

Beacon Hill Townhomes Condominium

CODE OF REGULATIONS

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"EXHIBIT B"
CODE OF REGULATIONS
ASSOCIATION OF UNIT OWNERS
OF
BEACON HILL TOWNHOMES CONDOMINIUM

ARTICLE I
Name and Location
Section 1 Name and Location.

The name of the Association of Unit Owners is as follows:

BEACON HILL TOWNHOMES CONDOMINIUM

Its principal office and mailing address is as follows
Naamans Road, Brandywine Hundred, Wilmington, Delaware 19810

ARTICLE II
Definitions

Section 1 Declaration. "Declaration" as used herein, means that certain Declaration made the 10th day of August 1979, by the Declarant therein identified, pursuant to the Unit Property Act 25 Del.C. Section 2201, et seq., (hereinafter called the "Act"), by which certain described premises (including land) are submitted to a condominium property regime and which Declaration together with its Declaration Plan is recorded among the Land Records for New Castle County, Delaware, immediately prior hereto and to which this Code of Regulations is appended as an Exhibit.

Section 2 Mortgagee. "Mortgagee", as used herein, means the holder of any recorded mortgage, or the party secured or beneficiary of any recorded deed of trust, encumbering one or more of the condominium units in the condominium. "Mortgage", as used herein, shall include deed of trust. "First mortgage", as used herein, shall mean a mortgage with priority over other mortgages. As used in this Code of Regulations, the term "mortgagee" shall mean any mortgagee and shall not be limited to institutional mortgagees. As used in this Code of Regulations, the term "institutional mortgagee" or "institutional holder" shall include banks, trust

companies, insurance companies, mortgage insurance companies, savings and loan associations, trusts, mutual savings banks, credit unions, pension funds, mortgage companies, Federal National Mortgage Association ("FNMA"), Government National Mortgage Association ("GNMA") Federal Home Loan Mortgage Corporation ("FHLMC"), all corporations and any agency or department of the United States Government or of any state or municipal government; as used in this Code of Regulations, "Association of Unit Owners" means all unit owners in the association, and "Council" as used herein means the board of natural individuals charged with the responsibility of managing the condominium.

Section 3 Other Definitions. Unless it is plainly evident from the context that a different meaning is intended, all other terms used herein shall have the same meaning as they are defined to have in the Declaration or in the Act.

ARTICLE III Membership

Section 1 Members. Every person, group of persons, corporation, partnership, trust or other legal entity, or any combination thereof, who holds legal title to a unit within the condominium shall be a member of the Association of Unit Owners; provided, however, that any person, group of persons, corporation, partnership, trust or other legal entity, or any combination thereof, who holds such interest solely as security for the performance of an obligation shall not be a member of the Association of Unit Owners by reason only of such interest.

ARTICLE IV Meetings of Unit Owners

Section 1 Place of Meetings. Meetings of the unit owners shall be held at the principal office of the Association of Unit Owners or at such other suitable place within the State of Delaware reasonably convenient to the unit owners as may from time to time be designated by the Council.

Section 2 Annual Meetings. The first annual meeting of the unit owners shall be held at such time as the Council shall determine but, in any event, within one hundred twenty, (120 days) after eighty percent (80%) of the condominium units in the project have been sold and title to the same has been conveyed by, the Declarant or within one (1) year following the recordation of the Declaration, whichever shall first occur. Thereafter the annual meetings of the unit owners shall be held on the thirtieth of June of each succeeding year. At such meeting there shall be elected by ballot of the unit owners a Council in accordance with the requirements of Article V hereof. The unit owners may also transact such other business of the Association of Unit Owners as may properly come before them.

Section 3 Special Meetings. It shall be the duty of the President to call a special meeting of the unit owners as directed by resolution of the Council or upon a petition signed by unit owners representing at least twenty percent (20%) of the total votes of the unit owners having been presented to the Secretary; provided, however, that, except upon resolution of the Council, no special meeting of the unit owners shall be called prior to the first annual meeting of the unit owners as hereinabove provided for. The notice of any special meeting shall state the time and place of such meeting and the purpose thereof. No business shall be transacted at a special meeting except as specifically stated in the notice.

Section 4 Roster of Unit Owners. The Association of Unit Owners shall maintain a current roster of the names and addresses of each unit owner to which written notice of meetings of the Association of Unit Owners shall be delivered or mailed. Each unit owner shall furnish the Association of Unit owners with his name and current mailing address.

Section 5 Notice of Meetings. It shall be the duty of the Secretary to mail or otherwise deliver a notice of each annual and special meeting of the Association of Unit owners, stating the purpose thereof as well as the time and place where it is to be held, to each unit owner at his address as it appears on the roster of unit owners maintained by the Association of Unit Owners, or if no such address appears, at his last known place of address or at his condominium unit, at least fifteen (15) but not more than ninety (90) days prior to such meeting. Notice by either such method shall be considered as notice served and proof of such notice shall be made by the affidavit of the person giving such notice. Attendance by a unit owner at any annual or special meeting shall be a waiver of notice by him of the time, place and purpose thereof. Notice of any annual or special meeting of the unit owners may also be waived by any unit owner either prior to, at or after any such meeting.

Section 6 Quorum. The presence, either in person or by proxy, of unit owners representing at least twenty (20) of the total votes of the Association of Unit Owners shall be requisite for, and shall constitute a quorum for the transaction of business at all meetings of the members.

Section 7 Adjourned Meetings. If any meeting of unit owners cannot be organized because a quorum has not attended the unit owners who are present, either in person or by proxy may, except as otherwise provided by law, adjourn the meeting to a time not less than forty-eight (48) hours from the time the original meeting was called.

Section 8 Voting. At every meeting of the unit owners, each of the unit owners shall have the right to cast one vote. The votes of the unit owners representing fifty-one percent (51%) of the votes of the unit owners present and voting, in person or by proxy, shall decide any question brought before such meeting, unless the question is one upon which, by express provision of the Act, or the Declaration or of this Code of Regulations, a different vote is

required, in which case such express provision shall govern and control. The vote for any condominium unit which is owned by more than one person may be exercised by any of them present at any meeting unless any objection or protest by any other owner of such condominium unit is noted at such meeting. In the event all of the co-owners of such condominium unit who are present at any meeting of the unit owners are unable to agree on the manner in which the vote for such condominium unit shall be cast on any particular question, then such vote shall not be counted for purposes of deciding the question. In the event any condominium unit is owned by a corporation, then the vote appurtenant to such condominium unit shall be cast by a person designated in a certificate signed by the president or any vice president and attested by the secretary or an assistant secretary of such corporation and filed with the Secretary of the Association of Unit Owners at or prior to the meeting. Any such certificate shall remain valid until revoked or superseded in writing. The vote appurtenant to any condominium unit which is owned by a trust or partnership may be exercised, by any trustee or partner thereof, as the case may be, and unless any objection or protest by any other trustee or partner is noted at such meeting, the Chairman of such meeting shall have no duty to inquire as to the authority of the person casting such vote or votes. No unit owner shall be eligible to vote, either in person or by proxy, or to be elected to the Council who is shown on the books or management accounts of the Association of Unit Owners to be more than Thirty (30) days delinquent in any payment due the Association of Unit Owners. The votes thus cast shall have the value described in "EXHIBIT C".

Section 9 Proxies. A unit owner may appoint any other unit owner, his tenant, mortgagee or the Declarant or the Management Agent as his proxy. In no case may any unit owner (except the Declarant, the Management Agent or any mortgagee) cast more than one vote, by proxy in addition to his own vote. Any proxy must be in writing and must be filed with the Secretary in form approved by the Council at or before the appointed time of each meeting. Unless limited by its terms, any proxy shall continue until revoked by a written notice of revocation filed with the Secretary or by the death of the unit owner; provided, however, that no proxy is effective for a period in excess of one hundred eighty (180) days unless granted to a mortgagee or lessee of the condominium unit to which the votes are appurtenant.

Section 10 Rights of Mortgagees. The Secretary of the Association of Unit Owners shall maintain a roster of all institutional mortgagees and it shall be the duty of the Secretary to mail or otherwise cause the delivery of a notice of each annual or special meeting of the unit owners to each such institutional mortgagee, in the same manner, and subject to the same requirements and limitations as are provided in this Article for notice to the members. Any such institutional mortgagee shall be entitled to designate a representative to attend any annual or special meeting of the unit owners and such representative may participate in the discussion at any such meeting and may, upon his request made to the Chairman in advance of the meeting, address the unit owners present at any such meeting. Such representative shall have no voting rights at any such meeting. Such representative shall be entitled to copies of the minutes of all meetings of the unit owners upon request made in writing to the Secretary.

