Unit Owner shall make or permit any objectionable odor or noxious or offensive activity that will disturb or annoy the occupants of any other Unit or do or permit anything to be done therein which will interfere with the rights, comfort or convenience of other Unit Owners, their tenants, or guests.

8. Each Unit Owner shall keep his Unit and garages, porches, patios and decks in a good state of preservation and cleanliness and shall not sweep or throw, or permit to be swept or thrown therefrom, any dirt or other substance.

9. All garbage and refuse from the Units shall be deposited with care in the receptacles intended for such purpose only at such times and in such manner as the Executive Board may direct.

10. Water closets and other water apparatus in the Buildings shall not be used for any purposes other than those for which they were constructed, nor shall any sweepings, rubbish, rags, paper, ashes, or any other article be thrown in the same. Any damage resulting from misuse of any water closet or other apparatus shall be paid for by the Unit Owner.

11. No playing or lounging shall be permitted, nor shall baby carriages, velocipedes, bicycles, playpens, wagons, toys, benches, chairs or other articles of personal property be left unattended in parking areas, sidewalks or lawns or elsewhere on the Common Elements.

12. No Unit Owner or occupant of a Unit shall make or permit any disturbing noises to be made in the building or on the Common Elements by himself, his family, friends, tenants, servants, or other invitees; or do or permit anything to be done by such persons that would interfere with the rights, comforts, or conveniences of other Unit Owners or occupants. No Unit Owner or occupant shall play or allow to be played any musical instrument, radio, TV, hi-fi, tape recorder, or the like on the Premises between the hours of 11:00 p.m. and the following 8:00 a.m. if the same shall disturb or annoy other Unit Owners or occupants of the building.

13. Draperies, curtains or venetian blinds must be installed by each Unit Owner on all windows of his Unit and must be so maintained thereon at all times.

14. No clothes line, clothes rack or any other device may be used to hang any items on any window nor may such devices be used anywhere on the Common Elements except in such areas as may be specifically designated for such use by the Executive Board. Porches or patios shall not be used as storage areas. No porch or

patio shall be enclosed or covered by a Unit Owner without the prior consent in writing of the Executive Board.

15. No Unit Owner shall use or permit to be brought into buildings any inflammable oils or fluids such as gasoline, kerosene, naphtha, benzene or other explosives or articles deemed extra hazardous to life, limb or property without in each case obtaining written consent of the Managing Agent or the Executive Board.

PET RULES

16. Section 7.1(e) of the Declaration provides for certain restrictions governing the maintenance, keeping, boarding and/or raising of animals, livestock, poultry or reptiles and by this reference is included herein.

17. A pet may be maintained in a Unit with the approval of the Executive Board so long as it is not a nuisance. Actions which will constitute a nuisance include, but are not limited to, abnormal or unreasonable crying, barking, scratching or unhygienic offensiveness.

18. Pet Owners are fully responsible for personal injuries and/or property damage caused by their pets.

19. Pets must be leashed; leashes may not exceed six feet length.

20. Owners of pets walked upon the Common Elements must promptly clean up their pet's droppings in all areas.

PARKING AND STORAGE

21. All personal property placed in any portion of the Common Elements, including, without limitation, any storage areas, shall be at the sole risk of the Unit Owner and the Association shall in no event be liable for the loss, destruction, theft or damage to such property. Any Unit Owner may use any storage area, if any without charge for the storage of items permitted by the Executive Board.

22. Should an employee of the Association at the request of a Unit Owner move, handle or store any articles in storage areas or remove any articles therefrom or handle, move, park or drive an automobile placed in the parking areas, then, and in every such case, such employee shall be deemed the agent of the Unit Owner