Section 11 Order of Business. The order of business at all annual meetings

of the unit owners of the Association of Unit Owners shall be as follows:

- (a) Roll call and certification of proxies.
- (b) Proof of notice of meeting or waiver of notice.
- (c) Reading and disposal of minutes of preceding meetings, if any.
- (d) Reports of officers, if any.
- (e) Reports of committees, if any.
- (f) Election or appointment of inspectors of election.
- (g) Election of Council members.
- (h) Unfinished business.
- (i) New Business.
- (j) Adjournment.

In the case of special meetings, items (a) through (d) shall be applicable and thereafter the agenda shall consist of the items specified in the notice of the meeting.

Section 12 Rules of Order and Procedure. The rules of order and all other matters of procedure at all annual and special meetings of the unit owners shall be determined by the Chairman of such meeting.

ARTICLE V

Council Members

Section 1 Number and Qualification. The affairs of the Association of Unit Owners shall be governed by a Council composed of an uneven number of at least three (3) natural persons and not more than five (5) natural persons. All of whom (after the first annual meeting of unit owners hereinabove provided for) shall be unit owners. Prior to the first annual meeting of unit owners, the number of Council Members shall be determined, from time to time, by a vote of the initial Council members hereinafter named. Thereafter, the number of Council Members shall be determined by a vote of the unit owners at the first annual meeting of unit owners and the number of Council Members may be changed by a vote of the unit owners at any subsequent annual or special meeting of the unit owners; provided, however, that (a) the limitations of this Section shall continue to apply; and (b) no such change shall operate to curtail or extend the term of any incumbent Council Member.

Section 2 Initial Council Members. The initial Council Members shall be selected by the Declarant. The names of the Council Members who shall act as such from the date upon which the Declaration is recorded among the Land Records for New Castle County, Delaware, until the first annual meeting of the unit owners are:

1. Gerald Katzoff
2. Joseph W. Hopkins
3. Alan Shankin

Section 3 Powers and Duties. The Council shall have all the powers and duties necessary for the administration of the affairs of the Association of Unit Owners and the condominium and may do all such acts and things as are not by law or by this Code of Regulations directed to be exercised and done by the unit owners. The powers and duties of the Council shall include, but not be limited to, the following:

To provide for the:

(a) care, upkeep and surveillance of the condominium and its general and limited common elements and services in a manner consistent with law and the provisions of this Code of Regulations and the Declaration; and

(b) establishment, collection, use and expenditure of assessments and carrying charges from the unit owners and for the assessment, the filing and enforcement of Statement of Condominium Liens therefore in a manner consistent with law and the provisions of this Code of Regulations and the Declaration; and

(c) designation, hiring and dismissal of the personnel necessary for the good working order of the condominium and for the proper care of the common elements and to provide services for the project in a manner consistent with law and the provisions of this Code of Regulations and the Declaration; and

(d) promulgation and enforcement of such rules and regulations and such restrictions on or requirements as may be deemed proper respecting the use, occupancy and maintenance of the condominium and the use of the general and limited common elements and as are designated to prevent unreasonable interference with the use and occupancy of the condominium and of the general and limited common elements by the unit owners and others, all of which shall be consistent with law and the provisions of this Code of Regulations and the Declaration; and

(e) authorization, in their discretion, of the payment of patronage refunds from residual receipts or common profits when and as reflected in the annual report; and

(f) to enter into agreements whereby the Association of Unit Owners acquires leaseholds, memberships and other possessory or use interests in real or personal property for the purpose of promoting the enjoyment, recreation or welfare of the unit owners and to declare expenses incurred in connection therewith to be common expenses of the Association of Unit Owners; and

(g) to purchase insurance upon the condominium in the manner provided for in this Code; and

(h) to repair, restore or reconstruct all or any part of the condominium after any casualty loss in a manner consistent with law and the provisions of this Code of Regulations and to otherwise improve the condominium; and

(i) to lease, grant licenses, easements, rights-of-way and other rights of use in all or any part of the common elements of the condominium; and

(j) to purchase condominium units in the condominium and to lease, mortgage or convey the same, subject to the provisions of this Code of Regulations and the Declaration; and

(k) to appoint the members of the Architectural and Environmental Control Committee provided for in Article X of this Code of Regulations and to appoint the members of such other committees as the Council may from time to time designate.

(1) to make, alter, amend, and repeal the Code of Regulations, subject to the right of a majority of the Unit Owners to change any such actions.

Section 4 Management Agent. The Council may employ for the Association of Unit Owners a management agent or manager (the "Management Agent") at a rate of compensation established by the Council to perform such duties and services as the Council shall from time to time authorize in writing. The Association of Unit Owners shall not undertake "self-management" or otherwise fail to employ a professional management agent or manager without the prior written approval of all of the institutional holders of all first mortgages on the condominium units in the condominium. Any management agreement entered into by the Association of Unit Owners shall provide, inter alia, that such agreement may be terminated for cause upon thirty (30) days written notice thereof. The term of any such management agreement shall not exceed one (1) year; provided, however, that the term of any such management agreement may be renewable by mutual agreement of the parties for successive one (1) year periods.

Section 5 Election and Term of Office. The term of the Council Members named herein shall expire when their successors have been elected at the first annual meeting of unit owners and are duly qualified. The election of Council Members shall be by ballot, unless balloting is dispensed with by the unanimous consent of the unit owners present at any meeting, in person or by proxy. There shall be no cumulative Voting. At the first annual meeting of the unit owners, the term of office of the council member receiving the greatest number of votes shall be fixed for three (3) years. The term of office of the Council Member receiving the second greatest number of votes shall be fixed for two (2) years and the term of office of the other Council Members, if any, shall be fixed for one (1) year. At the expiration of the initial term of office of each respective Council Member, his successor shall be elected to serve a term of three (3) years. In the alternative, the membership may, by resolution duly made and adopted at the first annual meeting of the members, or at any subsequent annual meeting, resolve to fix the term for each Council Member elected at any such meeting at one (1) year. Council Members shall hold office until their successors have been elected and hold their first regular meeting.

Section 6 Vacancies. Vacancies in the Council caused by any reason other than the removal of a Council Member by a vote of the membership shall be filled by vote of the majority of the remaining Council Members, even though they may constitute less than a quorum, and each person so elected shall be a Council Member until a successor is elected by the unit owners at the next annual meeting to serve out the unexpired portion of the term.

Section 7 Removal of Council Members. At an annual meeting of unit owners, or at any special meeting duly called for such purpose (but only at or after the first annual meeting of unit owners, as hereinabove provided for) any Council member may be removed with or without cause by the affirmative vote of the majority of the votes of the unit owners present and voting, in person or by proxy, and a successor may then and there be elected to fill the vacancy thus created. Any Council Member whose removal has been proposed by the

unit owners shall be given an opportunity to be heard at the meeting. The term of any Council Member who becomes more than sixty (60) days delinquent in payment of any assessments or carrying charges due the Association of Unit Owners may be terminated by resolution of the remaining Council Members and the remaining Council Member shall appoint his successor as provided in this Article.

Section 8 Compensation. No compensation shall be paid to Council Members for their services as Council Members. After the first annual meeting of the unit owners, no remuneration shall be paid to any Council Member who is also a unit owner for services performed by him for the Association of Unit owners in any other capacity unless a resolution authorizing such remuneration shall have been adopted by the Council before such services are undertaken. Council Members may be reimbursed for their actual out-of-pocket expenses necessarily incurred in connection with their services as Council Members.

Section 9 Organization Meeting. The first meeting of a newly elected Council shall be held within ten (10) days of election at such place as shall be fixed by the Council at the meeting at which such Council Members were elected, and no notice shall be necessary to the newly elected Council Members in order legally to constitute such meeting, provided a majority of the whole Council shall be present at such first meeting.

Section 10 Regular Meetings. Regular Meetings of the council may be held at such time and place as shall be determined from time to time, by a majority of the Council, but at least two (2) such meetings shall be held during each fiscal year. Notice of regular meetings of the Council shall be given to each Council Member personally or by mail, telephone or telegraph, at least six (6) days prior to the day named for such meeting.

Section 11 Special Meetings. Special meetings of the Council may be called by the President on three (3) days notice to each Council Member, given personally or by mail, telephone, or telegraph, which notice shall state the time, place and purpose of the meeting. Special meetings of the Council shall be called by the President or Secretary in like manner and on like notice on the written request of at least one-third (1/3) of the Council Members.

Section 12 Waiver of Notice. Before, at or after any meeting of the Council, any Council Member may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Council Member at any meeting of the Council shall be a waiver of notice by him of the time, place and purpose thereof. If all the Council Members are present at any meeting of the Council, no notice shall be required and any business may be transacted at such meeting.

Section 13 Quorum At all meetings of the Council, a majority of the Council Members shall constitute a quorum for the transaction of business, and the acts of the

majority of the Council Members present at any meeting at which a quorum is present shall be the acts of the Council. If at any meeting of the Council there be less than a quorum present, the majority of those present may adjourn the meeting from time to time. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

Section 14 Action without Meeting. Any action by the Council required or permitted to be taken at any meeting may be taken without a meeting if all of the members of the Council shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Council.

Section 15 Rights of Mortgagees. The secretary of the Association of Unit Owners shall maintain a roster of all institutional mortgagees and it shall be the duty of the Secretary to mail or otherwise cause the delivery of a notice of each regular or special meeting of the Council to each such institutional mortgagee, in the same manner and subject to the same requirements and limitations, as are otherwise provided in this Article for notice to the members of the Council. Any such institutional mortgagee shall be entitled to designate a representative to attend any regular or special meeting of the Council and such representatives may participate in the discussion at any such meeting and may, upon his request made to the Chairman in advance of the meeting, address the members of the Council present at any such meeting. Such representative shall have no voting rights at any such meeting. Such representative shall be entitled to copies of the minutes of all meetings of the Council upon request made in writing to the Secretary.

Section 16 Fidelity Bonds. The Council shall require that all officers, Council members and employees of the Association of Unit Owners regularly handling or otherwise responsible for the funds of the Association of Unit Owners shall furnish adequate fidelity bonds or equivalent insurance against acts of dishonesty in accordance with the requirements of Article XI hereof. The premiums on such bonds or insurance shall be paid by the Association of Unit Owners.

ARTICLE VI

Officers

Section 1 Designation. The principal officers of the Association of Unit Owners shall be a President, a Vice President, a Secretary, and a Treasurer, all of whom shall be elected by the Council. Prior to the first annual meeting of unit owners, the officers of the Association of Unit Owners need be officers of Declarant. Thereafter, the officers of the Association of Unit Owners need be unit owners. The Council Members may appoint an assistant secretary and an assistant treasurer and such other officers as in their judgment may be necessary. The offices of Secretary and Treasurer may be filled by the same person.

Section 2 Election of Officers. The officers of the Association of Unit Owners shall be elected annually by the Council at the organization meeting of each new Council and shall hold office at the pleasure of the Council, without compensation.

Section 3 Removal of Officers. Upon an affirmative vote of a majority of the members of the Council, any officer may be removed either with or without cause, and his successor elected at any regular meeting of the Council, or at any special meeting of the Council called for such purpose.

Section 4 President. The President shall be the chief executive officer of the Association of Unit owners. He shall preside at all meetings of the unit owners and of the Council. He shall have all of the general powers and duties which are usually vested in the office of president of a corporation, including, but not limited to, the power to appoint such committees from among the unit owners from time to time as he may, in his discretion, decide are appropriate to assist in the conduct of the affairs of the Association of Unit Owners. The President shall count the votes at all meetings of the Unit Owners.

Section 5 Vice President. The Vice President shall take the place of the President and perform his duties whenever the President shall be absent or unable to act. If neither the President nor the Vice President is able to act, the Council shall appoint some other member of the Council to do so on an interim basis. The Vice President shall also assist the President generally and shall perform such other duties as shall from time to time be delegated to him by the Council.

Section 6 Secretary. The Secretary shall keep the minutes of all meetings of the Council and the minutes of all meetings of the unit owners for the recording of the resolutions of the Association of Unit Owners. The Secretary shall give notice of all annual and special meetings of the unit owners in conformity with the requirements of this Code of Regulations. The Secretary shall have custody of the seal of the Association of Unit Owners, if any. The Secretary shall have charge of the membership transfer books and of such other books and papers as the Council may direct and he shall, in general, perform all of the duties incident to the office of Secretary.

Section 7 Treasurer. The Treasurer shall have the responsibility for funds and securities of the Association of Unit Owners and shall be responsible for keeping, or causing to be kept, full and accurate accounts of all receipts and disbursements in books belonging to the Association of Unit Owners. He shall be responsible for causing the deposit of all monies and other valuable effects in the name, and to the credit, of the Association of Unit Owners in such depositories as may from time to time be designated by the Council.

ARTICLE VII

Liability and Indemnification of Officers and Council Members

Section 1 Liability and Indemnification of Officers and Council Members.

The Association of Unit Owners shall indemnify every officer and Council Member of the Association of Unit Owners against any and all expenses, including counsel fees, reasonably incurred by or imposed upon any officer or Council Member in connection with any action, suit or other proceeding, (including the settlement of any such suit or proceeding if approved by the then Council of the Association of Unit Owners) to which he may be made a party by reason of being or having been an officer or Council member of the Association of Unit Owners, whether or not such person is an officer or Council Member of the Association of Unit Owners at the time such expenses are incurred. The officers and Council Members of the Association of Unit Owners shall not be liable to the unit owners for any mistake of judgment, negligence, or otherwise, except for their own individual willful misconduct or bad faith. The officers and Council Members of the Association of Unit Owners shall have no personal liability with respect to any contract or other commitment made by them, in good faith, on behalf of the Association of Unit Owners or the condominium (except to the extent that such officers or Council Members may also be owners of condominium units) and the Association of Unit Owners shall indemnify and forever hold each such officer and Council Member free and harmless against any and all liability to others on account of any such contract or commitment. Any right to indemnification provided for herein shall be in addition to and not exclusive of any other rights to which any officer or Council Member of the Association of Unit Owners, or former officer or Council Member of the Association of Unit Owners may be entitled.

Section 2 Common or Interested Council Members. The Council Members shall exercise their powers and duties in good faith and with a view to the interests of the Association of Unit owners and the condominium. No contract or other transaction between the Association of Unit Owners and one or more of its Council Members, or between the Association of Unit Owners and any corporation, firm or association (including the Declarant) in which one or more of the Council Members of the Association of Unit Owners are Council Members or officers or are pecuniarily or otherwise interested, is either void or voidable because such Council member or Council Members are present at the meeting of the council or any committee thereof which authorizes or approves the contract or transaction, or because his or their votes are counted for such purpose, if any of the conditions specified in any of the following subparagraphs exist:

(a) the fact of the common directorate or interest is disclosed or known to the Council or a majority thereof or noted in the minutes, and the Council authorizes, approves, or ratifies such contract or transaction in good faith by a vote sufficient for the purpose; or

(b) the fact of the common interest is disclosed or known to the unit owners, or a majority thereof, and they approve or ratify the contract or transaction in good faith by a vote sufficient for the purpose; or

(c) the contract or transaction is commercially reasonable to the Association of Unit

Owners at the time it is authorized, ratified, approved or executed. Common or interested Council Members may be counted in determining the presence of a quorum of any meeting of the Council or committee thereof which authorizes, approves or ratifies any contract or transaction, and may vote thereat to authorize any contract or transaction with like force and effect as if he were not such Council Member or officer of such other corporation or not so interested.

ARTICLE VIII

Assessments and Carrying Charges for Common Expenses

Section 1 Annual Assessments and Carrying Charges. Each unit owner shall pay to the Association of Unit Owners, in advance, a monthly sum (hereinelsewhere sometimes referred to as "assessments" or "carrying charges") equal to one-twelfth (1/12) of the unit owner's proportionate share (determined in accordance with the percentage interests in common expenses and common profits of the condominium set forth on "EXHIBIT C" attached to the Declaration or as otherwise established in the Declaration) of the sum required by the Association of Unit Owners, as estimated by its Council, to meet its annual expenses including, but in no way limited to, the following:

(a) The cost of all operating expenses of the condominium and the cost of services furnished the Association of Unit Owners for facilities and services furnished; and

(b) the cost of necessary management and administration, including fees paid to any Management Agent; and

(c) the amount of all taxes and assessments levied against the Association of Unit Owners or upon any property which it may own or which it is otherwise required to pay, if any; and

(d) the cost of fire and extended-coverage and liability insurance on the project and the cost of such other insurance as the Association of Unit Owners may effect; and

(e) the cost of furnishing water, electricity, heat, gas, garbage and trash collection and other utilities, to the extent furnished by the Association of Unit Owners; and

(f) the cost of funding contributions to the "Paid-in-Surplus" account of the Association of Unit owners and the cost of funding all reserves established by the Association of Unit Owners, including, when appropriate, a general operating reserve and a reserve for replacements; and

(g) the estimated cost of repairs, maintenance and replacements of the common elements

of the condominium to be made by the Association of Unit owners.

The Council shall determine the amount of the assessments at least annually, but may do so at more frequent intervals should circumstances so require. Upon resolution of both the Council and the unit owners representing at least fifty-one percent (51%) of the total votes of the unit owners, installments of annual assessments may be levied and collected on a quarterly semiannual or annual basis rather than on the monthly basis hereinabove provided.

The Council of the Association of Unit owners shall make reasonable efforts to fix the amount of the assessment against each condominium unit for each annual assessment period at least thirty (36) days in advance of the commencement of such period and shall, at that time, prepare a roster of the condominium units and assessments applicable thereto which shall be kept in the office of the Association of Unit owners and shall be open to inspection by the owner or mortgagee of any condominium unit, and by their respective duly authorized agents and attorneys, upon reasonable notice to the Council. Written notice of the assessments shall thereupon be sent to the unit owners. The omission of the Council, before the expiration of any annual assessment period, to fix assessments for that or the next such period shall not be deemed a waiver of modification in any respect of the provisions of this Article or a release of any unit owner from the obligation to pay the assessment, or any installment thereof, for that or any subsequent assessment period; but the assessment fixed for the preceding period shall continue until a new assessment is fixed. No unit owner may exempt himself from liability for assessments or carrying charges by a waiver of the use or enjoyment of any of the common elements or by abandonment of any condominium unit belonging to him.

Section 2 Budget. The Council, with the assistance and counsel of the Management Agent, if any, shall prepare and adopt a budget for each annual assessment period which shall include estimates of the funds required by the Association of Unit Owners to meet its annual expenses for that period. The budget herein required to be prepared and adopted by the Council shall be in a format consistent with the classification of the accounts of the Association of Unit owners, as hereinafter in this Code of Regulations provided for, and shall provide for sufficient estimates on a monthly basis, to permit comparison to and analysis of deviations from the various periodic reports of the actual results of operations and the actual financial condition of the Association of Unit Owners, on both a current basis and for prior corresponding periods, all in accordance with generally accepted accounting practices, consistently applied. Copies of the budget shall be available for examination by the unit owners and by their duly authorized agents and attorneys, and to the institutional holder of any first mortgage on any condominium unit in the condominium and by their duly authorized agents and attorneys during normal business hours for purposes reasonably related to their respective interests.

Section 3 Special Assessments. In addition to the regular assessments authorized by this Article, the Association of Unit Owners may levy, in any assessment year a special assessment or assessments, applicable to that year only, for the purpose of defraying, in whole or in part, the cost of any construction or reconstruction, unexpected repair or replacement of a described capital improvement located upon the condominium, including the necessary fixtures and personal property related thereto, or for such other purpose as the Council may

consider appropriate, provided, however, that any such special assessment shall have the assent of the unit owners representing two-thirds (2/3) of the total votes of the Association of Unit Owners. A special meeting of the unit owners shall be duly called for this purpose.

Section 4 Reserve for Replacements. The Association of Unit Owners shall establish and maintain a reserve fund for replacements by the allocation and payment monthly to such reserve fund of an amount to be designated from time to time by the Council. Such fund shall be conclusively deemed to be a common expense. Such fund shall be deposited in a special account with a lending institution the accounts of which are insured by an agency of any state or an agency of the United States of America or may, in the discretion of the Council, be invested in obligations of, or fully guaranteed as to principal by, any state or the United States of America. The reserve for replacements may be expended only for the purpose of effecting the replacement of the common elements and equipment of the condominium and for start-up costs and operating contingencies of a nonrecurring nature. The proportionate interest of any unit owner in any reserve for replacements and any other reserves established by the Association of Unit Owners shall be considered an appurtenance of his condominium and shall not be separately withdrawn, assigned or transferred or otherwise separated from the condominium unit to which it appertains and shall be deemed to be transferred with such condominium unit.

Section 5 Non-Payment of Assessments - Lien to Serve Payment. Any assessment levied pursuant to the Declaration of this Code of Regulations, By-Laws, and any installment thereof, which is not paid on the date when due shall be delinquent and shall entitle the Association of Unit Owners to claim the amount of such total annual assessment, not then paid, together with interest thereon at the maximum rate from time to time permitted by law pursuant to Section 2233 of the Act, and the actual costs of collection thereof, and such amount shall be the debt of the Unit Owner and the Association of Unit owners shall be entitled, pursuant to Section 2234 of the Act to maintain an action in assumpsit to recover such debt. Until the same are paid, all such assessments shall constitute the personal liability of the Unit Owner and shall be a charge and lien upon such Unit.

The Council may post a list of members who are delinquent in the payment of any assessment or other fees which may be due the Association of Unit Owners, including any installment thereof which becomes delinquent, in any prominent location within the condominium.

Section 6 Priority of Lien. The lien and charge established by this Code of Regulations shall have preference over any other assessments, liens, judgments or charges of whatever nature, except the following:

(a) general and special assessments for ad valorem real estate taxes on the condominium unit; and

(b) the lien of any bona-fide deed of trust, mortgage or other encumbrance duly recorded on the condominium unit prior to the docketing of an action in assumpsit to collect unpaid

assessments, or duly recorded on the condominium unit after receipt by the holder of any such mortgage (or the holder of the indebtedness or note secured thereby) of a certificate or statement in writing signed by an officer or agent of the Association of Unit Owners stating the payments on account of all assessments levied by the Association of Unit Owners against the condominium unit were current as of the date of recordation of such deed of trust, mortgage instrument or other encumbrance.

The lien and charge established in accordance with this Code and with Sections 2233 and 2234 shall be subordinate to the lien of any deed of trust, mortgage or other encumbrance duly recorded on the condominium unit and made in good faith and for value received; provided, however, that such subordination shall apply only to assessments, and installments thereof, which have become due and payable prior to a sale or transfer of the condominium unit pursuant to a foreclosure or any deed, assignment or other proceeding or arrangement in lieu of foreclosure. Any holder of any deed of trust, mortgage or other encumbrance duly recorded on the condominium unit and made in good faith and for value received who comes into possession of the condominium unit pursuant to a foreclosure or any deed, assignment or other proceeding or arrangement in lieu of foreclosure, and any other purchaser at a foreclosure sale, shall take the condominium unit free of any claims for unpaid common expense, assessments and carrying charges levied against the condominium unit which accrue prior to the time such holder comes into possession of the condominium unit or prior to the foreclosure sale, except for claims for a proportionate share of such unpaid common expense, assessments and carrying charges resulting from a reallocation of such unpaid common expense, assessments or carrying charges among all of the condominium units in the condominium. Such foreclosure, deed, assignment or other proceeding or arrangement in lieu of foreclosure shall not relieve the mortgagee in possession or the purchaser at any foreclosure sale from any liability for any common expense, assessments and carrying charges thereafter becoming due.

No amendment to this Section shall affect the rights of the holder of any such deed of trust, mortgage or other encumbrance recorded prior to the recordation of such amendment unless the holder of such deed of trust, mortgage or other encumbrance shall join in the execution of such amendment.

Section 7 Additional Rights of Mortgagees - Notice. The Association of Unit owners shall promptly notify the holder of the first mortgage on any condominium unit for which any assessment levied pursuant to the Declaration or this Code of Regulations, or any installment thereof, becomes delinquent for the period in excess of thirty (30) days and the Association of Unit Owners shall promptly notify the holder of the first mortgage on any condominium unit with respect to which any default in any provision of the Declaration or this Code of Regulations remains uncured for a period in excess of thirty (30) days following the date of such default. Any failure to give any such notice shall not affect the priorities established by this Article, the validity of any assessment levied pursuant to the Declaration or this Code of Regulations or the validity of any lien to secure the same.

No suit or other proceeding may be brought to foreclose the lien for any assessment levied pursuant to the Declaration or this Code of Regulations except after ten (10) days' written notice to the holder of the first mortgage on the condominium unit which is the subject matter of

such suit or proceeding.

Section 8 Acceleration of Installments. Upon default in the payment of any one or more monthly installments of any assessment levied pursuant to the Declaration or this code of Regulations, or any other installment thereof, the entire balance of said assessment may be accelerated at the option of the Council and be declared due and payable in full.

Section 9 Unpaid Assessments at Transfer - Assessment Certificates. Upon the voluntary sale or conveyance of a Unit, the grantee shall be jointly and severally liable with the grantor for all unpaid assessments which are a charge against the unit as of the date of the sale or conveyance, but such joint and several liability shall be without prejudice to the grantee's right to recover from the grantor the amount of any such unpaid assessments which the grantee may pay, and until any such assessments are paid, they shall continue to be a charge against the unit which may be enforced in the manner set forth above. Provided, however, that any person who shall have entered into a written agreement to purchase a unit shall be entitled to obtain a written statement from the Treasurer setting forth the amount of unpaid assessments charged against the unit and its owners, and if such statement does not reveal the full amount of the unpaid assessments as of the date it is rendered, neither the purchaser nor the unit shall be liable for the payment of an amount in excess of the unpaid assessments shown thereon. Any such excess which cannot be promptly collected from the former unit owner may be reassessed by the Association of Unit Owners as a common expense to be collected from all of the unit owners, including the purchaser, his successors and assigns.

Section 10 Additional Default. Any recorded first mortgage secured on a condominium unit in the condominium shall provide that any default by the mortgagor in the payment of any assessment levied pursuant to the Declaration or this Code of Regulations, or any installment thereof, shall likewise be a default in such mortgage (or the indebtedness or note secured thereby). Such mortgages shall also provide that, in the event of any default thereunder, the mortgagee shall have the right, at its option exercised by notice in writing to the mortgagor and the Secretary of the Association of Unit owners, to cast the votes appurtenant to the condominium unit which is security for the repayment of the mortgage debt at all meetings of the unit owners. Failure to include such provisions in any such mortgage shall not affect the validity or priority thereof and the protection extended to the holder of such mortgage (or the holder of the indebtedness or note secured thereby) by reason of the provisions of this Article shall not be altered, modified, or diminished by reason of any such failure.

ARTICLE IX

Use Restrictions

Section 1 Residential Use. Except for such temporary non-residential uses as may be permitted by the Council from time to time, all condominium units shall be used for private residential purposes exclusively. Nothing in this Section, or herein elsewhere, shall be construed to prohibit the Declarant from the use of any condominium units which the Declarant

owns for promotional or display purposes, as "model apartments", a sales office or the like, or from leasing any unit or units which the Declarant owns.

Section 2 Leasing. No portion of any condominium unit (other than the entire unit) shall be leased for any period. Any owner of any condominium unit who shall lease such unit shall, promptly following the execution of any such lease, forward a conformed copy thereof to the Council. All leases shall be in writing. Any such lease shall contain a provision to the effect that the rights of the tenant to use and occupy the condominium unit shall be subject and subordinate in all respects to the provisions of the Declaration and this Code of Regulations and to such other reasonable rules and regulations relating to the use of the common elements, or other "house rules", as the Council may from time to time promulgate and shall provide, further, that any failure by the tenant to comply with the provisions of such documents shall be a default under the lease. The provisions of this subsection shall not apply to any institutional first mortgagee of any condominium unit who comes into possession of the unit by reason of any remedies provided by law or in such mortgage or as a result of a foreclosure sale or other judicial sale or as a result of any proceeding, arrangement assignment or deed in lieu of foreclosure. No condominium unit within the condominium shall be rented for transient or hotel purposes or, without the consent of the council, for any period less than six (6) months.

Section 3 Prohibited Uses and Nuisances. Except for the activities of the Declarant and its agents in connection with the development of the condominium, and except as may be reasonable and necessary in connection with the maintenance, improvement, repair or reconstruction of any portion of the condominium by the Declarant or the Association of Unit Owners:

(a) No noxious or offensive trade or activity shall be carried on within the condominium or within any condominium unit, nor shall anything be done therein or thereon which may be or become an annoyance to the neighborhood or the other unit owners. No nuisances shall be permitted within the condominium, nor shall any use or practice be permitted which is or becomes a source of annoyance to the unit owners or which interferes with the peaceful use and possession thereof by the unit owners.

(b) There shall be no obstruction, by fencing or otherwise of any of the common elements. Nothing shall be stored upon any of the common elements, excepting those areas designated for storage of personal property by the owners of the condominium units.

(c) Nothing shall be done or maintained in any condominium unit or upon any of the common elements which will increase the rate of insurance on any condominium unit or the common elements or result in the cancellation thereof, without the prior written approval of the Council. Nothing shall be done or maintained in any condominium unit or upon the common elements which would be in violation of any law. No waste shall be committed upon any of the common elements.

(d) No structural alteration, construction, addition or removal of any condominium unit or the common elements shall be commenced or conducted except in strict accordance with the provisions of this Code of Regulations, and as further provided in Section 2214 of the Act.

(e) The maintenance, keeping, breeding, boarding and/or raising of animals, livestock, or poultry of any kind, regardless of number, shall be and is hereby prohibited within any condominium unit or upon any of the common elements, except that this shall not prohibit the keeping of a dog, cat or caged birds as domestic pets provided that they are not kept or maintained for commercial purposes or for breeding. Pets shall not be permitted upon the general common elements of the condominium unless accompanied by an adult and unless they are carried or leashed. Any unit owner who keeps or maintains any pet upon any portion of the condominium shall be deemed to have indemnified and agreed to hold the Association of Unit Owners, each of the unit owners and the Declarant and Management Agent free and harmless from any loss, claim or liability of any kind or character whatever arising by reason of keeping or maintaining such pet within the condominium. All pets shall be registered with the Council and shall otherwise be registered and inoculated as required by law. The Council shall have the right to order any person whose pet is a nuisance, to remove such pet from the premises and the council, after affording the right to a hearing to the unit owner affected, shall have the exclusive authority to declare any pet a nuisance.

(f) Except for such signs as may be posted by the Declarant or the Association of Unit Owners for promotional or marketing purposes, traffic control or the like, no signs of any character shall be erected, posted or displayed upon, in, from or about any condominium unit or the common elements without the prior consent in writing of the Council and under such conditions as they may establish. The provisions of this subsection shall not be applicable to the institutional holder of any first mortgage which comes into possession of any condominium unit be reason of any remedies provided by law or in such mortgage or as a result of a foreclosure sale or other judicial sale or other proceeding, arrangement, assignment or deed in lieu of foreclosure.

(g) Except as herein elsewhere provided, no junk vehicle or other vehicle on which current registration plates are not displayed, trailer, truck, camper, camp truck, house trailer, boat or the like shall be kept upon any of the general common elements, nor shall the repair or extraordinary maintenance of automobiles or other vehicles be carried out on any of the common elements or within or upon any condominium unit.

(h) Except as herein elsewhere provided, no part of the common elements shall be used for commercial activities of any character. This subsection shall not apply to the use of the common elements and of condominium units by the Declarant for display, marketing, promotional or sales purposes or as "model" condominium units, nor shall it be deemed to prevent or prohibit the utilization of the easement for ingress and egress declared in the Declaration.

(i) No burning of any trash and no unreasonable or unsightly accumulation or storage of litter, new or used building materials, or trash of any other kind shall be permitted within any condominium unit or upon any of the common elements. Trash and garbage containers shall not be permitted to remain in public view, except on days of collection. All refuse shall be deposited with care in containers or trash chutes designated for such purpose during such hours as may from time to time be designated by the Council.

(j) No structure of a temporary character, trailer, tent, shack, barn or other outbuilding shall be maintained upon any common elements at any time. Outdoor clothes dryers or clothes lines shall not be maintained upon any of the common elements at any time. No clothing, laundry or the like shall be hung from any part of any condominium unit or upon any of the common elements or from or upon any balcony or patio.

(k) No outside television or radio aerial or antenna, or other aerial or antenna, for reception or transmission, shall be maintained upon any condominium unit or upon any of the common elements without the prior written consent of the Council.

(l) Nothing shall be stored upon any balcony or patio, nor shall the cooking or preparation of food be permitted upon any balcony or upon any portion of the general common elements of the project, except with the consent of the Council.

(m) No unlawful use shall be made of any condominium unit or any portion of the common elements and all laws, zoning and other ordinances, regulations of governmental and other municipal bodies and the like shall be observed at all times.

(n) No unit owner shall engage or direct any employee of the Association of Unit owners or the Management Agent on any private business of the unit owner during the hours such employee is employed by the Association of Unit owners or the Management Agent nor shall any member direct, supervise or in any manner attempt to assert control over any such employee.

(o) There shall be no violation of any rules for the use of the common elements, or other "house rules", which may from time to time be adopted by the Council and promulgated among the unit owners by them in writing, and the Council is hereby authorized to adopt and promulgate such rules.

ARTICLE X

Architectural Control

Section 1 Architectural and Environmental Control Committee. Except for the construction of the condominium by the agents and any improvements to any condominium unit or to the common elements accomplished concurrently with said original construction, and except for purposes of proper maintenance and repair or as otherwise in the Act or this Code of Regulations provided, it shall be prohibited for any unit owner to install, erect,

attach, apply, paste, hinge, screw, nail, build, alter, remove or construct any lighting, shades, screenings, awnings, patio covers, decorations, fences, walls, aerials, antennas, radio or television broadcasting or receiving devices, slabs, sidewalks, curbs, gutters, patios, balconies, porches, driveways, walls or to make any change or otherwise alter (including any alteration in color) in any manner whatsoever the exterior of any condominium unit or upon any of the common elements within the project or to combine or otherwise join two or more condominium units, or to partition the same after combination or to remove or alter any window or exterior doors of any condominium unit, or to make any change or alteration within any condominium unit which will alter the structural) integrity of any building or otherwise affect the property, interest or welfare of any other unit owner, materially increase the cost of operation or insuring the condominium or impair any easement, until the complete plans and specifications, showing the location, nature, shape, change (including, without limitation any information specified by the Council or its designated committee) shall have been submitted to and approved in writing as to safety, the effect of any such alterations on the costs of maintaining and insuring the condominium and harmony of color and location in relation to the surrounding structures and topography, by the Council of the Association of Unit Owners, or by an Architectural and Environmental Control Committee designated by the Council.

Section 2 Architectural and Environmental Control Committee - Operation.

The Architectural and Environmental Control Committee shall be composed of an uneven number of three (3) or more natural persons designated from time to time by the Council of the Association of Unit owners and such persons shall serve at the pleasure of the Council. In the event the Council fails to appoint an Architectural and Environmental Control Committee, then the Council shall constitute the Committee. The affirmative vote of a majority of the members of the Architectural and Environmental Control Committee shall be required in order to adopt or promulgate any rule or regulation, or to make any finding, determination, ruling or order, or to issue any permit, consent, authorization, approval or the like pursuant to the authority contained in this Article.

Section 3 Approvals, etc. Upon approval of the Architectural and

Environmental Control Committee of any plans and specifications submitted pursuant to the provisions of this Article, a copy of such plans and specifications, as approved, shall be deposited among the permanent records of such Committee and a copy of such plans and specifications bearing such approval in writing, shall be returned to the applicant submitting the same. In the event the Architectural and Environmental Control Committee fails to approve or disapprove any plans and specifications which may be submitted to it pursuant to the provisions of this Article within sixty (60) days after such plans and specifications (and all other materials and information required by the Architectural and Environmental Control Committee) have been submitted to it in writing, then approval will not be required and this Article will be deemed to have been fully complied with.

Any unit owner aggrieved by a decision of the Committee may appeal the same to the Council by giving notice in writing to the Committee and the Council within ten (10) days of the rendering of such decision. The Council shall, within thirty (30) days after receipt of such notice of appeal convene a meeting and consider all evidence presented to the Committee and may

affirm, reverse or remove the decision of the Committee.

Section 4 Limitations. Construction or alterations in accordance with plans and specifications approved by the Architectural and Environmental Control Committee pursuant to the provisions of this Article shall be commenced within six (6) months following the date upon which the same are approved by the Architectural and Environmental Control Committee (whether by affirmative action or by forbearance from action, as in Section 3 of this Article provided), and shall be substantially completed within twelve (12) months following the date of commencement, or within such longer period as the Architectural and Environmental Control Committee shall specify in its approval. In the event construction is not commenced within the period aforesaid, then approval of the plans and specifications by the Architectural and Environmental Control Committee shall be conclusively deemed to have lapsed and compliance with the provisions of this Article shall again be required. There shall be no deviations from plans and specifications approved by the Architectural and Environmental Control Committee without the prior consent in writing of the Architectural and Environmental Control Committee. Approval of any particular plans and specifications or design shall not be construed as a waiver of the right of the Architectural and Environmental Control Committee to disapprove such plans and specifications, or any elements or features thereof, in the event such plans and specifications are subsequently submitted for use in any other instance.

Section 5 Certificate of Compliance. Upon the completion of any construction or alteration or other improvements or structure in accordance with plans and specifications approved by the Architectural and Environmental Control Committee in accordance with the provisions of this Article, the Architectural and Environmental Control Committee shall, at the request of the owner thereof, issue a certificate of compliance which shall be prima-facie evidence that such construction, alteration or other improvements referenced in such certificate have been approved by the Architectural and Environmental Control Committee and constructed or installed in full compliance with the provisions of this Article and with such other provisions and requirements of this Code of Regulations as may be applicable.

Section 6 Rules and Regulations, etc. The Architectural and Environmental Control Committee may from time to time adopt and promulgate such rules and regulations regarding the form and content of plans and specifications to be submitted for approval and may publish such statements of policy, standards, guidelines and establish such criteria relative to architectural styles or details, or other related matters, as it may consider necessary or appropriate. No such rules, regulations, statements criteria or the like shall be construed as a waiver of the provisions of this Article or any other provision or requirement of these By-Laws. The Architectural and Environmental Control Committee may charge and collect a reasonable fee for the examination of any plans and specifications submitted for approval pursuant to the provisions of this Article. The decisions of the Architectural and Environmental control Committee shall be final except that any unit owner who is aggrieved by any action or forbearance from action by the Architectural and Environmental Control Committee may appeal the decision of the Architectural and Environmental Control Committee to the Council of the

Association of unit Owners and, upon the request of such unit owner, shall be entitled to a hearing before the Council.

Section 7 Additions, Alterations or Improvements by Council. Except in cases of bona fide emergencies involving manifest danger to life, safety or property, or the interruption of essential services to the condominium, whenever in the judgment of the Council the common elements of the condominium shall require additions, alterations or improvements requiring the expenditure of funds of the Association of Unit Owners in excess of Twenty-five Thousand and * * No/100 Dollars (\$25,000.00), such additions, alterations or improvements shall not be made until the same shall have been approved by (a) unit owners representing a majority of the total votes of the Association of Unit Owners at a meeting of the unit owners duly called for such purpose, and (b) the institutional holder of any mortgages or other obligations secured by any condominium unit or units in the aggregate principal sum of more than \$150,000.00 which approval shall be in writing.

ARTICLE XI

Insurance

Section 1 Insurance. The Council of the Association of Unit Owners shall obtain and maintain to the extent reasonably available, at least the following:

(a) casualty or physical damage insurance in an amount equal to the full replacement value (i.e. 100% of "replacement cost" exclusive of land, foundation and excavation) of the condominium (including all building service equipment and the like) with an "Agreed Amount Endorsement" or its equivalent, a "Demolition Endorsement" or its equivalent, an "Increased Cost of Construction Endorsement" or its equivalent, a "Condominium Replacement Cost Endorsement" or its equivalent, and a "Contingent Liability from Operation of Building Laws Endorsement" or its equivalent, without deduction or allowance for depreciation, as determined annually by the Council with the assistance of the insurance company affording such coverage, such coverage to afford protection against at least:

- (i) loss or damage by fire and other hazards covered by the standard extended coverage endorsement; and
- (ii) such other risks as shall customarily be covered with respect to project similar in construction, location and use, including, but not limited to, sprinkler leakage, debris removal, cost of demolition, vandalism, malicious mischief, windstorm, water damage, boiler and machinery explosion or damage, and such other insurance as the Council may from time to time determine; and

(b) public liability insurance with a "Severability of Interest Endorsement" or its equivalent in such amounts and in such forms as may be considered appropriate by the Council (but not less than One Million and * * No/100 Dollars (\$1,000,000.00) covering all claims for bodily injuries and/or property damage arising out of a single occurrence) including, but not limited to, legal liability, hired automobile liability, non-owned automobile liability, liability for property of others, and such other risks as shall customarily be covered with respect to projects similar in construction, location and use, including any and all other liability incident to the ownership and use of the condominium or any portion thereof.

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

(d) if reasonably available, a "Legal Expense Indemnity Endorsement, or its equivalent, affording protection for the officers and Council Members of the Association of Unit Owners for expenses and fees incurred by any of them in defending any suit or settling any claim, judgment or cause of action to which any such officer or Council Member shall have been made a party by reason of his or her services as such, and

(e) such other policies of insurance, including insurance for other risks of a similar or dissimilar nature and fidelity coverage if required by Section 16 of Article V hereof, as are or shall hereafter be considered appropriate by the Council. The Council shall maintain adequate fidelity coverage to protect against dishonest acts on the part of officers and Council Members of the Association of Unit Owners, trustees for the Association of Unit Owners and such employees and agents of the Association of Unit Owners who handle or are responsible for the handling of funds of the Association of Unit Owners. Such fidelity coverage shall meet the following requirements:

- (i) all such fidelity bonds and policies of insurance shall name the Association of Unit Owners as obligee or named insured, as the circumstances may require; and
- (ii) all such fidelity bonds and policies of insurance shall be written in an amount equal to at least one hundred fifty percent (150%) of the estimated annual operating budget of the condominium, including reserves, and
- (iii) all such fidelity bonds and policies of insurance shall contain waivers of any defense based upon the exclusion of persons who serve without compensation from any definition of "employee" or similar expression; and
- (iv) all such fidelity bonds and insurance shall provide that they may not be canceled or substantially modified (including cancellation for non-payment of premium) without at least thirty (30) days prior written notice to any and all

obligees and insureds named thereon and to any mortgagee of any condominium unit who requests such notice in writing.

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

(a) all policies shall be written or reinsured with a company or companies licensed to do business in Delaware and holding a rating of "Class VII" or better in the current edition of Best's Insurance Guide.

(b) exclusive authority to negotiate losses under said policies shall be vested in the Council of the Association of Unit Owners, as a trustee for the owners of the condominium units or its authorized representative, including any trustee with which the Association of Unit Owners may enter into any Insurance Trust Agreement, or any successor trustee.

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

(d) such policies shall contain no provision relieving the insurer from liability because of loss occurring while the hazard is increased in the building, whether or not within the control or knowledge of the Council and shall contain no provision relieving the insurer from liability by reason of any breach of warranty or condition caused by the Council or any owner of any condominium unit, or their respective agent, employees, tenants, mortgagees or invitee's or by reason of any act of neglect or negligence on the part of any of them.

(e) all policies shall provide that such policies may not be canceled or substantially modified (including cancellation for non-payment of premium) without at least thirty (30) days prior written notice to any and all insured's named thereon, including any and all mortgagees of the condominium units.

(f) all policies of casualty insurance shall provide that, notwithstanding any provisions thereof which give the carrier the right to elect to restore damage in lieu of making a cash settlement, such option shall not be exercisable without the prior written approval of the Council.

(g) all policies shall contain a waiver of subrogation by the insurer as to any and all claims against the Association of Unit Owners, the Council, the owner of any condominium unit and their respective agent, employees or tenants, and of any defenses based upon co-insurance or invalidity arising from the acts of, the insured.

(h) all policies of casualty insurance shall contain the standard mortgagee clause except that any loss or losses payable to named mortgagees shall be payable in the manner set forth in

Article XII hereof. Such mortgagee clause shall provide for notice in writing to the mortgagee of any loss paid as aforesaid.

Section 3 Endorsements, etc. The Council, at the request of any owner of any condominium unit in the condominium or at the request of the mortgagee of any such condominium unit, shall promptly obtain and forward to such owner or mortgagee (a) an endorsement to any of the policies aforementioned in this Article showing the interest of such unit owner or mortgagee as it may appear; and (b) certificates of insurance relating to any of such policies; and (c) copies of any such policies, duly certified by the insurer or its duly authorized agent.

ARTICLE XII

Casualty Damage - Reconstruction or Repair

Section 1 Use of Insurance Proceeds. In the event of damage or destruction to the common elements by fire or other casualty, the same shall be promptly repaired or reconstructed in substantial conformity with the original plans and specifications for the condominium with the proceeds of insurance available for that purpose, if any. However, this Article is subject to the provisions of Section 2239 of the Act.

Section 2 Proceeds Insufficient. In the event that the proceeds of insurance are not sufficient to repair damage or destruction by fire or other casualty, or in the event such damage or destruction is caused by any casualty not insured against, then the repair or reconstruction of the damage shall be accomplished promptly by the Association of Unit Owners at its common expense, pursuant and subject to such conditions and subject to such controls as the mortgagee, who holds mortgages or the greatest number of units, may require. The ratable share of the expense of such repairs or reconstruction may be assessed as provided for in Article VIII of this Code of Regulations.

ARTICLE XIII

Fiscal Management

Section 1 Fiscal Year. The fiscal year of the Association of Unit Owners shall begin on the first day of January every year, except for the first fiscal year of the Association of Unit Owners which shall begin at the date of recordation of the Declaration among the Land Records for the jurisdiction where the Declaration was originally recorded. The commencement date of the fiscal year herein established shall be subject to change by the Council should the practice of the Association of Unit Owners subsequently dictate.

Section 2 Principal Office - Change of Same. The principal office of the Association of Unit Owners shall be as set forth in Article I of this Code of Regulations. The Council by appropriate resolution, shall have the authority to change the location of the principal

office of the Association of Unit Owners from time to time; provided, however, that no such change shall become effective until a certificate evidencing such change shall have been made by the Secretary or any Assistant Secretary of the Association of Unit Owners and recorded, in the name of the Association of Unit Owners, among the Land Records for New Castle County, Delaware.

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

- (a) "Current Operations" which shall involve the control of actual expenses of the Association of Unit Owners, including reasonable allowances for necessary contingencies and working capital funds in relation to the assessments and expenses herein elsewhere provided for; and
- (b) "Reserves for Deferred Maintenance" which shall involve the control of monthly funding and maintenance of such deferred maintenance costs and reserves as are approved by the Council from time to time; and
- (c) "Reserves for Replacement" which shall involve the control of such reserves for replacement as are provided for in this Code and as may from time to time be approved by the Council; and
- (d) "Other Reserves" which shall involve the control over funding and charges against any other reserve funds which may from time to time be approved by the Council; and
- (e) "Investments" which shall involve the control over investment of reserve funds and such other funds as may be deemed suitable for investment on a temporary basis by the Council; and
- (f) "Betterments" which shall involve the control over funds to be used for the purpose of defraying the cost of any construction or reconstruction, unanticipated repair or replacement of a described capital improvement and for expenditures for additional capital improvements or personal property made or acquired by the Association of Unit owners with the approval of the Council.

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

Section 5 Inspection of Books. The books and accounts of the Association of Unit Owners, vouchers accrediting the entries made thereupon and all other records maintained by the Association of Unit Owners shall be available for examination by the unit owners and their duly authorized agents or attorneys, and to the institutional holder of any first mortgage on any condominium unit and its duly authorized agents or attorneys during normal business hours and for purposes reasonably related to their respective interests and after reasonable notice.

Section 6 Execution of Corporate Documents. With the prior authorization of the Council, all notes and contracts shall be executed on behalf of the Association of Unit Owners by either the President or a Vice President, and all checks shall be executed on behalf of the Association of Unit owners by such officers, agents or other persons as are from time to time so authorized by the Council.

Section 7 Seal. The Council may but need not provide a suitable corporate seal containing the name of the Association of Unit Owners, which seal shall be in the charge of the Secretary if so directed by the Council, a duplicate seal may be kept and used by the Treasurer or any assistant secretary or assistant treasurer.

ARTICLE XIV Physical Management

Section 1 Management and Common Expenses. The Association of Unit Owners, acting by and through its Council, shall manage, operate and maintain the condominium and, for the benefit of the condominium units and the unit owners, shall enforce the provisions hereof and shall pay out of the common expense fund herein elsewhere provided for the cost of managing, operating and maintaining the condominium, including, without limitation, the following:

(a) the cost of providing water, sewer, garbage and trash collection and electrical, gas and other necessary utility services for the common elements and, to the extent that the same are not separately metered or billed to each condominium unit, for the condominium units; and

(b) the cost of fire and extended liability insurance on the condominium and the cost of

such other insurance as the Association of Unit Owners may effect; and

(c) the cost of the services of a person or firm to manage the project to the extent deemed advisable by the Association of Unit Owners consistent with the provision hereof, together with the services of such other personnel as the Council of the Association of Unit owners shall consider necessary for the operation of the condominium; and

(d) the cost of providing such legal and accounting services as may be considered necessary by the Council for the operation of the condominium, and

(e) the cost of repairs, maintenance, service and replacement of the common elements of the condominium, including, without limitation, the cost of painting, maintaining, replacing repairing and landscaping the common elements and such furnishings and equipment for the common elements as the Council shall determine are necessary and proper; provided, however, that nothing herein contained shall require the Association of Unit Owners to repair, replace, or otherwise maintain the interior of any condominium unit or any fixtures, appliances, equipment of the like located therein; and

(f) the cost of any and all other materials, supplies, labor, services, maintenance, repairs, taxes, assessments or the like, which the Association of Unit Owners is required to secure or pay for by law or otherwise, or which in the discretion of the Council shall be necessary or proper for the operation of the condominium; provided, however, that if any of the aforementioned are provided or paid for the specific benefit of a particular condominium unit or units, the cost thereof shall be specially assessed to the owner or owners thereof in the manner provided in this Article; and

(g) the cost of the maintenance or repair of the condominium unit in the event such maintenance or repair is reasonably necessary in the discretion of the Council to protect the common elements or to preserve the appearance or value of the condominium, or is otherwise in the interest of the general welfare of all of the unit owners; provided, however, that, except in cases involving emergencies or manifest danger to safety of person or property, no such maintenance or repair shall be undertaken without a resolution by the Council and not without reasonable written notice to the owner of the condominium unit proposed to be maintained and, provided further, that the cost thereof shall be assessed against the condominium unit for which such maintenance or repair is performed and, when so assessed, a statement for the amount thereof shall be rendered promptly to the then owner of said condominium unit at which time the assessment shall become due and payable and a continuing obligation of said unit owner in all respects as provided in Article VIII of this Code of Regulations; and

(h) any amounts necessary to discharge any lien or encumbrance levied against the condominium, or any portion thereof, which may, in the opinion of the Council, constitute a lien against any of the common elements rather than the interest of the owner of any individual condominium unit.

Section 2 Association of Unit Owners as Attorney-in-Fact. The Association of Unit Owners is hereby irrevocably appointed as attorney-in-fact for the owners of all of the condominium units in the condominium, and for each of them, to manage control and deal with the interests of such unit owners in the common elements of the condominium so as to permit the Association of Unit Owners to fulfill all of its powers, functions and duties under the provisions of the Act, the Declaration and the Code of Regulations, and to exercise all of its rights thereunder and to deal with the condominium upon its destruction and the proceeds of any insurance indemnity, as herein elsewhere provided. The foregoing shall be deemed to be a power of attorney coupled with an interest and the acceptance by any person or entity of any interest in any condominium unit shall constitute an irrevocable appointment of the Association of Unit Owners as attorney-in-fact as aforesaid.

Section 3 Management Agent. The Association of Unit Owners may by contract in writing delegate any of its ministerial duties, powers or functions to the Management Agent. The Association of Unit owners and the Council shall not be liable for any omission or improper exercise by the Management Agent of any such duty, power or function so delegated.

Section 4 Duty to Maintain. Except for maintenance requirements herein imposed upon the Association of Unit Owners, the owner of any condominium unit shall, at his own expense, maintain his condominium unit and any and all equipment, appliances or fixtures therein situate, and its other appurtenances (including, without limitation, any balcony, terrace, fenced area, courtyard, patio or the like appurtenant to such condominium unit and designated herein or in the Declaration or the Condominium Plan as a "limited common element" reserved for exclusive use by the owner of that particular condominium unit, and including all mechanical equipment and appurtenances located outside such unit which are designed, designated or installed to serve only that unit), in good order, condition and repair, free and clear of ice and snow, and in a clean and sanitary condition, and shall do all redecorating, painting and the like which may at any time be necessary to maintain the good appearance of his condominium unit. In addition to the foregoing, the owner of any condominium unit shall, at his own expense, maintain, repair, replace any plumbing and electrical fixtures, water heaters, fireplaces, plenums, heating and air conditioning equipment, lighting, fixtures, refrigerators, freezers, trash compactors, dishwashers, clothes washers, clothes dryers, disposals, ranges, range hoods, and other equipment that may be in or declared to be appurtenant to such condominium unit. The owner of any condominium unit shall also, at his own expense, keep any other limited common elements which may be appurtenant to such condominium unit and reserved for his exclusive use in a clean, orderly and sanitary condition.

Section 5 Windows and Doors. The owner of any condominium unit shall, at his own expense, clean and maintain both the interior and exterior surfaces of all windows of such condominium unit and shall, at his own expense, clean and maintain both the interior and exterior surfaces of all entry doors of the condominium unit, including the interior and exterior surfaces of any door leading to any balcony, deck, terrace, fenced area, courtyard,

patio or the like appurtenant to such condominium unit and designated herein or in the Declaration or the Declaration Plan as a limited common element reserved for the exclusive use of the owner of that particular condominium unit. Notwithstanding the provisions of this Section, the Council may resolve to clean the exterior surfaces of all windows in the condominium at common expense in accordance with a schedule to be determined by the Council.

Section 6 Access at Reasonable Times. The Association of Unit Owners shall have an irrevocable right and an easement to enter condominium units for the purpose of making repairs to the common elements when the repairs reasonably appear necessary for public safety or to prevent damage to other portions of the condominium. Except in cases involving manifest damage to public safety or property, the Association of Unit Owners shall make a reasonable effort to give notice to the owner of any condominium unit to be entered for the purpose of such repairs. No entry by the Association of Unit Owners for the purpose specified in this Section may be considered a trespass.

Section 7 Easement for Utilities and Related Purposes. The Association of Unit owners is authorized and empowered to grant such licenses, easements and rights-of-way for sewer lines, water lines, electrical cables, telephone cables, gas lines, storm drains, overhead or underground conduits and such other purposes related to the provision of public utilities to the condominium as may be considered necessary and appropriate by the Council for the orderly maintenance, preservation and enjoyment of the common elements or for the preservation of the health safety, convenience and welfare of the owners of the condominium units or the Declarant.

Section 8 Limitation of Liability. The Association of Unit Owners shall not be liable for any failure of water supply or other services to be obtained by the Association of Unit Owners or paid for out of the common expense funds, or for injury or damage to person or property caused by the elements or resulting from electricity, water, snow or ice which may leak or flow from any portion of the common elements or from any wire, pipe, drain, conduit, appliance or equipment. The Association of Unit Owners shall not be liable to the owner of any condominium unit for loss or damage, by theft or otherwise, of articles which may be stored upon any of the common elements. No diminution or abatement of common expense assessments, as herein elsewhere provided, shall be claimed or allowed for inconvenience or discomfort arising from the making of repairs or improvements to the common elements, or to any condominium unit, or from any action taken by the Association of Unit owners to comply with any law or ordinance or with the order or directive of any municipal or other governmental authority.

ARTICLE XV

Parking

Section 1 General Requirements. All parking areas within the condominium shall be considered part of the common elements. Parking in the general common element area may be regulated by the Council. No unit owner shall make use of any limited common element parking space other than the space or spaces designated as that Unit Owner's limited common element parking space or spaces and for his exclusive use on the Declaration Plan, without the express written consent of the unit owner to whom such space belongs, nor shall any unit owner invite, encourage or permit the use by his guests of limited common element parking spaces belonging to condominium units, other than his own. No vehicle belonging to any unit owner, or to any guest or employee of any unit owner, shall be parked in a manner which unreasonably interferes with or impedes ready vehicular access to any parking space belonging to any other unit owner. Nothing shall be stored upon any parking space nor shall the same be permitted to accumulate trash or debris. General common element parking spaces are to be used by guests.

Each unit owner shall comply in all respects with such supplementary rules and regulations which are not inconsistent with the provisions hereof which the Council may from time to time adopt and promulgate with respect to parking and traffic control within the condominium and the Council is hereby, and elsewhere in this Code of Regulations authorized to adopt such rules and regulations.

ARTICLE XVI

Amendment

Section 1 Amendments. This Code of Regulations may be amended by the affirmative vote of unit owners representing seventy-five percent (75%) of the total votes of the Association of Unit Owners, at any meeting of the unit owners duly called for such purpose, in accordance with the provisions and requirement of this Code of Regulations and the Act. Any amendment to this Code of Regulations shall be effective only upon the recordation of such amendment among the Land Records for New Castle County, Delaware, together with a certificate in writing of the President of the Association of Unit Owners stating that the amendment was approved as aforesaid, or by the Council under Article V Section 3(1) of this Code of Regulations.

Section 2 Proposal of Amendments. In addition to the Council's powers under Article V, Section 3 (1) of this Code of Regulations, amendments under Section I above to this Code of Regulation's may be proposed by the Council of the Association of Unit Owners or by petition signed by unit owners representing at least twenty-five percent (25%) of the total

votes of the Association of Unit Owners, which petition shall be delivered, to the Secretary. A description of any proposed amendment shall accompany the notice of any annual or special meeting of the unit owners at which such proposed amendment is to be considered and given to vote.

EXHIBIT C

Each unit in BEACON HILL TOWNHOMES CONDOMINIUM shall be possessed of and have appurtenant to it a percentage interest in the Common Elements of the condominium equal to 1.38899%

Common expenses and common profits shall be allocated among the units in accordance with such percentage.

Each unit shall cast one vote in the governance of the affairs of BEACON HILL TOWNHOMES CONDOMINIUM, and each vote shall have the value of 1.3889% in accordance with the provisions of Section 2217 of the Act.

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REC'D FOR RECORD AUG 13 1979 REG. J. DUGAN, Jr. Recorder